A New Vision
TOWARDS SUSTAINABILITY
A New Vision Towards Sustainability

The theme A New Vision Towards Sustainability reflected on the cover of this report tells the story of our evolution that had led to our new vision which was established with a sustainable future in mind. The all-encompassing vision and mission statement along with our values include both our aspirations and expectations in our investment strategies and pension services operations. The integration of these two significant role of KWAP will now build the foundation of our organisation as we move one step closer towards becoming a full-fledged pension fund of the future.

5 – 15, Februari, 2007
A. SAMAD SAID
VISION
The trusted retirement fund that supports nation building by innovatively delivering sustainable benefits

MISSION
Optimise investment returns and deliver excellent services by adopting best practices in meeting key stakeholders’ commitments

VALUES
Leadership
Excellence & Achievement
Teamwork
Stakeholder Orientation
Accountability
Continuous Learning & Innovation
Integrity

TOWARDS SUSTAINABILITY
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**CORPORATE PROFILE**

The Pensions Trust Fund Act 1991 (Act 454) was enacted to assist the Federal Government in funding its pension liability. With the enactment of this Act, the Pensions Trust Fund was established on 1 June 1991 with a launching grant of RM500 million from the Federal Government. The Pensions Trust Fund was administered by the Pensions Trust Fund Council.

On 1 March 2007, KWAP was established under the Retirement Fund Act 2007 (Act 662) replacing the repealed Pensions Trust Fund Act 1991 (Act 454). With the incorporation of KWAP, all powers, functions, activities, assets, and liabilities of the Pensions Trust Fund were taken over in totality by KWAP.

**AIM**
To assist the Federal Government in applying the Retirement Fund (the Fund) towards the cost of payment of any pension, gratuity, or other benefits under any written law for officers of the public services and employees of Statutory Bodies and Local Authorities, as shall be authorised by the Minister of Finance.

**OBJECTIVE**
To manage the Fund towards achieving optimum returns on investments. Income generated by the Fund will be utilised to assist the Federal Government in financing the country’s pension liability.

**FUNCTION**
The functions of KWAP are as follows:

- Management of contributions from the Federal Government, Statutory Bodies, Local Authorities and other Agencies;
- Administration, management, and investment of the Fund in equity, fixed income securities, money market instruments, and other forms of investments as permitted under the Retirement Fund Act 2007 (Act 662); and
- Management and payment of pension.

KWAP’s roles in the context of pensionable civil service are as follows:

**MANAGE CONTRIBUTIONS**
The Federal Government contributes 5% of the total annual budgeted emolument of the Federal Government employees while statutory bodies, local authorities, and agencies contribute 17.50% of the basic salaries of their pensionable employees respectively to KWAP on a monthly basis.

**SET INVESTMENT POLICY AND GUIDELINES (IPG)**
The Investment Panel and the Board are responsible to approve and review periodically, KWAP’s Investment Policies and Guidelines (IPG) which governs KWAP’s investment activities.

**INVESTMENT MANAGEMENT AND MONITORING**
The Fund invests in asset classes in accordance with KWAP’s Strategic Asset Allocation (SAA) and with the IPG as approved by the Investment Panel and the Board. The investment activities of the Fund are carried out by a team of competent and experienced investment professionals. The status and performance of the Fund are reported monthly to the Investment Panel and the Board. The performance analysis includes relative performance against benchmark indices as well as absolute target return for each of the asset classes.

**PENSION MANAGEMENT AND PAYMENT**
Act as an agent of the Federal Government for the purpose of pension payment, gratuity, or other benefits granted under any written law from the consolidated Fund, in such manner as may be agreed between the Federal Government and KWAP.
**VISION**

The trusted retirement fund that supports nation building by innovatively delivering sustainable benefits.

**MISSION**

Optimise investment returns and deliver excellent services by adopting best practices in meeting key stakeholders’ commitments.

**VALUES**

- **LEADERSHIP**
  An ability to lead oneself and lead others in order to continuously improve.

- **EXCELLENCE & ACHIEVEMENT**
  Achievement that is attained through excellence.

- **TEAMWORK**
  Working together to provide efficient and effective outcomes for each stakeholder.

- **STAKEHOLDER ORIENTATION**
  A focus on all our stakeholders.

- **ACCOUNTABILITY**
  Taking responsibility for our actions.

- **CONTINUOUS LEARNING & INNOVATION**
  To be innovative and constantly learn from our challenges and our achievements.

- **INTEGRITY**
  An expected internal trait of strong morals and principles.
# CORPORATE PROFILE

## KWAP IN MALAYSIA’S PENSION SYSTEM

<table>
<thead>
<tr>
<th>Policy Setting</th>
<th>Member Contribution Collection</th>
<th>Investment Policy &amp; Guidelines</th>
<th>Investment Management</th>
<th>Members Administration</th>
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<td>Set policy for pension/provident fund</td>
<td>Manage collection of individual members’ contributions</td>
<td>Set investment policy and monitor performance</td>
<td>Execute investments management</td>
<td>Manage members’ accounts</td>
<td>Manage financial administration and payment</td>
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<tr>
<th>Pensionable Civil Service</th>
<th>Treasury</th>
<th>PSD</th>
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| Treasury                  | • Financial impact calculation  
                           • Approves policies EPU  
                           • Develop & review policy |
| PSD                       | Develops and reviews policy |

<table>
<thead>
<tr>
<th>Armed Forces</th>
<th>MINDEF</th>
<th>LTAT</th>
<th>Veterans Affairs (MINDEF)</th>
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| MINDEF       | Develops and reviews policy | • Collection of contribution from armed forces personnel and the Government  
                           • Calculation of LTAT refund to KWAP |
| LTAT         | • Disbursement of withdrawals  
                           • Transfers of refunds to KWAP |
| Veterans Affairs (MINDEF) | • Communicates with retirees  
                           • Benefits calculation  
                           • Communication with active members  
                           • Administration of members account balance |

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<thead>
<tr>
<th>Private Sector and Non-pensionable Civil Service</th>
<th>EPF</th>
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<tr>
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<td>Provides policy input</td>
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**Legend:**  
**Treasury**: Treasury, Ministry of Finance  
**PSD**: Public Services Department  
**MINDEF**: Ministry of Defence  
**LTAT**: Armed Forces Fund Board  
**EPF**: Employees Provident Fund  
**KWAP**: Ker咽喉 Announcement Plans
STAKEHOLDERS

- Incorporated on 1 March 2007
- Introduced Balanced Scorecard to create a performance driven culture
- Formulated core values

OPERATIONAL

- Relocated to new office in Kuala Lumpur
- Developed key policies or procedures such as Board Charter, Financial Procedures, and Investment Policy and Guidelines

LEARNING & GROWTH

- Launched Leadership Series, Golden Hour Series, and corporate website

STAKEHOLDERS

- Redefined core values and formulated vision and mission

OPERATIONAL

- Formulated Strategic Asset Allocation
- Rolled out a transformation programme which entailed the implementation of 20 initiatives aimed at enhancing organisational management, risk, and investment management practices
- Established Risk Management and Compliance Department to spearhead the inculcation of strong risk management culture within the organisation
- Implemented Human Resource Information System

LEARNING & GROWTH

- Collaborated with selected rural school as first Corporate Social Responsibility (CSR) initiative

STAKEHOLDERS

- Collaborated with Ministry of Finance and Public Services Department in undertaking Pension Liability Study with the aim of establishing options available for KWAP to assist the Federal Government in funding its pension liability

OPERATIONAL

- Completed the new trading room benchmarked against other asset management houses, which was launched by the Minister of Finance II, Dato’ Seri Ahmad Husni bin Mohamad Hanadzlah
- Held dialogue sessions with the Securities Commission and Bursa Malaysia on corporate governance and issues related to equity and fixed income markets
- Adopted new operating model for Equity and Fixed Income Departments
- Set up Portfolio Strategy Department to track and monitor the implementation of the Strategic Asset Allocation Transition Masterplan
- Established Risk Management and Compliance Department to spearhead the inculcation of strong risk management culture within the organisation
- Implemented Human Resource Information System
- Collaborated with selected rural school as first Corporate Social Responsibility (CSR) initiative
- Initiated and developed Integrated Fund Investment Management System (IFIMS)
- Implemented Business Continuity Management Framework
- Implemented Operational Risk Event (ORE) reporting
- Established Investment Settlement Department and Custodian Department to enhance segregation of duties and internal controls
MILESTONES 2007 - 2016

LEARNING & GROWTH
- Initiated regular contribution of articles to a major business publication to promote greater understanding of investment related subjects as part of CSR
- Initiated annual Financial Planning for Retirement Seminar for Government employees approaching retirement age as part of CSR
- Introduced Certified Financial Analyst (CFA) Financial Assistance Scheme for investment employees

OPERATIONAL
- Secured Sovereign Immunity Exemption from UK Tax Authority
- Operationalised global custodian function to facilitate international investments by external and internal managers
- Established Whistle Blowing Policy
- Established Strategic Risk Management Framework
- Established Credit Manual to govern fixed income credit evaluation process
- Implemented KWAP’s Corporate Governance: Principles and Voting Guidelines

OPERATIONAL
- Outsourced global custodian services
- Developed Internal Credit Rating Scoring Model
- Implemented Enterprise Risk Management System
- Developed Business Continuity Plan and tested Disaster Recovery Plan

LEARNING & GROWTH
- Hosted the 2011 Asian Pension Fund Roundtable organised by Pacific Pension Institute with 2 KWAP representatives participated as speakers
- 3 employee development programmes implemented namely Talent Exchange Programme, Individual Development Plan and Performance Improvement Programme

STAKEHOLDERS
- The Cabinet approved the proposed role of KWAP in assisting the Federal Government funding its pension liability
- First announcement of financial results and launch of new website by the Minister of Finance II, Dato’ Seri Ahmad Husni bin Mohamad Hanadzlah

STAKEHOLDERS
- Post Cabinet review and conducted discussions with the Ministry of Finance and Public Services Department on the implementation of Cabinet’s decisions on the approved role of KWAP to assist the Federal Government in funding its pension liability

FINANCIAL
- Expanded investment in global sukuk
- Acquired second international property in Sydney, Australia
- Subscribed to the first Islamic foreign denominated currency bond and hedged it via Islamic cross currency swap

FINANCIAL
- Expanded international investments and outsourced to external fund managers to manage international equity and fixed income
- Acquired first international property in Melbourne, Australia

OTHER ACHIEVEMENTS
- KWAP CEO, Dato’ Azian binti Mohd Noh named as 25 Most Influential Women in Asset Management in the Asia-Pacific Region by the AsianInvestor
- Internal fund manager, Mohamed Izwan Moriff bin Mohamed Shariff, nominated as one of the most astute investors in Malaysian Ringgit Bonds 2011 by The Asset Benchmark Research
MILESTONES 2007 - 2016

YEAR 2012

FINANCIAL
- Invested RM1.5 billion in Perpetual Sukuk, first issuance in the world
- International investments increased to 6.58% exceeding 6% target
- Acquired first property in London, UK

OPERATIONAL
- Operationalised Prima Ekuiti (UK) Limited for investment in UK equity market
- Expanded internal equity investment for Asia Pacific ex Japan
- Obtained ISO 9001:2008 certification for domestic fixed income and international property
- Completed the development of Integrated Contribution Management System (ICMS)
- Completed the development of Risk Performance Strategy System (RPSS)

LEARNING & GROWTH
- Rolled out Employee Education Assistance Scheme
- Conducted e-learning programme with World Bank
- Senior management participated as speaker at the International Data Corporation’s ASEAN Security Conference and 4th Annual Southeast Asia Institutional Investment Forum
- Participated as a member for the Corporate Governance Working Committee, along side Employees Provident Fund (EPF), Khazanah Nasional Berhad, Permodalan Nasional Berhad (PNB), and Lembaga Tabung Angkatan Tentera (LTAT)

YEAR 2013

STAKEHOLDERS
- Initiated works for proposed takeover of Post Service Division, Public Services Department
- Engaged with Ministry of Finance to address the sustainability of Government’s contributions to KWAP

FINANCIAL
- International asset allocation increased to 9.45%
- Invested in 4 international private equity funds
- Purchased 3 properties abroad, 1 in UK and 2 in Australia
- Invested in Malaysian Sovereign Dollar Bond

OPERATIONAL
- Introduced Foreign Exchange Policy and Hedging Guidelines
- Set up capabilities for internal investment into regional fixed income instruments
- Expanded ISO 9001:2008 Quality Management System to include contribution management function
- Launched and operationalised Integrated Contribution Management System (ICMS)
- Established an initial fund to invest in small capital domestic stocks

LEARNING & GROWTH
- Developed foundation to achieve KWAP’s Long Term Investment Objectives:
  - Conceptualised KWAP’s Investment Beliefs
  - Established KWAP’s Investment Risk Framework
  - Implemented the Risk Performance Strategy System (RPSS)
- Launched KWAP Young Talent Programme
FINANCIAL
• Increased Strategic Asset Allocation for International Investment by 10.9%
• Invested in new property sectors such as retail in UK and logistics in Australia
• Invested in 6 new private equity funds and 1 direct investment
• Expanded domestic small capital portfolio to EFM

OPERATIONAL
• Received 4-star rating for “Anugerah Kecemerlangan Pengurusan Kewangan Berdasarkan Indeks Akauntabiliti Tahun 2013”
• Increased allocation for small capital portfolio to 1.5% and domestic Shariah portfolio to 15%
• Appointed 3 EFMs to manage domestic sukuk portfolio
• Commenced Financial Reporting Standards (FRS) Implementation (Phase 1) by establishing policies and procedures to implement FRS 139 and FRS 7
• Set up a centralised tax advisory function to support new investment initiatives
• Established QMS and ISMS audit team to provide Internal ISO audit
• Enhanced Credit Risk Management by purchasing new Credit Risk System
• Enhanced RENTAS to support foreign currency transactions via SWIFT
• Implemented OMGEO for acceleration of clearing and settlement of trades

LEARNING & GROWTH
• Established and developed KWAP’s Leadership Competency Model
• Participated in the UKEC Graduan Career Fair with 11 candidates reported for duty
• Enhanced employees’ benefits: Introduction of Cost of Living Allowance (COLA) and housing allowance for employees at associate level and below
• 3 employees under Education Assistance Scheme (EAS) graduated from INCEIF’s Chartered Islamic Finance Professional (CIFP) programme

STAKEHOLDERS
• Amended Retirement Fund Act approved and gazeted
• Completed the takeover of PSD’s Pension Services Division functions
• Outsourced 3 ESG mandates to EFM and set up internally managed ESG mandate
• Collaborated with Malaysia Financial Planning Council (MFPC) to organise Financial Planning conference and talks to ministries and government bodies

FINANCIAL
• Commenced Financial Reporting Standards (FRS) implementation by establishing related policies and procedures

OPERATIONAL
• Entered into maiden domestic property investment via the acquisition of building and property development lands
• CEO appointed as the Institutional Investor Council’s (IIC) first Chairman and as a member of FTSE ESG Advisory Committee (London)
• CEO accepted special recognition award from MSWG for contribution towards enhancing corporate governance practices in Malaysia
• Became member of the Institute of Integrity Malaysia, corporate member of the International Corporate Governance Network (ICGN), and the Asian Corporate Governance Association (ACGA)
• Introduced Employee Handbook on Code of Ethics and Conduct, and introduced No Gifts Policy
STAKEHOLDERS

- KWAP has revised its vision, mission, and core values to reflect its current role following the incorporation of Public Services Department (PSD)’s pension operations takeover in December 2015
- Organised the Financial Planning Programs to pensioners in collaboration with PSD’s National Blue Ocean Strategy Unit (NBOS) to raise awareness on retirement planning which attracted more than 2,000 participants
- KWAP produced Corporate and Investment Level ESG Policies to support the ESG application
- Completed 3 relocation exercises for KWAP’s KL, Cyberjaya and UK office

FINANCIAL

- Successfully organised the Malaysian Private Equity Forum in Kuala Lumpur and PEUK Investment Symposium in London
- Engagements with HR personnel in government agencies on pension related matters
- Engagements with Pension Associations such as Kelab Pesara Kerajaan 1 Malaysia (KUPEKMAS), Persatuan Pesara Kerajaan Malaysia (PPKM), and Persatuan Pesara Bekas Polis Sabah
- Fully embarked on Malaysian Financial Reporting Standards with changes made on the following:
  1. Treatment and classification of financial instruments
  2. Financial statements and overall SOPs which includes the processes and procedures that reflect MFRS standards
- Achieved more than 10% cost savings for 2 KWAP’s office relocations, the Kuala Lumpur and Cyberjaya office

LEARNING & GROWTH

- Participated in UKEC Graduan Career Fair with 9 candidates reported for duty
- Co-organised Pesta Sukan Kementerian Kewangan (PSKK) with Securities Commission for Ministry of Finance and its agencies
- Established the Business Leadership Program in collaboration with ICLIF
- Participated as speaker at industry-level seminars and conferences such as Khazanah Research Institute Talk, Mobility Forum organised by Computerworld Malaysia, BMS-GenCorp Careers Advice Evening (UK), CIO Summit Malaysia 2015, and Seminar Perancangan Kewangan
- Participated in MOF’s Flood Relief Mission in East Coast 2015 as part of CSR

OPERATIONAL

Pension Services
- Achieved 93.8% of SLA requirements, exceeded 90% as set in the Agency Agreement

Investment
- Conducted review on Strategic Asset Allocation (SAA) to ensure that KWAP achieves its long term strategic investment plan
- Acquired second domestic property, the CapSquare, Kuala Lumpur
- Completed logistics facility development in Erskine Park, Sydney
- First disposal of international property in Wood Street, London
- Invested in technology space, Uber and DAG Ventures

Risk management/controls
- Implemented the KWAP’s Corporate Risk Profile
- Conducted fraud awareness programmes
- Implemented Data Leakage Prevention Programme

Shariah – Compliant Investment initiatives
- Revised and enhanced Investment Policies and Guidelines on Global Sukuk
- Appointed an EFM to manage domestic equity Shariah Mandate

Operational Excellence
- Rolled out new Private Equity and HR Systems
- Commenced the preparatory work of IFIMS Project

YEAR 2016

MILESTONES 2007 - 2016
YEAR 2016 AT A GLANCE

3.86% ACCOUNTING RATE OF RETURN
5.35% GROSS RETURN ON INVESTMENT
4.60% TIME WEIGHTED RATE OF RETURN (TWRR)

GROSS INVESTMENT INCOME
RM6.36 BILLION

SOURCE OF FUND
GROSS INVESTMENT INCOME
RM6.36 BILLION
65.50%

PENSION CONTRIBUTION
RM2.95 BILLION
30.38%

FEDERAL CONTRIBUTION
RM0.40 BILLION
4.12%

TOTAL FUND SIZE
RM125.00 BILLION
## 5-YEAR FINANCIAL RESULTS SUMMARY

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<th>2012 (1 Jan-31 Dec)</th>
<th>2013 (1 Jan-31 Dec)</th>
<th>2014 (1 Jan-31 Dec)</th>
<th>2015 (1 Jan-31 Dec)</th>
<th>2016 (1 Jan-31 Dec)</th>
<th>Average 2012-2016</th>
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<tr>
<td><strong>Fund Size at Cost (RM Billion)</strong></td>
<td>88.73</td>
<td>99.92</td>
<td>109.43</td>
<td>116.70</td>
<td><strong>125.00</strong></td>
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<td><strong>Growth Per Annum (%)</strong></td>
<td>12</td>
<td>13</td>
<td>10</td>
<td>7</td>
<td><strong>7</strong></td>
<td><strong>9.70%</strong></td>
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<td><strong>Income and Expenses (RM Billion)</strong></td>
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<tr>
<td>Gross Investment Income</td>
<td>5.75</td>
<td>6.66</td>
<td>6.47</td>
<td>6.43</td>
<td><strong>6.36</strong></td>
<td>6.33</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>62.82</td>
<td>94.98</td>
<td>120.91</td>
<td>193.62</td>
<td><strong>271.63</strong></td>
<td>148.79</td>
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<tr>
<td>Net Investment Income</td>
<td>5.69</td>
<td>6.57</td>
<td>4.84</td>
<td>4.36</td>
<td><strong>4.83</strong></td>
<td>5.26</td>
</tr>
<tr>
<td><strong>Income and Expenses (%)</strong></td>
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</tr>
<tr>
<td>Gross Return on Investment (Gross ROI)</td>
<td>6.84</td>
<td>7.05</td>
<td>6.15</td>
<td>5.41</td>
<td><strong>5.35</strong></td>
<td>6.16%</td>
</tr>
<tr>
<td>Accounting Rate of Return (Net ROI)</td>
<td>6.79</td>
<td>6.97</td>
<td>4.58</td>
<td>3.26</td>
<td><strong>3.86</strong></td>
<td>5.10%</td>
</tr>
<tr>
<td>Operating Expenditure to Gross Income</td>
<td>1.09</td>
<td>1.42</td>
<td>1.87</td>
<td>3.01</td>
<td><strong>4.27</strong></td>
<td>2.33%</td>
</tr>
<tr>
<td>Operating Expenditure to Average Fund</td>
<td>0.08</td>
<td>0.10</td>
<td>0.12</td>
<td>0.16</td>
<td><strong>0.22</strong></td>
<td>0.14%</td>
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<tr>
<td><strong>Return and Risk (%)</strong></td>
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<tr>
<td>Time Weighted Rate of Return</td>
<td>8.63</td>
<td>10.03</td>
<td>4.03</td>
<td>5.39</td>
<td><strong>4.60</strong></td>
<td>NA</td>
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<tr>
<td>Volatility</td>
<td>2.86</td>
<td>3.15</td>
<td>2.38</td>
<td>3.14</td>
<td><strong>2.16</strong></td>
<td>NA</td>
</tr>
<tr>
<td><strong>Contribution (RM Billion)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension Contribution</td>
<td>2.67</td>
<td>2.70</td>
<td>2.87</td>
<td>2.78</td>
<td><strong>2.95</strong></td>
<td></td>
</tr>
<tr>
<td>Federal Contribution</td>
<td>1.50</td>
<td>1.50</td>
<td>1.50</td>
<td>0.50</td>
<td><strong>0.40</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Investment Portfolio Composition at cost (RM Billion)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Domestic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>27.37</td>
<td>29.00</td>
<td>35.85</td>
<td>39.06</td>
<td><strong>45.73</strong></td>
<td></td>
</tr>
<tr>
<td>Private Debt Securities and Loan</td>
<td>25.72</td>
<td>28.63</td>
<td>28.78</td>
<td>31.40</td>
<td><strong>29.11</strong></td>
<td></td>
</tr>
<tr>
<td>Malaysian Government Securities and Quasi Bonds</td>
<td>22.01</td>
<td>25.55</td>
<td>29.49</td>
<td>29.43</td>
<td><strong>32.86</strong></td>
<td></td>
</tr>
<tr>
<td>Money Market Deposits</td>
<td>7.80</td>
<td>7.16</td>
<td>5.01</td>
<td>5.91</td>
<td><strong>6.70</strong></td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td>0.43</td>
<td>0.44</td>
<td>0.52</td>
<td>0.12</td>
<td><strong>0.11</strong></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.21</td>
<td><strong>1.81</strong></td>
<td></td>
</tr>
<tr>
<td><strong>International</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>1.89</td>
<td>2.96</td>
<td>4.16</td>
<td>5.40</td>
<td><strong>6.87</strong></td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>1.54</td>
<td>1.66</td>
<td>2.47</td>
<td>2.51</td>
<td><strong>2.56</strong></td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td>0.24</td>
<td>0.37</td>
<td>0.67</td>
<td>1.14</td>
<td><strong>1.64</strong></td>
<td></td>
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<tr>
<td>Property</td>
<td>2.00</td>
<td>4.07</td>
<td>3.71</td>
<td>3.92</td>
<td><strong>2.56</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Management of Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internally Managed (%)</td>
<td>93.09</td>
<td>89.85</td>
<td>89.56</td>
<td>87.50</td>
<td><strong>88.34</strong></td>
<td></td>
</tr>
<tr>
<td>Externally Managed (%)</td>
<td>6.91</td>
<td>10.15</td>
<td>10.44</td>
<td>12.50</td>
<td><strong>11.66</strong></td>
<td></td>
</tr>
<tr>
<td>Number of Contributing Employers</td>
<td>613</td>
<td>505</td>
<td>503</td>
<td>498</td>
<td><strong>513</strong></td>
<td></td>
</tr>
<tr>
<td>Number of Members</td>
<td>145,855</td>
<td>160,560</td>
<td>171,528</td>
<td>177,757</td>
<td><strong>186,511</strong></td>
<td></td>
</tr>
<tr>
<td>Number of KWAP’s Employees**</td>
<td>175</td>
<td>207</td>
<td>255</td>
<td>529</td>
<td><strong>592</strong></td>
<td></td>
</tr>
<tr>
<td>Income Per Employee (RM Million)</td>
<td>32.87</td>
<td>32.29</td>
<td>25.37</td>
<td>12.16</td>
<td><strong>10.74</strong></td>
<td></td>
</tr>
</tbody>
</table>

** HQ = 306; PeSD = 286**
The Malaysian economy continued to register a decent growth in 2016, supported by resilient domestic demand spending.

Meanwhile, global GDP is estimated to have registered a decent growth of slightly above 3% in 2016, which is also the seventh consecutive year that growth is at circa 3%. However, it is worth noting that the estimation of 3.1% for 2016 is also the slowest pace of growth registered post 2008 financial crisis, due mainly to the absence of a strong macro outlook for the global economy.
MESSAGE FROM THE CHAIRMAN

Malaysia is envisaged to register a GDP growth of 4% to 5% in 2017 driven by stable commodity prices and a pick-up in global growth.

From a geopolitical angle, there were stratospheric changes in 2016’s political landscape with the UK opting to leave the European Union (EU) while the US election saw the surprise win of Donald Trump. This win raises serious concerns over the impact of his protectionist policies on global trade. December saw the US federal reserve increased its short-term interest rate target by 25 basis points. Moving forward we are expecting to see an increasingly hawkish Fed and a widening divergence between the US and European monetary policy.

These events translated to a highly volatile market environment. As global recovery still hinges on financial markets, there are concerns that these global shocks could cause a material slowdown in growth.

Financial market dissonance continued with the FBM KLCI registering a decline for the third consecutive year. Overall, the FBM KLCI fell 3% last year, amidst capital outflows from emerging markets due to expectations of higher US interest rates and a volatile currency markets.

GOING FORWARD

Moving forward, global economy is expected to move relatively stable judging from recent improvement in regional trade data. The stabilisation in commodity prices, namely crude oil, would also boost overall sentiment in global markets. Equity market trends are looking more firm and well established as shown by selected major indices that have posted new highs. These high levels of optimism could spill over to regional indices including Malaysia. Nonetheless, political noise from the West could undermine growth prospects, especially with elections due in France and Germany.

Malaysia is envisaged to register a GDP growth of 4% to 5% in 2017 driven by stable commodity prices and a pick-up in global growth. Stable employment, government’s income support measures, and the recent reduction in the overnight policy rate are conducive for private consumption. Malaysia’s well diversified export base, especially in the manufacturing sector, is anticipated to support external trade. On the currency front, Bank Negara’s measures to curb ringgit trading in offshore markets should help to absorb any unwarranted economic shocks.

FINANCIAL PERFORMANCE

I am happy to note that despite these challenging market conditions, KWAP continued to deliver a consistent and resilient financial performance. KWAP achieved a Gross Return on Investment (ROI) of 5.35%, surpassing the country’s GDP growth of 4.20%. This is a worthy achievement, as despite the formidable investment and economic atmosphere in 2016, both globally and domestically, KWAP still delivers above its minimum ROI target of 5%.

Combining the employer’s pension contribution and federal contribution received which amounted to RM3.35 billion last year, KWAP’s fund size grew by another 7% in 2016 to RM125.00 billion as at 31 December 2016 compared to RM116.70 billion in the previous year.

What I find commendable is, over the past 10 years, KWAP had managed to record an average growth of 11.2% each year, with the investment income being the major contributor for its asset growth.
A REVISED STRATEGIC ASSET ALLOCATION
With the approval granted by the Board and Investment Panel on the revised KWAP’s Risk Appetite, Strategic Asset Allocation (SAA), and Tactical Asset Allocation (TAA), a higher growth orientation is set, in line with the top investment strategy that are in place to increase the total return as well as income target of KWAP’s fund. The recommended allocation of 40% to Equities, 46% to Fixed Income, and 14% in Alternative Investments will help KWAP to tamp down the risk in an environment of low yield return and high volatility in the current global markets.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE
Through the adoption of a good environmental, social, and governance (ESG) practices, organisation could improve their investment performance prospects, and year 2016 saw KWAP taking another step towards this. With the aim to enable KWAP to fulfil its responsibility to all its stakeholders, and having a sustainable investment performance, as well as promoting good ESG practices in the capital market and amongst the companies across KWAP’s value chain, an integration of ESG has been embedded in its investment and business operations through its Corporate Level ESG Guidelines, Guidelines for Investment, and the ESG-Based Research Methodology. This move towards progress in the ESG ecosystem is a testament of KWAP’s commitment towards the practice.

OFFICE RELOCATION
I would like to congratulate KWAP on the successful relocation of its three offices, the Main Office, from Menara Yayasan Tun Razak to Integra Tower, which marks KWAP’s maiden foray in domestic property, the Pension Services Department to MKN Embassy Techzone in Cyberjaya that serves as a more conducive service centre for the pensioners, as well as Prima Ekuiti to a larger unit.

CLOSING
On behalf of the Board, I wish to extend my appreciation and gratitude to all our stakeholders for their unwavering support throughout the year. Amidst the challenging global market, we stood strong against the odds, and delivered yet another admirable performance. This is not an achievement made by a single individual, but it was attainable through the commendable stewardship of KWAP’s CEO, Dato’ Wan Kamaruzaman, along with the management team, as well as the dedication and obligation to duties of all KWAP employees.

2016 also saw some of our Board Members and Investment Panel Members bode us farewell, after years of commitment with KWAP. Our Board Members, Datuk Muhammad bin Ibrahim, who had been with KWAP since its incorporation and had soared further in his career as he was appointed to be the new Governor of Bank Negara Malaysia. My heartfelt congratulations to him. Datuk Yeow Chin Kiong who completed his tenure with KWAP, and Mr. Cheah Tek Kuang, who had also been a part of KWAP since it was incorporated almost a decade ago, and Datuk Ahmad Badri bin Mohd Zahir, both ended their tenure from their positions as valuable members of our Investment Panel. I would like to take this opportunity to express my gratitude to all of them for their years of wise counsel, invaluable insights, investment acumens, and dedication to duties during their tenure with KWAP.

Although the year did not go by without its share of challenges, I strongly believe we will continue to persist and persevere, as we charge forward, progressing and growing. The diversification strategies in investment, planned geographical venture, as well as strategic planning across the organisation will surely propel KWAP to greater heights. 2017 will see KWAP being in existence for a decade, and what better year to be as much as it could be, than on its 10th year anniversary. I look forward towards a colourful 2017 in KWAP.

KWAP achieved a Gross Return on Investment (ROI) of 5.35%, surpassing the country’s GDP growth of 4.20%

over the past 10 years, KWAP had managed to record an average growth of 11.2% each year, with the investment income being the major contributor for its asset growth
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In the wake of a tumultuous year, 2016 proved to be a momentous one, as unprecedented events had profound impact on global markets that could reshape the future. The world economic order is teetering, following Britain’s decision to leave the European Union (EU) and Trump’s surprise victory in the US presidential election. These key geopolitical events contributed to more uncertainties and rattled global markets.

In fact, the degree of uncertainty over the global outlook resulted in the Federal Reserve scaling back on its expected interest rate hikes. Meanwhile in Asia, the health of the Chinese economy once again presented a wall of fear to climb and contributed to a cautious trading environment as renewed concerns of China’s economic slowdown sent shockwaves across the global markets. All these events caused market sentiment to remain muted for long periods of time without clear directions.
In the commodities space, crude oil prices finally settled into a decent trading range after much volatility throughout the year. Although oil prices are known to be volatile in nature, the black gold’s roller coaster ride last year even surpassed its own historical trend, thus causing a negative shift in sentiment. At the start of 2016, Brent crude prices fell to its lowest in 13 years to USD28 per barrel, as the global market’s trepidations over supply glut intensified. As the year progressed, oil prices gradually recovered due to optimism that OPEC’s move to limit output and help to correct inventory dynamics. As a result, oil prices rebounded to close the year at USD56 per barrel. The stabilisation in global oil prices bodes well for our country, as oil steers the path of the Government’s revenue.

Currency markets were also not spared. No other currency fared badly than the pound sterling. The sterling fell to a 31-year low against the greenback following Britain’s decision to leave the EU. Expectations of higher US interest rates further bruised the sterling. In contrast, the FTSE 100 index soared to record highs, as the UK market’s compelling valuations encouraged international investors to favour UK-listed stocks and other assets. In contrast, the strength of the US dollar caused many emerging market currencies, including the ringgit, to weaken to new record levels.

GOING FORWARD

World politics is expected to feature heavily in 2017 with a busy election calendar especially in Europe and the resulting uncertainties or policy pronouncements in the US, could dictate how both the global economy and financial markets perform. Looking further and equally important are the policies from major central banks which will be keenly watched by market participants. It is imperative that governments and central banks alike do not prematurely risk the decent global growth and financial market stability by administering damaging policies. Any plans to promote de-globalisation could upset the fragile growth trajectory and may expose export oriented countries, to further volatilities. Unfortunately, with the new US President installed, the threat of de-globalisation has become undoubtedly real and imminent.

FINANCIAL PERFORMANCE

Meanwhile, for the first time ever, the FBM KLCI registered a third consecutive year of negative returns. The FBM KLCI declined 3% in 2016 (2015: -3.90%) as the market was not insulated from global political risks and ringgit volatility. The overall sentiment of the local bourse was also adversely impacted by a confluence of factors which included capital outflows and weak commodity prices. Although Bank Negara’s surprise move to reduce the overnight policy rate by 25 basis points to 3% supported the domestic bond market initially, prospects of higher US interest rates instigated a global bond rout and the domestic bond market was also not spared.

Despite market turbulences and weak global growth prospects, KWAP continued to outperform its benchmarks and other performance thresholds while not compromising its focus on continuously developing and adhering to a more responsible and sustainable investment practices.
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

INVESTMENT PERFORMANCE

In spite of the overall cautious outlook, KWAP strived and continues to deliver sustainable performance to meet our stakeholders’ commitments and continue to be a prudent and responsible investor. KWAP’s fund size grew by another 7% in 2016 to RM125.00 billion as at 31 December 2016 compared to RM116.70 billion the year before. In terms of ROI, KWAP registered a gross income of RM6.36 billion, compared to the preceding year’s achievement of RM6.43 billion. In percentage terms, the overall gross ROI achieved was 5.35%, compared to 2015’s ROI of 5.41%. Despite lower than the previous year, the ROI achieved surpassed Malaysia’s GDP growth of approximately 4.20% in 2016. International property investments returned the highest ROI of 13.59%, while international equity investments came second, with 11.80%. The other asset classes delivered ROIs between 2.06% to 5.31%. Most importantly, over a span of 9 years, KWAP has managed to sustain an average gross ROI of not less than 6% annually. Achieving sustainable asset growth is of utmost importance as to enable KWAP to effectively manage its future liabilities.

Notably, the Private Equity investment added 3 new PE funds in the North American region, namely 2 buyouts and 1 venture capital with the total approved commitment amounting to USD120 million. On the direct investment side, KWAP had successfully completed the investment in Uber with a capital of USD30 million. This marks our first bold move to invest in non-traditional assets.

On the property investment front, KWAP had completed the acquisition of Changkat Kia Peng land, and Menara AIA Cap Square which property experts picked as one of the top deals in 2016. The selling of an 18-storey office building located at 88 Wood Street, London, United Kingdom (UK) was also concluded in April 2016. This brings the number of properties owned and co-owned by KWAP to 14, with 8 properties in Australia, 2 properties in UK and 4 properties in Malaysia.

KWAP’s fund size grew by another 7% in 2016 to RM125.00 billion as at 31 December 2016 compared to RM116.70 billion the year before.

OPERATIONAL ACHIEVEMENTS

2016 saw the advancement of KWAP’s investment strategy with the approval of the revised KWAP’s Risk Appetite, Strategic Asset Allocation (SAA), and Tactical Asset Allocation (TAA) by the Board and Investment Panel. This translated to the revised allocation of 40% to Equities, 46% to Fixed Income, and 14% to Alternative Investments as compared to the previous SAA target of 36% Equities, 54% Fixed Income, and 10% Alternatives Investments. The revised SAA target has a higher growth orientation, which is in line with KWAP’s high level investment strategy to increase the Fund’s total return and income target.

In line with the incorporation of the Pension Services Department, KWAP had revised its Vision, Mission, and Core Values to be all-encompassing, consistent with its new function. With the new vision being the trusted retirement fund that supports nation building by delivering sustainable benefits innovatively, KWAP is putting emphasis on its role as the trusted Malaysian retirement fund for the public sector retirees, and the custodian of public funds. In addition to this, we aim to provide retirement benefits and support the national economic development plan and capital market activities.

KWAP’s new mission is to adopt best practices to optimise returns and services to assist the Government in meeting their commitment, for the well-being of public service retirees. How we came about this is from our goal to maximise investment return given the prescribed risk parameters, and deliver innovative and cost efficient services. This is to be done through benchmarking and adopting best practices across the organisation, which will ultimately assist the Government in meeting its obligations.

Year 2016 saw two major relocations of KWAP offices in the country – the relocation of Pension Services Department to the MKN Embassy Techzone in Cyberjaya, in May 2016, and the main office from Menara Yayasan Tun Razak to the state of the art building we acquired — The Integra Tower, in October 2016. In addition, KWAP had launched the Prima Ekuiti (UK) Limited new office in United Kingdom in December. It still operates within the same building – the Berkeley Square House, but it is being relocated to a new and bigger office space that could cater for future expansion.
2016 saw the integration of ESG across our value chain through the formal implementation of a holistic ESG approach in its investment practices, operation, and pension administration and management which was made possible by the establishment of KWAP’s Corporate Level ESG Guidelines, Guidelines for Investment, and the ESG-Based Research Methodology.

**HUMAN CAPITAL**
KWAP had increased its human capital strength by 12.5% in 2016, with 66 new recruits, bringing the total number of our employees to 592 as at 31 December of last year. Enhancements were also made in the Human Resource Management Information System, which resulted to a more advanced, integrated, and sophisticated system to cater to our growing number of employees.

**PRIVATE EQUITY FORUM**
Last year, we organised our very first international event, the Malaysian Private Equity Forum 2016, driving the theme of “Private Equity: The impetus for growth and innovation” where speakers and delegates from around the world gathered to share their insights. Officiated by Tan Sri Dato’ Seri Ranjit Ajit Singh, the Chairman of Securities Commission Malaysia, the event received close to 500 participants, exceeding our target of 300.

**CORPORATE SOCIAL RESPONSIBILITY**
KWAP continues its effort to be a good corporate citizen with the various CSR initiatives conducted throughout the year. Notably, in 2016, KWAP had initiated the KWAP Eco-Green CSR programme in Kampung Santubong, Sarawak as a pilot project to our environmental effort, with activities such as tree planting, cleaning the Mount Santubong hiking trail, and distributed the Eco Green Kit and basic provisions to the local villagers. The KWAP Eco-Green initiatives will further be extended to other states in Malaysia.

**A DECADE LONG JOURNEY**
Finally, 2017 also signifies another important milestone for KWAP, as it marks the tenth year since the organisation was first incorporated. Established in 2007 with a fund size of RM41.94 billion, it grew at a steady RM10 billion annually, to RM125.00 billion in 2016. The decade long journey was not short of momentous achievements and accomplishments. In 2010, KWAP embarked on its venture into real estate, acquiring its first international property in Melbourne, Australia. 2012 saw KWAP making international headlines, as it invested RM1.5 billion in Perpetual Sukuk, the first issuance in the world. In the same year, Prima Ekuiti (UK) Limited was operationalised as KWAP’s investment vehicle for markets in UK and Europe. The establishment had performed commendably, as it recorded 4.42% returns on shareholders’ funds in its first year of operationalisation, and the figure skyrocketed to 57.25% just within 3 years. In 2015, KWAP marked yet another milestone with the incorporation of the Pension Services Department, moving KWAP a step closer into becoming a full-fledge pension fund. KWAP also extends its foray into the domestic property market with the acquisition of Integra Tower, a state-of-the-art Platinum LEED Certified building situated within the Golden Triangle of Kuala Lumpur, where its main office now resides.

Lastly, I would like to take this opportunity to sincerely thank everyone for their dedication and persistent hard work, in making our organisation stronger. With the commitment and solid team work shown by KWAP employees, I believe we could achieve greater success in the years to come.

KWAP had increased its human capital strength by 12.5% in 2016, with 66 new recruits, bringing the total number of our employees to 592 as at 31 December of last year.
Section

02 CORPORATE GOVERNANCE

023 Statement on Governance
033 Statement on Internal Control
034 Risk Management and Compliance
048 Summary of Ethical Practices
050 Corporate Governance Initiatives
STATEMENT ON GOVERNANCE

THE BOARD

Since its incorporation, the responsibility to manage and administer the Retirement Fund (Incorporated) has been vested with the Board by the Retirement Fund Act 2007 (Act 662), as amended in Act A1496 (“Act 662 or the Act”).

In line with its primary duty, Corporate Governance has long been engraved as part of KWAP’s Board core values as a guidance for the Board to discharge its responsibilities under the Act to ensure the protection and enhancement of KWAP’s shareholders’ value by promoting and practising high standards of governance of integrity, transparency, and professionalism, which is essential for KWAP’s continued progress and success towards achieving its stakeholders’ objectives.

KWAP’s Board always strives to ensure that KWAP’s practices and business affairs take into consideration good corporate governance and this has been evident from KWAP becoming a signatory to the Malaysian Code for Institutional Investors in 2015. In addition, KWAP has also embraced the principles of Environmental, Social and Governance (ESG) as translated in its Corporate Level ESG Guidelines, ESG Guidelines for Investment and ESG-Based Research Methodology - all of which were introduced in 2016.

Recognising the importance of leading by example, especially with regards to good corporate governance, KWAP organised Strategic Corporate Governance Training for its Board, Investment Panel, and Management on 19 October 2016.

The Board also approved the revision of Vision, Mission, and Values in June 2016 which, among others, inculcate core values such as integrity and accountability which are the key components towards good governance.

Commenced on July 2016 as part of KWAP’s initiative towards an environmental friendly organisation, all KWAP’s Board, Investment Panel, and Board Committee meetings were conducted via paperless meeting. Apart from saving paper consumption, the initiative aimed to provide an efficient and secure method to disseminate papers and information to the Board and Investment Panel.

Composition of the Board

KWAP Board comprises of qualified, experienced and skillful members with mixed background from the Government, Private Sector, Bank Negara Malaysia and Contributor’s representative, which are important for the overall strategic achievements of KWAP.

Section 6 of Act 662 stipulates that the Board shall consist of the following members that shall be appointed by the Minister of Finance:

(i) a Chairman who shall be the Secretary General of Treasury, the Ministry of Finance;
(ii) a representative from Bank Negara Malaysia;
(iii) a representative from the Ministry of Finance;
(iv) the Chief Executive Officer who shall be an ex-officio member;
(v) three representatives of the Government of Malaysia;
(vi) three other persons from private sector with experience and expertise in business or finance; and
(vii) a representative of the contributors to the Retirement Fund other than the representative of the Government of Malaysia.
STATEMENT ON GOVERNANCE

A brief profile of each Board member is presented on page 149 to 154 of this Annual Report.

In 2016, 8 Board members whose tenure were expiring on 28 February 2016 and were re-appointed, namely:
(i) YBhg. Tan Sri Dr. Mohd Irwan Serigar Abdullah - Chairman;
(ii) YBhg. Dato’ Muhammad bin Ibrahim;
(iii) YBhg. Dato’ Che Pee bin Samsudin;
(iv) YBhg. Datuk Yeow Chin Kiong;
(v) YBhg. Dato’ Slow Kim Lun;
(vi) YBhg. Dato’ Azmi bin Abdullah;
(vii) YBhg. Dato’ Dr. Gan Wee Beng; and
(viii) YBhg. Datuk Azih bin Muda.

Further, 2 new Board members, namely, YBhg. Dato’ Siti Zauyah binti Md Desa as a representative from the Ministry of Finance and YBhg. Datuk Siti Zainab binti Omar as a representative of the Government of Malaysia, were appointed under Sections 6(4)(c) and 6(4)(e) of the Act, respectively.

The Board also received a new member in 2016 following the resignation of YBhg. Dato’ Muhammad bin Ibrahim on 1 May 2016, due to his appointment as the new Central Bank’s Governor. He was succeeded by Encik Adnan Zaylani bin Mohamad Zahid on 7 June 2016 as a representative of the Central Bank of Malaysia under the provision of Section 6(4)(b) of KWAP Act 2007. YBhg. Dato’ Muhammad bin Ibrahim was a member of KWAP Board since 2007 and had contributed significantly to KWAP.

It should also be noted that as at 31 December 2016, there was a vacancy of the Board seat under Section 6(4)(e) of the Act to replace YBhg. Datuk Yeow Chin Kiong who retired on 6 November 2016 and necessary arrangements have been made to fill in the vacancy with the Ministry of Finance.

Chairman and Chief Executive Officer
In KWAP, as part of good governance and best practices, the roles of the Chairman and the CEO are separated.

The Chairman is principally responsible for ensuring effectiveness and conduct of board meetings while the Chief Executive Officer of KWAP, duly appointed by the Board with the approval of the Minister of Finance, is responsible for the day to day administration and management of the affairs of KWAP which includes, overseeing the overall operations of the business and the implementation of policies and decisions made by the Board and the investment decisions made by the Investment Panel in accordance with the Act. The Chief Executive Officer is assisted by the Management in managing the day to day administration of KWAP and the administrative controls of the employees. The Chief Executive Officer is also an ex-officio member of the Board.

Responsibilities and Accountabilities of the Board
Under Section 6 of Act 662, the Board is entrusted with the responsibility for the administration and management of KWAP. This establishment of the Board is therefore to administer, set the strategic directions and oversee the management of KWAP with a focus on protecting and enhancing the interests of its contributors and the stakeholders.

In line with its statutory responsibility and as part of its functions, the Board formulates and determines administration and management policies and procedures in ensuring that KWAP achieves its objectives with success and excellence.

The Board assumes a number of specific tasks such as overseeing the proper conduct of operations, identifying principle risks area and ensuring the proper implementation of appropriate systems to manage these risks as well as reviewing the adequacy and integrity of the internal control systems as specified in the Act and the Board Charter.
Board Meetings

Every year, the Board Meetings are scheduled in advance at the beginning of the year, whilst Special Board Meetings are convened as and when necessary for the Board to deliberate on specific matters or issues which require prompt or urgent decisions.

The Board members are provided with the agenda and the meeting papers containing information relevant to the matters to be deliberated in the meeting several days before the meeting date for their perusal. At each meeting, the Secretary will ensure that a quorum is present at the commencement of each Board meeting in order to constitute a valid meeting.

During the financial year 2016, 10 Board meetings were held.

The summary of attendance of the Board Members is set out below:

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME</th>
<th>ATTENDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>YBhg. Tan Sri Dr. Mohd Irwan Serigar Abdullah <em>Chairman</em></td>
<td>10/10</td>
</tr>
<tr>
<td>2.</td>
<td>YBhg. Dato’ Che Pee bin Samsudin</td>
<td>9/10</td>
</tr>
<tr>
<td>3.</td>
<td>YBhg. Dato’ Siti Zauyah binti Md Desa (*Appointed on 1 March 2016)</td>
<td>3/8*</td>
</tr>
<tr>
<td>4.</td>
<td>YBhg. Datuk Siti Zainab binti Omar (*Appointed on 1 March 2016)</td>
<td>7/8*</td>
</tr>
<tr>
<td>5.</td>
<td>YBhg. Datuk Yeow Chin Kiong (*Retired on 6 November 2016)</td>
<td>6/8*</td>
</tr>
<tr>
<td>6.</td>
<td>YBhg. Dato’ Muhammad bin Ibrahim (*Resigned on 1 May 2016)</td>
<td>4/4*</td>
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<tr>
<td>7.</td>
<td>YBhg. Dato’ Siow Kim Lun</td>
<td>10/10</td>
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<tr>
<td>8.</td>
<td>YBhg. Dato’ Azmi bin Abdullah</td>
<td>10/10</td>
</tr>
<tr>
<td>9.</td>
<td>YBhg. Dato’ Dr. Gan Wee Beng</td>
<td>10/10</td>
</tr>
<tr>
<td>10.</td>
<td>YBhg. Datuk Azih bin Muda</td>
<td>7/10</td>
</tr>
<tr>
<td>11.</td>
<td>YBhg. Dato' Wan Kamaruzaman *bin Wan Ahmad</td>
<td>10/10</td>
</tr>
</tbody>
</table>
Among the Board’s key activities for 2016 are as follows, which is within its powers as specified in Section 12 (1) of Act 662:

<table>
<thead>
<tr>
<th>No</th>
<th>Scope of Board’s Responsibilities and Accountabilities as Provided by the Act</th>
<th>Board’s Duties/Activities for Year 2016</th>
</tr>
</thead>
</table>
| 1. | To establish procedures with respect to financial and accounting matters, including keeping, closing, and auditing of the accounts of KWAP and the creation of its own financial and accounting procedures | • Approved KWAP’s Expenditure Budget for Financial Year 2016  
• Approved Supplementary Budget for Pension Services Department  
• Approved the Proposed Malaysian Financial Reporting Standards MFRS9 |
| 2. | To prescribe the responsibilities of the employees of KWAP including matters in respect of remuneration, terms and conditions of service, period of service, and leave of its employees | • Approved the appointment of Head of Pension Services Department for KWAP  
• Approved the additional headcount for KWAP Young Talent Program 2016  
• Approved the appointment of Head of Accounts and Management Services Department of KWAP  
• Approved the renewal of contract of employment for Head of Alternative Investment Department |
| 3. | To establish appropriate disciplinary authorities with respect to the conduct and discipline of the employees of KWAP | • Nil |
| 4. | To establish committees and procedure of such committees | • No new committee was established in 2016 |
| 5. | To regulate its internal procedures including procedures relating to operational matters | • Approved the revised Business Continuity Management Framework  
• Approved the revised KWAP’s Investment Policy and Guidelines  
• Approved the revised Strategic Asset Allocation and Tactical Asset Allocation for KWAP |
| 6. | To prescribe the manner in which documents, cheques and instruments of any description shall be signed or executed on behalf of KWAP | • Approved the Proposal to Grant the Power of Attorney in Matters Relating to Reclamation of Tax for KWAP |
| 7. | To provide for all matters which are required to be prescribed or which are necessary or expedient to give effect to and for the purposes of carrying into effect the provisions of the Retirement Fund Act 2007 (Act 662) | • Appointment of Panel Consultants, Panel Advocates and Solicitors, Vendor and External Fund Managers |
THE INVESTMENT PANEL

The Act also requires the establishment of an Investment Panel who is responsible for matters pertaining to the investment of the Fund under Section 7(1) of the Act. It functions to provide strategic directions on all investment matters as well as to determine and approve investment policy and guidelines, and policies on risk management, asset allocation and strategic directions on investment.

Composition of the Investment Panel

The Investment Panel shall consist of the following members, as stipulated in Section 7(2) of the Act 662 as amended in Act A1496, who shall be appointed by the Minister of Finance:

(i) a Chairman who shall be the Chairman of the Board or such other person as may be appointed by the Minister of Finance (Section 7(2) (a) of the Act);
(ii) a representative from the Ministry of Finance (Section 7(2) (c) of the Act);
(iii) the Chief Executive Officer of KWAP who shall be the secretary (Section 7(2)(d) of the Act); and
(iv) Four other persons from the public or private sector with experience and expertise in business, investment, banking or finance (Section 7(2) (e) of the Act).

In 2016, 2 Investment Panel members whose tenure were expiring on 28 February 2016 were re-appointed:
(i) YBhg. Dato’ Mohammed Azlan bin Hashim – Chairman; and
(ii) YBhg. Datuk Abdul Farid bin Alias.

Another Investment Panel member’s tenure, namely Encik Johari bin Abdul Muid will only expire on 28 February 2018 and therefore is not yet due for any reappointment.

The term of another Investment Panel member, Encik Cheah Tek Kuang expired on 28 February 2016 under Section 7(2)(e) as representative from the public or private sector with experience and expertise in business, investment, banking and finance. However, he was not reappointed.

In view of the amendment to Act 662, Section 7(2)(b) of the Act which has deleted the requirement for representative from the Central Bank of Malaysia, Cik Che Zakiah binti Che Din has not been reappointed as a member of the Investment Panel.

Two other notable changes to the composition of the Investment Panel in 2016 were, the appointment of YBrs. Dr. Yusof bin Ismail who was appointed effective 15 May 2016 as a representative of the Ministry of Finance replacing YBhg. Datuk Ahmad Badri bin Mohd Zahir whose term had expired and not renewed due to his appointment as the new Director of National Budget Office, the Ministry of Finance. The appointment of YBrs. Dr. Yusof bin Ismail as a representative of the Ministry of Finance was pursuant to Section 7(2) (c) of the Act.

Secondly, effective from 1 May 2016, Encik Mohamed Nazri bin Omar was appointed as an Investment Panel member to fill the vacancy under Section 7(2)(e) as representative from the public or private sector with experience and expertise business, investment, banking and finance.

A brief profile of each Investment Panel member is presented on page 155 to 159 of this Annual Report.

Primary Duties and Responsibilities of the Investment Panel

The responsibility of the Investment Panel is empowered by Section 7(1) of the Act. The Investment Panel is primarily responsible to approve, inter-alia, KWAP’s strategic directions in relation to all investment matters which includes, investment policy, guidelines, assets allocation strategy as well as determination on all investment proposals. In executing its function, the Investment Panel shall report its activities to the Board and shall act in accordance with the general policy that may be issued by the Board and subsequently approved by the Minister of Finance.
Investment Panel Meetings
During the financial year 2016, 12 Investment Panel Meetings and 2 Special meetings were held. The summary of attendance of the Investment Panel Members is as below:

Investment Panel Meeting Attendances:

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME</th>
<th>ATTENDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>YBhg. Dato’ Mohammed Azlan bin Hashim</td>
<td>13/14</td>
</tr>
<tr>
<td></td>
<td><em>Chairman</em></td>
<td></td>
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<tr>
<td>2.</td>
<td>YBhg. Datuk Ahmad Badri bin Mohd Zahir</td>
<td>2/2*</td>
</tr>
<tr>
<td></td>
<td>(*Term expired on 28 February 2016)</td>
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<tr>
<td>3.</td>
<td>YBhg. Datuk Abdul Farid bin Alias</td>
<td>9/14</td>
</tr>
<tr>
<td>4.</td>
<td>Encik Cheah Tek Kuang</td>
<td>2/2</td>
</tr>
<tr>
<td></td>
<td>(*Term expired on 28 February 2016)</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Cik Che Zakiah binti Che Din</td>
<td>2/2</td>
</tr>
<tr>
<td></td>
<td>(*Term expired on 28 February 2016)</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Encik Johari bin Abdul Muid</td>
<td>14/14</td>
</tr>
<tr>
<td>7.</td>
<td>YBrs. Dr.Yusof bin Ismail</td>
<td>10/10</td>
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<tr>
<td></td>
<td>(*Appointed with effect from 15 May 2016)</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Encik Mohamed Nazri bin Omar</td>
<td>10/10</td>
</tr>
<tr>
<td></td>
<td>(*Appointed with effect from 1 May 2016)</td>
<td></td>
</tr>
</tbody>
</table>

In circumstances where there is an immediate decision needed, and the Secretary is unable to convene a meeting, approval may be sought via circularisation to all members of the Investment Panel. Decision via circularisation requires unanimous approval which will be reported during the next panel meeting for ratification.

For Year 2016, the Investment Panel deliberated and discussed 69 proposals whereby 64 proposals were subsequently approved including approval via circulation.

BOARD COMMITTEES
In order to assist the Board in discharging its duties, the Board has established various committees to oversee specific matters relating to the operations of KWAP, namely the Audit Committee, Risk Management Committee, Remuneration Committee and Tender Board Committee. All Board Committees have its written terms of reference which are reviewed from time to time to ensure that they are relevant and up-to-date.

The details activities of Board Committees during the financial year 2016 are outlined below.

AUDIT COMMITTEE
The Audit Committee was established to ensure establishment and enforcement of internal controls and systems at KWAP.

Membership
Currently, Audit Committee comprises 4 Board members, namely a Chairman and the following 3 other members who have been appointed by the Board:

(i) YBhg. Dato’ Azmi bin Abdullah – Chairman
(ii) YBhg. Dato’ Siow Kim Lun – Member
(iii) YBhg. Dato’ Dr. Gan Wee Beng – Member
(iv) YBhg. Dato’ Che Pee bin Samsuddin – Member

YBhg. Dato’ Azmi bin Abdullah and YBhg. Dato’ Che Pee bin Samsuddin are members of the Malaysian Institute of Accountants (MIA).

3 Audit Committee meetings and 1 Special Audit Committee Meeting were held throughout year 2016.

Duties and Responsibilities of Audit Committee
The following are the duties and responsibilities of Audit Committee:

(i) To recommend and review financial regulations, accounting regulations, policies and practices;

(ii) To review and discuss the nature and scope of internal and external audit plans and ensure co-ordination of approach between the internal and external auditors;

(iii) To review the financial statements of the Retirement Fund (Incorporated) with the management and the auditors prior to them being approved by the Board;

(iv) To discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management where necessary);

(v) To review the external auditor’s audit observations and management’s response;
(vi) To consider major findings of internal investigations and management’s response;

(vii) To direct any special investigations to be carried out by the internal auditor and review the internal auditor’s findings;

(viii) To consider any related party transactions that may arise within the Retirement Fund (Incorporated);

(ix) To provide independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal guidelines and regulatory requirements;

(x) To review changes to Financial Procedures; and

(xi) To consider other issues as defined by the Board.

The Retirement Fund (Incorporated)’s external auditor is the Auditor General of Malaysia as determined by Statutory Bodies (Accounts and Annual Reports) Act 1980 [Act 240].

Audit Committee Meeting Attendances:

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME</th>
<th>ATTENDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>YBhg. Dato’ Azmi bin Abdullah</td>
<td>4/4</td>
</tr>
<tr>
<td>2</td>
<td>YBhg. Dato’ Siow Kim Lun</td>
<td>4/4</td>
</tr>
<tr>
<td>3</td>
<td>YBhg. Dato’ Dr. Gan Wee Beng</td>
<td>4/4</td>
</tr>
<tr>
<td>4</td>
<td>YBhg. Dato’ Che Pee bin Samsuddin</td>
<td>1/4</td>
</tr>
</tbody>
</table>

Summary of Audit Committee Activities:

Among major issues deliberated by the Audit Committee during the year 2016 were:

- Financial Statements of KWAP for Financial Year Ended 31 December 2015;


- Proposed Revision and Amendments to the Internal Audit Charter;

- Review of Internal Audit Annual Report 2015;

- Internal Audit Plan for Financial Year 2016 and 2017;

- Issues relating to the implementation of Malaysian Financial Reporting Standards (MFRS); and

- Internal Audit Reviews and Outstanding Audit Issues of several departments in KWAP.

RISK MANAGEMENT COMMITTEE

Risk Management Committee was established to assist the Board in discharging its functions with regards to risk management.

Membership

Currently, Risk Management Committee comprises 3 Board members and 1 Investment Panel member, who have been appointed by the Board, namely:

(i) YBhg. Dato’ Muhammad bin Ibrahim – Chairman  
(Resigned on 1 May 2016)

(ii) YBhg. Dato’ Dr. Gan Wee Beng – Member/Chairman  
(Appointed as Chairman on 1 June 2016)

(iii) YBhg. Dato’ Siow Kim Lun – Member

(iv) YBhg. Dato’ Mohammed Azlan bin Hashim – Member

(v) YBhg. Dato’ Kamaruzaman bin Wan Ahmad – Member

Four Risk Management Committee meetings were held throughout the year 2016.
Duties and Responsibilities of Risk Management Committee

The following are the duties and responsibilities of Risk Management Committee:

(i) to formulate and carry out the risk management strategies and policies;
(ii) to assess and approve proposal on risk management policies and procedures in business and financial risk areas such as market risk, credit risk, strategic risk, and operational risk;
(iii) to determine risk appetite/tolerance/parameters to Board for adoption;
(iv) to assess/evaluate existing and new policies, controls and recommend to the Board for final changes, approval and adoption;
(v) to ensure the adequacy of risk management policies and systems and the extent to which these are operating effectively;
(vi) to ensure that the infrastructure, resources and systems are in place to identify, measure, monitor and control risks;
(vii) to determine KWAP’s risk exposures and risk management activities;
(viii) to formulate Business Continuity Management (BCM);
(ix) to recommend to the Board for any changes to the Risk Management Framework; and
(x) to consider other risk related issues as defined by the Board.

Risk Management Committee Meeting Attendances:

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME</th>
<th>ATTENDANCE</th>
</tr>
</thead>
</table>
| 1. | YBhg. Dato’ Muhammad bin Ibrahim | 1/1*  
Chairman  
(“Resigned with effect from 1 May 2016) |
| 2. | YBhg. Dato’ Dr. Gan Wee Beng | 4/4*  
(“Appointed as Chairman with effect from 1 June 2016) |
| 3. | YBhg. Dato’ Siow Kim Lun | 4/4 |
| 4. | YBhg. Dato’ Mohammed Azlan bin Hashim | 4/4 |
| 5. | YBhg. Dato’ Wan Kamaruzaman bin Wan Ahmad | 4/4 |

Summary of Risk Management Committee Activities:
Among major issues deliberated by the Risk Management Committee during the year 2016 were:

- Corporate Risk Profile;
- Risk Outlook;
- Operational Risk Events;
- Investment Risks;
- Business Continuity Management Framework, Policy, Program Plan and Guidelines for KWAP;
- Foreign Exchange Exposures and Hedging Activities;
- Standardisation of Rating Guidelines;
- Credit Stress Test Guidelines;
- Credit Risk Budgeting Guidelines; and
- Compliance Report throughout the year 2016.

REMUNERATION COMMITTEE

Remuneration Committee was established to assist the Board in discharging its functions with its primary responsibility to establish the relevant policy framework in determining the appointment and remuneration of the management and staff of KWAP and recommend to the Board the performance related remuneration of the respective employees.

Membership
Currently, Remuneration Committee comprises 3 Board members and 1 Investment Panel members, who have been appointed by the Board, namely:

(i) YBhg. Dato’ Siow Kim Lun – Chairman
(ii) YBhg. Dato’ Mohammed Azlan bin Hashim – Member
(iii) YBhg. Dato’ Azmi bin Abdullah – Member  
(Appointed with effect from 1 March 2016)
(iv) YBhg. Datuk Azih bin Muda – Member  
(Appointed with effect from 1 March 2016)
(v) YBhg. Dato’ Kamaruzaman bin Wan Ahmad – Member  

Three Remuneration Committee meetings were held throughout the year 2016.
Duties and Responsibilities of Remuneration Committee

The following are the duties and responsibilities of Remuneration Committee:

(i) To recommend the minimum requirements on the skills, experience, qualifications and other core competencies of employees;
(ii) To recommend and review terms and conditions of employment and service of employees;
(iii) To recommend and review code of conduct and discipline of employees;
(iv) To recommend the mechanisms for the formal assessment on the effectiveness of employees;
(v) To recommend the promotion of employees;
(vi) To recommend the relevant policy framework in determining the remuneration (monetary and non-monetary) of employees;
(vii) To recommend service agreement structure/principles for employees including retirement/termination benefits;
(viii) To review annually and recommend the overall remuneration policy of key management employees to ensure that rewards commensurate with their contributions to KWAP’s growth and profitability;
(ix) To review annually the performance of the management and recommend to the Board specific adjustment in remuneration and/or reward payments if any, reflecting their contribution for the year; and
(x) To consider other issues as defined by the Board.

Remuneration Committee Meeting Attendances:

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME</th>
<th>ATTENDANCE</th>
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<tbody>
<tr>
<td>1</td>
<td>YBhg. Dato' Siow Kim Lun</td>
<td>3/3</td>
</tr>
<tr>
<td>2</td>
<td>YBhg. Dato' Mohammed Azlan bin Hashim</td>
<td>2/3</td>
</tr>
<tr>
<td>3</td>
<td>Encik Cheah Tek Kuang</td>
<td>1/1*</td>
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<tr>
<td></td>
<td>(*Term of appointment expired with effect from 28 February 2016)</td>
<td></td>
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<tr>
<td>4</td>
<td>YBhg. Dato’ Azmi bin Abdullah</td>
<td>2/2*</td>
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<tr>
<td></td>
<td>(*Appointed with effect from 1 March 2016)</td>
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<tr>
<td>5</td>
<td>YBhg. Datuk Azih bin Muda</td>
<td>0/2*</td>
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<td></td>
<td>(*Appointed with effect from 1 March 2016)</td>
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<tr>
<td>6</td>
<td>YBhg. Dato’ Wan Kamaruzaman bin Wan Ahmad</td>
<td>3/3</td>
</tr>
</tbody>
</table>

Summary of Remuneration Committee Activities:

Among the proposals deliberated and endorsed by the Remuneration Committee during the year 2016 were as follows:

- Payment of Bonus 2015 and Annual Increment 2016;
- Integration of Pension Services Department into KWAP’s Structure and the Appointment of Head of Pension Services Department;
- Proposal on Additional Headcount for KWAP Young Talent Program 2016/2017; and
- Renewal of several Contracts of Employment of Head of Departments in KWAP.

TENDER BOARD

Tender Board was established to assist the Board in discharging its functions with regards to evaluation of procurement proposals.

Membership

Currently, Tender Board comprises 5 Board members, who have been appointed by the Board, namely:

(i) YBhg. Dato’ Siti Zauyah Md Desa – Chairman (Appointed on 1 March 2016)
(ii) YBhg. Dato’ Che Pee bin Samsudin – Member (Appointed on 1 March 2016)
(iii) YBhg. Datuk Azih bin Muda – Member (Appointed on 1 March 2016)
(iv) YBhg. Datuk Yeow Chin Kiong – Member (Retired on 6 November 2016)
(v) YBhg. Dato’ Wan Kamaruzaman bin Wan Ahmad – Member

During the year, 4 Tender Board Meetings and 1 Special Tender Board Meeting were held to deliberate and recommend to the Board the procurement proposals within its authority limits.
Duties and Responsibilities of Tender Board
The following are among the duties and responsibilities of Tender Board:

(i) To review the tenderer’s registration with the Ministry of Finance and Contractor Services Centre, tender invitation advertisement, tender specification, tender documents (if necessary), tender schedule prepared by the Tender Opening Committee, technical and financial evaluation reports etc.;

(ii) To ensure that the procurement process complies with all applicable procurement ethics, policies and procedures;

(iii) To review the tenderer’s technical and financial capabilities. During the tender evaluation, the technical proposal would be opened and evaluated first followed by the financial proposal;

(iv) To consider and recommend awards which are beneficial to KWAP, taking into consideration factors such as pricing, utilisation of products/goods and/or services, delivery or completion period, maintenance cost as well as other relevant factors;

(v) To decide on re-tender process or to recommend any other procurement methods, if the Tender Board found that the procurement procedures are not in accordance with the regulations or suspect that there are irregularities in the tender process;

(vi) To consider and accept the tender provided that decision has been made by the Committee by at least a simple majority and is within the approved limit;

(vii) To consider and accept any quotations acknowledged by the Quotations Committee that exceeds the quotations limit; and

(viii) To consider other procurement issues as defined by the Board.

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<thead>
<tr>
<th>NO</th>
<th>NAME</th>
<th>ATTENDANCE</th>
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</thead>
</table>
| 1. | YBhg. Dato’ Siti Zauyah binti Md Desa –  
Chairman  
(Appointed on 1 March 2016) | 5/5 |
| 2. | YBhg. Dato’ Che Pee bin Samsudin  
(Appointed on 1 March 2016) | 2/5 |
| 3. | YBhg. Datuk Azih bin Muda  
(Appointed on 1 March 2016) | 3/5 |
| 4. | YBhg. Datuk Yeow Chin Kiong  
(*Retired on 6 November 2016) | 4/4 |
| 5. | YBhg. Dato’ Wan Kamaruzaman bin Wan Ahmad | 5/5 |

APPOINTMENT AND REMUNERATION OF BOARD AND INVESTMENT PANEL MEMBERS
The Board and the Investment Panel members are appointed for the period not exceeding 3 years, and on the expiry thereof are eligible for reappointment. The remuneration of the Board and Investment Panel is determined from time to time, subject to the approval of the Minister of Finance.

In 2016, the Board and Investment Panel received a remuneration of RM723,854.99 and RM447,606.65 respectively.
STATEMENT ON INTERNAL CONTROL

KEY INTERNAL CONTROL PROCESSES
The key processes established by the Board to review the adequacy and effectiveness of the risk management and internal control system include the following:

- **Audit Committee**
The Board level committee is tasked to ensure the formulation, adequacy, and integrity of the internal control system, provides oversight of the financial statements of KWAP as well as the execution of management responsibilities.

All significant findings raised by the internal auditors, external auditors, and third party assurance providers are reported to the Audit Committee for review and deliberation. The Audit Committee continually reviews and ensures the implementation of the Management’s action plans to address the findings raised.

- **Risk Committees**
Board level Risk Management Committee is established to assist the Board in the discharge of its risk management functions as well as the formulation and execution of the risk management strategies and policies. These policies and guidelines serve as a foundation for the risk management activities within KWAP. Amongst the key responsibilities are to assess and approve proposals on risk management policies and procedures, and determine the risk appetite, tolerance, and parameters to the Board for adoption.

At Management level, the Enterprise Risk Management Committee is established to assist the Board level Risk Management Committee in deliberating risk management strategies, policies, and guidelines prior to its approval. Among its functions are to review and assess KWAP’s risk exposure and decision making on the most appropriate mitigating controls. The Enterprise Risk Management Committee is also responsible to ensure the availability of infrastructure, resources, and systems for effective risk management.

- **Executive Committee**
The Executive Committee (EXCO) is primarily responsible for the execution, evaluation, and effective communication of key operational and management decisions throughout KWAP.

- **Information Security**
The Information Security Policy contains key domains in managing and administering information security. This is to protect and preserve the confidentiality, integrity, and availability of all information within KWAP from potential threats, whether internal or external, and deliberate or incidental, which may impact KWAP’s businesses.

- **Internal Policies and Procedures**
Policies, procedures, and processes are recorded in operation manuals, guidelines, and standard operating procedures (SOP) that are reviewed on a periodic basis. These documents are used to determine adherence to the internal control system.

- **Human Resource**
Proper guidelines for the employment and termination of employees, avoidance of conflict of interest, declaration of assets and liabilities, semi-annual and annual performance appraisals, as well as training programs are formulated in assuring competency, capabilities, and performance of employees in executing their professional responsibilities.

- **Performance Review**
The annual business plan and annual budget of KWAP are prepared and tabled to the Board for review and approval. In addition, the actual performance of KWAP is assessed against the approved business plan and budget by the Board on a monthly basis whereby significant variances, if any, are explained by the Management to the Board.

- **Internal Audit Function**
KWAP’s Internal Audit Department had executed its audit engagements in the areas of Investments, Operations, and Information Technology in accordance with the approved audit plan for year 2016. The outcome of the fieldwork and audit engagements conducted were incorporated in the audit report, which highlights the overall effectiveness on the internal control system and the significant risks, as well as the Management’s response and remedial actions in relation to the audit issues, findings, and observations.

In the same year, the Internal Audit Department had also engaged with Messrs PricewaterhouseCoopers to conduct audits on a co-sourced basis with the main objective of strengthening KWAP’s Internal Audit’s knowledge in the areas of Risk Management, Alternative Investment, and foreign currency.

Amongst the other tasks undertaken by the Internal Audit Department were as follows:

a) Participated in KWAP’s Disaster Recovery exercises as independent observers and assess whether the exercises had met its stated objectives
b) Reviewed Policies, Manuals, and Standard Operating Procedures and provided audit recommendations from the internal control system and process improvement perspective
c) Performed periodic audit follow-up on the outstanding audit issues raised by the internal and external auditors until all issues were resolved
RISK APPETITE STATEMENT
The Risk Appetite Statement defines the Board’s all-encompassing attitude to risk taking and how it relates to the stakeholders’ expectations. It sets out, on a broad basis, the organisation’s ability to take risk in the context of organisational objectives and risk tolerance.

It is important to the organisation since it defines the Management’s commitment and boundaries under which the organisation operates, and guides the organisation in decision making by embedding risk consciousness and risk tolerance into the organisation’s operating DNA. While KWAP strives to become a high-performance organisation, The Board recognises that the interest of its stakeholders, primarily the government and its pensioners, requires an organisation that practises prudent risk management in its investment and non-investment activities.

ENTERPRISE RISK MANAGEMENT
OVERVIEW
KWAP in its continuous journey to achieve its Mission and Vision recognises that the ever-changing business environment presents multiple form of threats and opportunities. KWAP is determined to move forward, manage threats, and seize the right opportunities for value creation, and capital preservation in whichever form. The risk management approach to support these initiative is primarily through the adoption of the Enterprise Risk Management (ERM) as a core strategy across the organisation. The approach is designed to identify potential events that may adversely affect the entity and manage risks within its risk appetite, thus providing reasonable assurance regarding the achievement of organisational objectives.
The Board is ultimately responsible for the oversight and management of KWAP’s risks. The Board, through the Risk Management Committee (RMC) maintains overall responsibility for risk oversight in KWAP.

The RMC responsibilities include, among others, reviewing and ensuring adequacy of risk management policies and procedures, reviewing risk exposures, and ensuring that infrastructure, resources, and systems are put in place to govern the risk management activities.

The Board is also supported by the Audit Committee whose responsibility is to provide an independent assessment of the adequacy and reliability of the risk management processes and internal control system, as well as compliance with risk policies and regulatory requirements.

Enterprise Risk Management Committee (ERMC) chaired by the CEO serves as a platform where all matters concerning risk, be it operational or investment related, are deliberated and addressed. Issues are then updated to the Board’s RMC for notification and decision, if necessary.

The dedicated independent risk management and functions, namely the Risk Management and Compliance Department (RMCD) and Internal Audit Department (IAD) are responsible for ensuring the approved risk management framework and policies are implemented and complied with. They are also responsible in facilitating the risk management processes with operational units which include risk identification, assessment, mitigation, and monitoring.

At the forefront, all departments are responsible for identifying and managing risks within their operations. They are to ensure all daily activities are carried out within the established framework and full compliance with the approved policies, procedures, and limits.

**RISK MANAGEMENT FRAMEWORK & POLICY**

KWAP has been adopting the enterprise-wide risk management approach in managing key risks and this was formalised through the introduction of Enterprise Risk Management Framework and Policy. The ERM approach is benchmarked against and aligned to the ISO 31000:2009 Risk Management Standard. The next diagram shows the risk management key areas under the KWAP ERM Framework:
RISK MANAGEMENT AND COMPLIANCE

The key areas and sub-framework include Operational Risk Management Framework, Market Risk Management Framework, Credit Risk Management Framework, Liquidity Risk Management Framework, and Compliance Framework. These frameworks were developed on modular basis to provide a fair degree of segregation, depth, and clarity for each key risk. KWAP has the flexibility to develop new sub-frameworks to address other risks if necessary. Other risks outside the broad risk categories (if any) are addressed through the corporate risk profile. Management of such risk is often executed via risk mitigation programs which are then duly executed in KWAP.

The latest addition to the ERM Framework is Reputational Risk Management Framework, which was developed to ensure coherent and consistent approach and methodology of reputational risk management in KWAP. The implementation of the framework shall provide key stakeholders i.e. Board and Investment Panel, a high degree of comfort that reputational risk is properly and adequately managed.

OPERATIONAL RISK MANAGEMENT
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. Through Operational Risk Event (ORE) reporting, KWAP is able to capture and record losses or near misses that occur within KWAP business operations. It also serves as an avenue for relevant departments to cooperatively work towards addressing risky issues pertinent to the reported events, facilitated by RMCD.

In 2016, there were no reported OREs with damaging impact to KWAP’s operation as most OREs were rectified on timely basis. The reported OREs mainly fell under the following categories of risk events:

In addressing the reported OREs, proactive measures were taken such as conducting a review on key processes to include new controls or ensuring a more clearly defined roles and responsibilities for all parties involved. The next diagram displays the number of OREs throughout 2016:

NUMBER OF OPERATIONAL RISK EVENTS REPORTED BY IMPACT LEVEL

In addressing the reported OREs, proactive measures were taken such as conducting a review on key processes to include new controls or ensuring a more clearly defined roles and responsibilities for all parties involved. The next diagram displays the number of OREs throughout 2016:

NUMBER OF OPERATIONAL RISK EVENTS REPORTED BY TYPE
Additionally, Operational Risk Management (ORM) Team was involved in the KWAP relocation strategy and coordination from Menara Yayasan Tun Razak to Integra Tower, such as the logistic of confidential documents and moving of data centre equipment. ORM team ensured that sufficient security surveillance equipment such as CCTV, door access, and voice recording for dealer were in place prior to operation on day one at Integra Tower, Kuala Lumpur.

**Business Continuity Management (BCM)**

Business Continuity Management (BCM) has always been one of KWAP’s priorities. In 2016, KWAP revised its BCM framework and policy to enhance its ability to resume business within the stipulated timeframe in the event of severe operational disruptions. One of the enhancements made in the revised framework was the communication method between the Senior Management and the employees during the disruption.

KWAP sets its benchmark to ISO 22301 (Business Continuity Management System) for BCM implementation. One of the key activities was the BCM Exercise where KWAP was tested on its ability to recover critical functions on systems within a set timeline which subsequently ensures operational continuity despite the disruption. In 2016, KWAP successfully conducted:

- 2 Planned BCM Exercises (Non-Live and Live)
- 1 Surprise IT Disaster Recovery Plan Exercise (Non-Live)
- 1 KWAP-HQ relocation BCM readiness (Live)

These were further enhanced by incorporating surprise measures or additional scenarios to assess KWAP’s organisational ability to handle surprises during disasters.

The live BCM exercise requires identified critical functions to be transacted (live) at KWAP’ Alternate Site and upon completion, recovered back to primary office. During these exercises, employees who were appointed as members of the Business Continuity Team were mobilised and tasked to perform the recovery of critical functions within the required timeline. The success of the live DRE is an achievement for KWAP in ensuring a robust, tested, and up-to-date BCM strategy.

BCM approach was applied during the relocation of KWAP office from Menara Yayasan Tun Razak to Integra Tower. The key purpose was to ensure operation day one in the new office was undisrupted. Several testing and exercises were conducted to ensure the readiness of all employees to respond to disruption on operation day one.

BCM initiative was implemented since March 2016 in the Pension Services Department (PeSD) which was formed in November 2015. Several training and awareness sessions were conducted to ensure the department was up-to-date with the BCM strategy.

**COMPLIANCE**

The compliance function in the organisation has gained prominence in recent years due to the nature and size of financial losses, and loss of reputation that arises from compliance breaches. Compliance serves as an independent function that identifies, assesses, advises, monitors, and reports on the compliance risk, that is, the risk of legal or regulatory sanction, financial loss, or loss to reputation that the organisation may suffer due to its failure to comply with all the applicable laws, regulations, codes of conduct, and standards of good practice.

The main objective of compliance is to preserve KWAP’s reputation so that our competitive standing, reputation, and share value are not only maintained, but also enhanced. To achieve this, KWAP’s underlying mission is to effectively measure and manage the compliance risk of the organisation to meet the expectations of all stakeholders. Compliance Risk within KWAP is defined as the risk of impairment to the organisation’s business model, as well as the reputation and financial condition from failure to meet laws and regulations, internal policies, and the expectation of the stakeholders. Providing the foundation to this aspiration is the Compliance Framework which was implemented in 2010, from which the building blocks of the compliance functions were shaped. In managing the roll-out of Compliance Framework, Compliance has adopted the Three Lines of Defense Model in managing the compliance risk in KWAP.
**Scope of Compliance**

a) Regulatory Compliance

This covers the external regulations and guidelines which KWAP is bound to comply with, such as the relevant Act of Parliament, Minister of Finance’s Decree, and relevant guidelines by regulatory bodies such as the Bank Negara Malaysia, Securities Commission, and Bursa Malaysia. The ownership of the regulatory compliance is with the relevant operating unit at transactional or operating level, where any potential breaches shall be identified upfront before the event. A proactive approach has been adopted as non-compliance to the regulatory compliance, and it is not an option.

b) Internal Compliance

This covers the compliance to the internal policies and guidelines, namely the Investment Policy and Guidelines, Discretionary Authority Limits, and Standard Operating Procedures. RMCD’s approach in ensuring the internal compliance are sustained through the risk limit control in the investment system, and operational process controls are embedded in the Standard Operating Procedures.

**Compliance Process**

Compliance activities are closely intertwined with compliance developments on the global front, existing legal requirements, as well as KWAP’s policies and procedures. The following diagram illustrates the compliance process and general approach taken in managing the compliance risk.
Value of Compliance
As business models change, new technologies emerge, and new investment asset classes increase amidst the intense focus on operational efficiencies, KWAP has never been more exposed to such a myriad of risks. In this regard, Board and Senior Management of KWAP had extended their fullest support and cooperation in moving the compliance to the front-line. This was done through the establishment of the tone from the top, which is quite simply, to comply with all rules and regulations, and employ ethical behavior. All employees are aware that the Board and Senior Management must take uncompromising stance if such trust is breached. The Compliance unit is increasingly becoming a point-of-reference and advisor for key strategic initiatives that KWAP embarks on.

The compliance culture is also being extended to our fund managers. Our fund managers will need to declare annually that all of KWAP’s investment guidelines are captured in their investment systems. This is to ensure that the fund managers are always adhering to the guidelines imposed on them.

Chinese Wall Policy
KWAP has implemented the Chinese Wall Policy in 2014. KWAP’s Chinese Wall Policy was introduced to establish procedures to control the flow of material, and non-public and price sensitive information within KWAP to minimise the risk of insider trading, and potential breach of laws and regulation. It also helps to ensure that the possession of material, and non-public and price sensitive information does not give rise to the risk or perceived risk of a conflict between the public interest, KWAP interest, and the employees’ personal interest.

Automated Self-Compliance Checklist
KWAP has also implemented the automated self-compliance where all attestation processes are now being automated via the system. The attestation exercise becomes paperless, and increases the efficiency. The self-compliance checklist will be filled in by the respective department’s compliance liaison officers and signed off by their Head of Department via the system. The attestation exercise has been rolled out bi-annually for all investment related departments and annually for other departments.

MARKET RISK MANAGEMENT
Market risk is the risk of unexpected loss resulting from adverse changes in the value of assets arising from movements in market rates or prices. The predominant market risk drivers within KWAP’s investments activities are mainly Interest Rate Risk, Equity Risk, and Foreign Currency Risk.

There are 3 main asset classes that forms KWAP’s investment namely Equity, Fixed Income, and Alternative Investment (Property and Private Equity). Equity contributes the highest risk to KWAP’s total risk at 73.6%, followed by Fixed Income at 20.9%, and Alternative Investment at 5.5% as at 31 December 2016, as displayed in the diagram below.

TOTAL RISK CONTRIBUTION BY ASSET CLASS AS AT 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>80.45%</td>
<td>73.63%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10.61%</td>
<td>20.85%</td>
</tr>
<tr>
<td>Alternatives</td>
<td>8.95%</td>
<td>5.52%</td>
</tr>
</tbody>
</table>

KWAP’s market risk system, which uses multifactor models shows that the top 3 portfolio risk factors are from industry risk at 64.1%, which is equity centric, term structure risk at 26.7%, which is fixed income centric, and selection risk at 3.82%, which is an idiosyncratic risk or a risk that is specific to an asset or a small group of assets. The total risk factor breakdown on KWAP's total investment as at 31 December 2016 is displayed in the following diagram.
A key market risk measure used in KWAP is Value-at-Risk (VaR). KWAP measures VaR as the worst possible loss that may occur at a 5% probability over a 10-day trading period. KWAP’s VaR in 2016 averaged at 1.50% of the total fund’s market value. In other words, for a 2-week period, there is a 95% probability that KWAP will not lose more than 1.50% of the fund’s market value due to market risk factors. The following chart refers.

The Sharpe Ratio measures the risk adjusted return of a portfolio. It is the average return earned in excess of the risk-free rate per unit of volatility or total risk. KWAP’s Sharpe Ratio for 2016 is illustrated in the diagram below.

The average Sharpe Ratio for 2016 was at 0.41% as compared to 0.48% in 2015. KWAP’s overall portfolio for 2016 added value by 41 basis points (bps) over the risk-free rate or 3 months KLIBOR. The negative Sharpe Ratio in the month of January 2016 to May 2016 reflected a weaker performance in the overall portfolio due to volatility in the global markets in effect of the low oil price and expectations of US interest rate hikes.
EQUITY RISK EXPOSURE
Equity portfolio represents 37.97% of KWAP’s total fund at market value as at 31 December 2016. KWAP’s equity VaR was at an average of 3.53% of the equity portfolio. This means that KWAP’s equity portfolio had an estimated potential loss of 3.53% of the portfolio value over a 2-week period assuming a 95% confidence interval as shown below.

EQUITY PORTFOLIO VAR FOR 2016

KWAP’s international equity portfolio Tracking Error was higher in comparison to its Domestic Equity portfolio mainly attributed to its smaller mandate and stock universe as compared to its respective benchmarks as illustrated in the next chart.

INTERNAL AND EXTERNAL INTERNATIONAL EQUITY PORTFOLIO TRACKING ERROR FOR 2016

Tracking Error or also known as active risk, measures the deviation of the portfolio from its benchmark. For example, a passive index fund would have a Tracking Error close to zero while an actively managed fund would normally have a higher Tracking Error.

KWAP’s Tracking Error for domestic equity portfolio for 2016 was higher as compared to 2015 due to the portfolio’s weighting against its benchmark. Internally managed Domestic Equity Tracking Error for 2016 was at 1.99% as compared to a higher Tracking Error of 2.48% for externally managed Domestic Equity as illustrated in the following diagram.

INTERNAL AND EXTERNAL DOMESTIC EQUITY PORTFOLIO TRACKING ERROR FOR 2016
The diagram below illustrates KWAP’s internal domestic equity sector exposure versus the FBM100 Index. As at 31 December 2016, the top 3 key overweight equity sectors were Real Estate, Telecommunication, and Industrials while underweights were Financials, Consumer, and Health Care.

### INTERNAL DOMESTIC EQUITY SECTOR EXPOSURE

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Benchmark Weight</th>
<th>Active Weight</th>
<th>Portfolio Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate</td>
<td>3.57%</td>
<td>7.53%</td>
<td>3.96%</td>
</tr>
<tr>
<td>Telecommunication Services</td>
<td>3.14%</td>
<td>14.23%</td>
<td>11.09%</td>
</tr>
<tr>
<td>Industrials</td>
<td>2.87%</td>
<td>15.73%</td>
<td>18.60%</td>
</tr>
<tr>
<td>Materials</td>
<td>1.28%</td>
<td>5.64%</td>
<td>4.36%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>1.17%</td>
<td>10.12%</td>
<td>8.95%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.75%</td>
<td>13.64%</td>
<td>12.89%</td>
</tr>
<tr>
<td>ETF</td>
<td>0.31%</td>
<td>2.85%</td>
<td>2.98%</td>
</tr>
<tr>
<td>Energy</td>
<td>-0.13%</td>
<td>-2.42%</td>
<td>-2.98%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>-0.89%</td>
<td>1.39%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Health Care</td>
<td>-2.42%</td>
<td>2.52%</td>
<td>4.94%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>2.42%</td>
<td>-4.73%</td>
<td>7.15%</td>
</tr>
<tr>
<td>Financials</td>
<td>-4.3%</td>
<td>-4.93%</td>
<td>21.64%</td>
</tr>
</tbody>
</table>

**Stress Test on Total Equity Portfolio**

KWAP periodically conducts Stress Test of its portfolios based on a range of scenarios. Results are reviewed, analysed, and assessed to give insights into the portfolios vulnerabilities.

The results of the Stress Test on the total equity portfolios are as follows.

### STRESS TEST ON 5 WORST CASE SCENARIOS

<table>
<thead>
<tr>
<th>Scenario</th>
<th>P&amp;L</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-1998 Asian Financial Crisis</td>
<td>-47.61%</td>
</tr>
<tr>
<td>2007-2009 Subprime and Credit Crisis</td>
<td>-39.41%</td>
</tr>
<tr>
<td>1987 Market Crash (Aug. to Nov.)</td>
<td>-37.76%</td>
</tr>
<tr>
<td>2008-2009 Global Financial Crisis</td>
<td>-22.66%</td>
</tr>
<tr>
<td>2004 Emerging Market Troubles</td>
<td>-11.28%</td>
</tr>
</tbody>
</table>

**Fixed Income Risk Exposure**

Fixed income portfolio which consists of Malaysian Government Securities (MGS), Government Investment Instruments (GII), Quasi-Government Bonds (QB), Corporate Bonds (CB), and Money Market (MM) represents 57.11% of KWAP’s Total Fund as at 31 December 2016.

KWAP’s fixed income VaR for 2016 was at an average of 0.86% of the fixed income portfolio. This means that fixed income portfolio had an estimated potential loss of 0.86% of the portfolio value over a 2-week period assuming a 95% confidence interval, as illustrated below.

**Fixed Income Portfolio VaR for 2016**

![Graph showing fixed income portfolio VaR for 2016]
Modified Duration

Modified duration measures the change in value of a security or portfolio in response to a change in interest rates. It also follows the notion that interest rates and bond prices move in opposite directions. It is a sensitivity analysis used to determine the effects of a 100 bps (1%) change in interest rates towards the price of a bond.

On average, KWAP’s modified duration in both MGS/GII/QB and CB portfolios exceeded its respective benchmarks modified duration. The MGS/GII/QB portfolio’s modified duration as at December 2016 was at 7.82 as compared to 5.64 of its benchmark, while CB’s modified duration was at 5.10 as compared to its benchmark of 4.41.

This means that if interest rates change by 100 bps, the portfolio value will also change by approximately 7.82% for MGS/GII/QB and 4.41% for CB.

KWAP’s bond portfolio are mostly in the medium to long tenures which makes it more sensitive to movements in interest rates as compared to its benchmark. The higher duration is also in line with KWAP’s investment strategy and risk appetite as a long-term pension fund investor. This is illustrated in the next diagram.

### Modified Duration for MGS/GII & Quasi as at 31 December 2016 (Internal Versus Benchmark)

<table>
<thead>
<tr>
<th>Modified Duration</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.66</td>
<td>2015</td>
</tr>
<tr>
<td>5.31</td>
<td></td>
</tr>
<tr>
<td>7.82</td>
<td>2016</td>
</tr>
<tr>
<td>5.64</td>
<td></td>
</tr>
</tbody>
</table>

### Modified Duration for Corporate Bonds as at 31 December 2016 (Internal Versus Benchmark)

<table>
<thead>
<tr>
<th>Modified Duration</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.94</td>
<td>2015</td>
</tr>
<tr>
<td>4.45</td>
<td></td>
</tr>
<tr>
<td>5.10</td>
<td>2016</td>
</tr>
<tr>
<td>4.41</td>
<td></td>
</tr>
</tbody>
</table>

The internal domestic bond portfolios key rate duration is over weighted on the 5 to 15 years’ maturities as shown in the next diagram.

### Internal Domestic Fixed Income Key Rate Duration as at 2016 (Internal Versus Benchmark)

<table>
<thead>
<tr>
<th>Duration</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1y</td>
</tr>
<tr>
<td></td>
<td>2y</td>
</tr>
<tr>
<td></td>
<td>3y</td>
</tr>
<tr>
<td></td>
<td>5y</td>
</tr>
<tr>
<td></td>
<td>7y</td>
</tr>
<tr>
<td></td>
<td>10y</td>
</tr>
<tr>
<td></td>
<td>15y</td>
</tr>
<tr>
<td></td>
<td>20y</td>
</tr>
<tr>
<td></td>
<td>30y</td>
</tr>
</tbody>
</table>

## RISK MANAGEMENT AND COMPLIANCE
Tracking Error

KWAP’s internal and external domestic fixed income portfolio Tracking Error for 2016 was at 0.56% and 1.66% respectively. This is illustrated in the next chart.

**INTERNAL AND EXTERNAL DOMESTIC FIXED INCOME PORTFOLIO TRACKING ERROR FOR 2016**

![Tracking Error Chart]

Internal and external international fixed income portfolio Tracking Error for 2016 was at 5.90% and 3.53% respectively.

Stress Test on Fixed Income Portfolio

KWAP periodically conducts Stress Test on its fixed income portfolios. Based on 5 selected scenarios, the estimated impact to the Profit and Loss are shown in the next table.

**STRESS TEST ON 5 WORST CASE SCENARIOS**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>P&amp;L</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Emerging Market Decline</td>
<td>-0.17%</td>
</tr>
<tr>
<td>2004 Emerging Market Troubles</td>
<td>-0.14%</td>
</tr>
<tr>
<td>2016 Brexit</td>
<td>-0.06%</td>
</tr>
<tr>
<td>1973-1974 Oil Crisis</td>
<td>0.05%</td>
</tr>
<tr>
<td>1987 Market Crash (Aug. to Nov.)</td>
<td>0.11%</td>
</tr>
</tbody>
</table>

Estimated losses from the Stress Test for fixed income were minimal as compared to investments in equities. This can be attributed to KWAP’s substantial size in its domestic fixed income investments which had limited impact from external market shocks and volatility.

ALTERNATIVE INVESTMENTS

As at 31st December 2016, KWAP’s total exposure in alternative investment was at 4.92% which contributed to 5.52% on KWAP’s total risk. KWAP’s alternative investments consists of property and private equity investments.

Property

KWAP’s properties are fairly diversified both domestically and internationally, which has a natural effect on risk mitigation. The properties are long term in nature, hence the risk is structural as opposed to transactional. Besides being exposed to movement in property prices, management of the rental leases are important in maintaining a steady income stream.

In 2016, KWAP had also taken the opportunity to divest one of its property in the UK which made gains both in its market value appreciation and currency appreciation. From the investment it had also reduced KWAP’s total risk in property investments.
Private Equity Fund, Infrastructure, and Direct Investment
Risk management of Private Equity (PE) funds were typically concentrated in the pre-appointment evaluation of its manager and investment strategies after considering those strategies and its targeted maturities. Post appointment activities concentrated on operational risk management and monitoring of the funds with potential red flags as to possible write offs or losses.

Derivative Products
A variety of derivative products were used to manage market risk exposures on its investments especially on currency and interest rate movements. Derivative instruments used to manage those exposures are Cross Currency Swaps (CCS), Interest Rate Swaps (IRS) and Foreign Exchange Forward contracts (FX Forward). KWAP mostly uses FX Forwards to hedge its exposures in international markets back to ringgit Malaysia. By having the hedges in place, it minimises the volatility from currency and interest movements.

International Exposure

Currency Risk
As at 31 December 2016, KWAP’s exposure to international investments was at 11.67% of KWAP’s total fund.

KWAP’s foreign currency exposures through its investments can be broken down into 4 major currencies namely USD, GBP, AUD, and EUR. The currency exposures as at 31 December 2016 is illustrated as follows.

**PERCENTAGE OF KWAP’S INVESTMENT BY CURRENCY**

The next chart shows the proportion of various asset classes within KWAP’s international investments.

**PERCENTAGE OF KWAP’S INTERNATIONAL INVESTMENT BY ASSET TYPE**
CREDIT RISK MANAGEMENT

Credit risk is defined as the probability that a borrower or counterparty will fail to meet its financial obligations in accordance with the agreed terms. KWAP being an active player in the domestic fixed income and money markets with participation in both primary and secondary market requires strong credit risk policies. Industry best practices are instilled via continuous updates of credit risk policies and processes.

The purpose of credit risk management is to keep credit risk exposure within an acceptable level and to ensure the returns commensurate with the risk taken. The Credit Risk Framework and Credit Risk Guidelines were introduced to formalise the credit risk function covering credit risk measurement, credit risk assessment, and monitoring.

The Credit Research provides the credit analysis, internal ratings, and credit reviews for the fixed income portfolio.
The Credit Committee is responsible to deliberate on all existing and new credit proposals, as well as credit related issues before tabling to the Investment Committee and the Investment Panel. Besides that, the Credit Committee reviews and approves the internal credit rating scoring for all credit proposals.

To manage KWAP’s credit exposure, a series of credit risk limits and Management Action Triggers (MAT) had been placed, as illustrated next.

**CREDIT RISK LIMITS/MANAGEMENT ACTION TRIGGER (MAT)**

- **COUNTERPARTY RISK LIMIT**
- **CORPORATE BOND MINIMUM RATING LIMIT**
- **ISSUER LIMIT**
- **CORPORATE BOND PORTFOLIO RATING LIMIT**
- **CORPORATE BOND NEGATIVE RATING WATCH**
- **LOAN PORTFOLIO LIMIT**
- **SINGLE BORROWER LIMIT**
- **GROUP INVESTMENT EXPOSURE MAT**
- **SECTOR CONCENTRATION MAT**
- **GROUP MAT FOR EXTERNAL FUND MANAGERS**

Note: Credit risk limits are marked with an asterisk (*)

The credit risk limits are approved by Board, designed to either cap risk exposure within a certain asset class and sub-asset class, or cap risk exposures to a single entity or issuer. Any breaches to these limits will be escalated to the senior management.

Management Action Trigger (MAT) on the other hand, are triggers that warrant management review and reassessment of the accompanying risk exposures.

KWAP employs Credit Value-at-Risk (Credit VaR) among others as a methodology to quantify credit risk. It is a measure of the maximum potential change in value of a portfolio of financial instruments with a given probability over a pre-set horizon. A credit risk quantification system is used to monitor the overall composition and quality of the credit portfolio by providing adequate information and analytical techniques. The Credit VaR Contribution as a percentage of exposure is 1.75% over a one-year time horizon and 99% confidence level.

In addition, stress testing is used as a complement VaR analysis, as a risk management tool used to better understand the risk profile, evaluate business risks, and thus allowing for the appropriate measures to be taken accordingly. Stress test involves identifying possible events or future changes in the financial and economic conditions that could have unfavourable effects on KWAP’s exposure and the assessment of KWAP’s ability to withstand such changes. Steps are then identified to manage the risks and preserve capital.

In order to enhance visibility and promote better risk management of the bond portfolio, the negative rating watch is closely monitored to serve as part of the pre-emptive measures in addressing potential downgrade and/or default of the bonds.

**KWAP TOTAL FIXED INCOME PORTFOLIO**
**(AS AT 31 DECEMBER 2016)**

The diagram displays KWAP’s fixed income exposure, of which 45.17% was invested in Malaysian Government Securities (MGS) and Quasi Government Bonds, 25.14% in Domestic Debt, 15.67% in Loan, and 9.33% in Money Market. The remainder 4.69% was invested in International Debt.
SUMMARY OF ETHICAL PRACTICES
NEW POLICIES, GUIDELINES, AND CERTIFICATIONS

BUSINESS CONTINUITY MANAGEMENT POLICY

The Business Continuity Management (BCM) Policy was developed to articulate KWAP’s commitment in the implementation of BCM within the organisation. The Policy Statement stated that:

KWAP shall have standard written guidelines and procedures approved by the Board, for continuing and carrying on with its critical business and service operations in the event of system failure; or when the normal course of carrying out business and support operations are disrupted by crisis or disaster.

STANDARDISED RATING GUIDELINES

The Standardised Rating (SR) Guidelines was created to govern all investments in portfolios of traditional credit products and fixed income instruments, covering both domestic and international investments. It explains standardised rating approach, KWAP’s internal rating scorecard and model validation. The rationales for establishing the SR Guidelines are to develop a more consistent and comparable credit risk assessment across counterparties, to ensure that ratings are objective and to allow the credit risk of the entire portfolio to be measured based on ratings calibrated to absolute Probability of Default.

Rating scorecard is an important tool in managing and controlling credit risk, as well as monitoring the quality of individual credits and total portfolio. To facilitate early identification of changes in risk profiles, analyst can do a “notching down” of rating for specific Issuer or Issue based on credit findings and/or potential credit deterioration (qualitative assessment). Credits with deteriorating ratings are subject to the internal rating trigger and additional oversight and monitoring. The internal ratings are used by various departments to track the current characteristics of the credit portfolio and help determine necessary changes to the credit strategy.

INFORMATION SECURITIES GUIDELINES

The Information Security Guideline serves to help stakeholders to comply with Information Security Policy and elaborates the detail security controls required to protect KWAP Information Assets. Information Asset is a representation of facts, concepts or instructions in a formalized manner to which meaning is, or might be, assigned and which is suitable for communication, interpretation or processing by human or by automated means. In addition to written and printed documents, information stored on magnetic or other electronic media or in the memory of a computer, information appearing on a display or other computer output, or streams of information being transmitted over a communications line. It may be in graphic, text, voice, or image form. This Guidelines serves the Information Security controls that have been adopted by KWAP in preventing unauthorised access, use, disclosure, disruption, modification, inspection, recording, or destruction of information. In addition, this Guidelines is also in line with ISO/IEC 27002:2013 Code of Practice for Information Security Management System (ISMS).
The Management and Control of Mobile Device (MCMD) Guidelines was created as a guide on overall management of the Mobile Device Management (MDM) and Virtual Desktop Infrastructure (VDI) for KWAP user to access to KWAP’s infrastructure and systems remotely or local access through the approved mobile devices. Mobile device includes the corporate device as well as personal device use to access Information Technology resources. Corporate mobile user devices will be protected with MDM solution to ensure that access to KWAP data/information via email and corporate network is secured. The MDM security solution features will enable KWAP to monitor, manage and secure employees’ mobile devices that are deployed across multiple mobile service providers and across multiple mobile operating systems. VDI is the underlining infrastructure supporting all user connections to KWAP’s systems. VDI architecture separates the user’s personal desktop environment and access to KWAP’s office or working environment to protect information leakages.

The Employees Secondment Guidelines was developed to provide KWAP’s Management and employees with clear guidelines with regards to secondments. A secondment arrangement defined in the Guideline may be made within or between different departments in KWAP (internal) from KWAP to an external organisation or subsidiary (external), and from an external organisation to KWAP (incoming). Secondments can be used for a range of purposes including providing career and professional development opportunities for employees or by providing the opportunity for employees to acquire new skills and experience. Secondments are initiated or recommended in view of any conditions or business requirements such as projects, introduction of new initiatives, a specific task of limited duration, a short-term appointment to cover a new area of work prior to making a permanent appointment, maternity or sickness absence cover, and the filling of a permanent role through a specific period of secondment, to meet the individual employee’s development needs.
**CORPORATE GOVERNANCE INITIATIVES**

**MANAGEMENT VISITS**
In 2016, KWAP continued its engagements with its investee companies by organising 27 management visits which comprised of 19 local companies and 8 regional companies. The visits were led by KWAP Chief Executive Officer, Dato’ Wan Kamaruzaman bin Wan Ahmad with the participation of KWAP’s senior management team.

**DOMESTIC MANAGEMENT VISITS CONDUCTED IN 2016**

<table>
<thead>
<tr>
<th>No</th>
<th>Company/Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KPJ Healthcare Berhad</td>
</tr>
<tr>
<td>2</td>
<td>Tune Protect Group Berhad</td>
</tr>
<tr>
<td>3</td>
<td>Media Prima Berhad</td>
</tr>
<tr>
<td>4</td>
<td>IJM Corporation Berhad</td>
</tr>
<tr>
<td>5</td>
<td>Malaysian Resources Corporation Berhad</td>
</tr>
<tr>
<td>6</td>
<td>PROTON Holdings Berhad</td>
</tr>
<tr>
<td>7</td>
<td>Eastern &amp; Oriental Berhad</td>
</tr>
<tr>
<td>8</td>
<td>Ewein Berhad</td>
</tr>
<tr>
<td>9</td>
<td>IJM Light Waterfront Penang</td>
</tr>
<tr>
<td>10</td>
<td>NTPM Holdings Berhad</td>
</tr>
<tr>
<td>11</td>
<td>Inari Amertron Berhad</td>
</tr>
<tr>
<td>12</td>
<td>Vitrox Corporation Berhad</td>
</tr>
<tr>
<td>13</td>
<td>Gamuda Berhad</td>
</tr>
<tr>
<td>14</td>
<td>Maybank Group</td>
</tr>
<tr>
<td>15</td>
<td>Ambank</td>
</tr>
<tr>
<td>16</td>
<td>Felda Global Ventures Holdings Berhad</td>
</tr>
<tr>
<td>17</td>
<td>Pos Malaysia</td>
</tr>
<tr>
<td>18</td>
<td>IGB Real Estate Investment Trust</td>
</tr>
<tr>
<td>19</td>
<td>KLCC Property Holdings Berhad</td>
</tr>
</tbody>
</table>

As part of its efforts to build relationship with its regional counterparts, KWAP organised a visit to Taiwan in October 2016. In addition to providing valuable information on present and potential investments in Taiwan via direct engagements with their companies, government bodies, and regulators in the country, the trip also provided an opportunity to obtain more insights into their Environmental, Social, and Governance (ESG) practices.

**INTERNATIONAL MANAGEMENT VISITS CONDUCTED IN 2016**

<table>
<thead>
<tr>
<th>No</th>
<th>Company/Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Taiwan Stock Exchange</td>
</tr>
<tr>
<td>2</td>
<td>Delta Group</td>
</tr>
<tr>
<td>3</td>
<td>Chunghwa Telecom</td>
</tr>
</tbody>
</table>

In addition, KWAP is enhancing its engagements with its investee companies by raising issues on Environment, Social and Governance (ESG) during management visits and Annual General Meetings (AGM) to further improve corporate governance practices of its investee companies.

**ESG – ISSUES RAISED AT MANAGEMENT VISITS CONDUCTED IN 2016**

<table>
<thead>
<tr>
<th>No</th>
<th>Company/Organisation</th>
<th>ESG Issues Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KPJ Healthcare Berhad</td>
<td>Board Gender Diversity</td>
</tr>
<tr>
<td>2</td>
<td>Tune Protect Group Berhad</td>
<td>Social: Contribution to Society</td>
</tr>
<tr>
<td>3</td>
<td>Media Prima Berhad</td>
<td>Social: Contribution to Society</td>
</tr>
<tr>
<td>4</td>
<td>IJM Corporation Berhad</td>
<td>Environmental: Bauxite</td>
</tr>
<tr>
<td>5</td>
<td>Malaysian Resources Corporation Berhad</td>
<td>Environmental: River Adoption</td>
</tr>
<tr>
<td>6</td>
<td>PROTON Holdings Berhad</td>
<td>Environmental: Low Emission Cars</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social: Safety Aspects of Cars</td>
</tr>
<tr>
<td>7</td>
<td>Eastern &amp; Oriental Berhad</td>
<td>Social: Fishermen’s Livelihood</td>
</tr>
<tr>
<td>8</td>
<td>Ewein Berhad</td>
<td>Environmental: Land Reclamation</td>
</tr>
<tr>
<td>9</td>
<td>IJM Light Waterfront Penang</td>
<td>Environmental: Marine Life</td>
</tr>
<tr>
<td>10</td>
<td>NTPM Holdings Berhad</td>
<td>Environmental: Waste and Discharge</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social: Employee Welfare and Hygiene</td>
</tr>
<tr>
<td>11</td>
<td>Inari Amertron Berhad</td>
<td>Environmental: Industrial Waste</td>
</tr>
<tr>
<td>12</td>
<td>Vitrox Corporation Berhad</td>
<td>Environmental: Industrial Waste</td>
</tr>
<tr>
<td>13</td>
<td>Gamuda Berhad</td>
<td>Social: Employee Safety</td>
</tr>
<tr>
<td>14</td>
<td>Maybank Group</td>
<td>Social: Employee Welfare</td>
</tr>
<tr>
<td>15</td>
<td>Ambank</td>
<td>Environmental: Low Emission Vehicles</td>
</tr>
<tr>
<td>16</td>
<td>Pos Malaysia</td>
<td>Governance: Asean Corporate Governance Ranking</td>
</tr>
<tr>
<td>17</td>
<td>Taiwan Stock Exchange</td>
<td>Governance: Asean Corporate Governance Ranking</td>
</tr>
<tr>
<td>18</td>
<td>Delta</td>
<td>Environment: Recycling</td>
</tr>
<tr>
<td>19</td>
<td>Chunghwa Telecom</td>
<td>Environment</td>
</tr>
</tbody>
</table>
LETTERS TO INVESTEES COMPANIES
In addition to the ongoing close monitoring of our investee companies via management visits, participation in AGMs and EGMs, periodic analyst meetings and dialogues, and KWAP issued Shareholder Letters to 104 investee companies in 2016. The letter includes inter alia recommendations to adopt good ESG practices and sustainability initiatives.

ENGAGEMENT WITH REGULATORS/GLICs
As part of KWAP’s initiatives in supporting good corporate governance, KWAP CEO, Dato’ Wan Kamaruzaman has participated as guest speaker in numerous conferences, talks, and dialogues organised by Bursa Malaysia Berhad, and Khazanah Nasional, among others.

TALKS AND DIALOGUES PARTICIPATED BY KWAP

<table>
<thead>
<tr>
<th>No</th>
<th>Event</th>
<th>Company/Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interplay Between CG, NFI &amp; Investment Decision – What the Board Need to Know, September 2016</td>
<td>Bursa Malaysia</td>
</tr>
<tr>
<td>2</td>
<td>Invest Malaysia 2016 Conference</td>
<td>Bursa Malaysia</td>
</tr>
<tr>
<td>3</td>
<td>Global Asset Owners’ Forum</td>
<td>International Research Networks</td>
</tr>
<tr>
<td>4</td>
<td>Malaysian Capital Market Summit – Beyond Boundaries and Soaring Higher</td>
<td>Asian Strategy &amp; Leadership Institute</td>
</tr>
<tr>
<td>5</td>
<td>Khazanah Megatrends Forum</td>
<td>Khazanah Nasional</td>
</tr>
</tbody>
</table>

ENGAGEMENT WITH CORPORATE GOVERNANCE BODIES

International Corporate Governance Network (ICGN)
In 2016, KWAP became the corporate member of the International Corporate Governance Network (ICGN) which is represented by 547 members from 47 countries. A representative of KWAP was appointed to be the country correspondence for Malaysia, as it promotes effective standards of corporate governance to institutions worldwide. KWAP CEO, Dato’ Wan Kamaruzaman along with KWAP representatives attended and participated in the ICGN Annual Conference 2016 in San Francisco, USA. Our representatives took the opportunity to promote KWAP as the country host and Kuala Lumpur, Malaysia as the next conference venue to the delegates for year 2017, which will be held from 11th to 13th July.
Asian Corporate Governance Association (ACGA)
KWAP became a member of Asian Corporate Governance Association (ACGA) in November 2015. ACGA is an independent, non-profit membership association dedicated to encouraging and facilitating improvements in corporate governance in Asia. It has 111 members to-date, represented by 8 sectors ranging from pension and sovereign wealth funds, corporate (listed and private), and accounting firms. In May 2016, KWAP conducted direct engagements and interviews with ACGA and CLSA on the assessment criteria pertaining to the latest CG developments in the region and ASIA CG Scorecard 2016 with the aim of improving the country’s ranking via enhanced initiatives by the institutional investors. KWAP is a member of the “Working Group for ASEAN CG Watch 2016” established by Securities Commission. KWAP briefed the Malaysian Institutional Invest Council on the criteria for the assessments for ASEAN CG Watch 2016 and highlighted the key issues. KWAP’s representatives attended ACGA’s 2016 Annual Conference in Tokyo where the findings of the CG Watch 2016 were presented in addition to other CG issues in Asia.

United Nation Principles of Responsible Investment (UNPRI)
In 2016, KWAP engaged the representatives from UNPRI to further improve corporate governance in the region. PRI is the world’s leading proponent of responsible investment where they act in the long-term interest of its signatories, of the financial market, and economies as a whole. In addition, PRI provides understanding of the investment implications of ESG factors and supporting its international network of investor signatories by incorporating these factors into their investment and ownership decisions. KWAP was represented in PRI’s Annual Conference ‘PRI in Person 2016’ which was held in Singapore in September 2016. Subsequent to the PRI’s Annual Conference in 2016, KWAP had a separate engagement session with representatives from PRI to discuss further on ESG related matters.

FTSE Advisory Committee
KWAP’s CEO was appointed as the FTSE ESG Advisory Committee member in September 2015. The appointment to the Committee is by invitation from FTSE. The establishment of the Committee is to provide a forum for FTSE to interact with index users and other stakeholders with a view to enhancing the underlying methodologies of the FTSE ESG ratings and associated index products, including the FTSE4Good Index Series.

Association of Chartered Certified Accountant (ACGA)
KWAP’s CEO was the adjudication panel for ACCA Malaysia’s Sustainability Reporting Awards (MaSRA) 2016.

Engagement with other Institutions on ESG
Apart from engagements with regulators, government linked companies and corporate governance bodies, KWAP took another step further by engaging with other institutions on ESG related matters. For instance, KWAP held 2 discussions with representatives from Morgan Stanley Capital International (MSCI) as well as an engagement session with Aberdeen Global Equity Team to keep abreast with latest ESG issues.

Malaysian Code for Institutional Investors (The Code)/Institutional Investors Council (IIC)
KWAP furthered its commitment in upholding good corporate governance standard by being the signatory to the Code. The Code comprises a set of principles which assists institutional investors to fulfill their stewardship responsibilities through influencing and promoting good corporate governance culture in their investee companies. KWAP CEO, Dato’ Wan Kamaruzaman, was elected as its first Chairman.

In addition, 2 officers from KWAP were nominated to be part of the IIC’s Working Group. The IIC primary role is to represent the common interests of institutional investors in Malaysia. In addition to the IIC formation, a special working committee was formed to focus on issues and topics of strategic importance which are of common interest to institutional investors and in line with the objectives of the IIC, namely Market and Industry, and Governance and Policies. Moving forward, KWAP is also working towards establishing Institutional Investors Council as an institution with the help of other IIC members namely Employees Provident Fund and Khazanah Nasional, to name a few.

KWAP actively participated in IIC events by having at least 4 meetings in a year for both council and working group. KWAP also joined the “MSWG-IIC Governance Week 2016” in April 2016 where KWAP CEO was invited as the speaker. In addition, KWAP played a key role in the publication of the IIC’s inaugural report – “Investor Stewardship and Future Key Priorities Report 2016” launched in September 2016 where it highlighted the current state of play of institutional stewardship in Malaysia, Level of shareholder’s engagement taken by the IIC members, IIC members’ observations on the investee companies’ corporate governance initiatives, and IIC’s strategic priorities for the next 5 years which includes enhancing governance in the Malaysian Capital Market and promoting the ESG Agenda.

Relocation to an Environmental Friendly Building
In November 2016, KWAP relocated to Integra Tower which is a Platinum LEED Certified Green Building with 20% energy savings, 40% water-efficiency, and a reduced CO₂ emission of 1,663 tonnes per year, and the development placed emphasis on environmental protection. Its high-performance building systems reduce energy and water consumption while maintaining a high level of indoor environment quality.
Section 03

CORPORATE STRATEGY

- 054 Corporate Scorecard
- 065 KWAP and its Role in ESG
- 066 Expansion of Global Investment
- 068 Engaging Pensioners
- 070 Creating More Presence
## REVIEW OF CORPORATE SCORECARD 2016

### STAKEHOLDERS OBJECTIVES

<table>
<thead>
<tr>
<th>A. Stakeholders Objectives</th>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Grow fund size (at cost)</td>
<td>Percentage of growth in fund size</td>
<td>Increase fund size (at cost), circa 8% growth rate</td>
<td>Fund size grew by 8.2% from RM120.1 billion to RM129.95 billion</td>
</tr>
</tbody>
</table>
| 2. Rebranding of KWAP and development of new corporate culture | Completion timeline | Complete rebranding initiatives:  
   i. Revised Vision, Mission and Values (VMV)  
   ii. Roll-out Employee Value Proposition (EVP) | Revised VMV was approved by the Board in July 2016 with external launching to be conducted in March 2017 in conjunction with KWAP’s 10th year anniversary  
   Initial draft completed |
| 3. Integrate responsible investing and sustainability | a. Implementation of initiatives  
   i. Review KWAP’s Investment Beliefs by incorporating responsible investment philosophy and sustainability requirements (without forgoing investment returns)  
   ii. Develop KWAP’s Corporate ESG Framework, Investment ESG Framework, and ESG Research Methodology  
   b. Number of initiatives completed  
   i. Management level attend at least 15 AGMs and EGMs  
   ii. Conduct at least 25 company visits and 1 regional visit | a. Meet target  
   i. Completed  
   ii. ESG corporate level policy completed and published in the website  
   Investment ESG framework completed  
   ESG Research Methodology completed  
   i. Meet target  
   ii. Exceed target  
   Conducted 28 domestic/international companies/regulatory bodies/pension funds and a regional visit to Taiwan |
## A. Stakeholders Objectives

<table>
<thead>
<tr>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Participation rate</td>
<td>i. Attend all Institutional Investors Council (IIC) meetings – Council and working level</td>
<td>i. <strong>Exceed target</strong> 100% attendance to IIC meetings: 4 Council and 6 working level</td>
</tr>
<tr>
<td></td>
<td>ii. Conduct at least 1 engagement with each regulator i.e. Securities Commission (SC) and Bursa Malaysia</td>
<td>ii. <strong>Meet target</strong></td>
</tr>
<tr>
<td></td>
<td>iii. Conduct a total of at least 2 engagements with international bodies i.e. ICGN, ACGA, FTSE MSCI, and WWF</td>
<td>iii. <strong>Exceed target</strong> Actively engaged with international bodies as part of governance initiatives with details as follows:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. <strong>International Corporate Governance Network (ICGN)</strong> Participated in ICGN Annual Conference 2016 held from 27 to 29 June 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• CEO participated as panellist</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• KWAP’s representatives participated as delegates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Display booth to promote Malaysia as country host and KWAP as the host for ICGN Annual Conference 2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. <strong>Asian Corporate Governance Association (ACGA)</strong> Conducted engagement and interview with ACGA on 18 May 2016 pertaining to latest Corporate Governance developments in the region and Asia Corporate Governance Scorecard 2016</td>
</tr>
</tbody>
</table>

In addition, KWAP collaborated with the Council’s secretariat in preparing the Investor Stewardship and Future Key Priorities Report which was launched in September 2016.
## CORPORATE SCORECARD

### REVIEW OF CORPORATE SCORECARD 2016

### A. Stakeholders Objectives

<table>
<thead>
<tr>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation rate</td>
<td>iii. Conduct a total of at least 2 engagements with international bodies i.e. ICGN, ACGA, FTSE MSCI, and WWF</td>
<td>iii. Exceed target</td>
</tr>
<tr>
<td>a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Completion of initiative</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Produce a Public Sector Pensions Demographic Report by Fourth Quarter 2016</td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Exceed target</td>
<td></td>
</tr>
<tr>
<td>Total return</td>
<td>Total return outperform customised benchmark</td>
<td>Meet target</td>
</tr>
<tr>
<td>Customised benchmark (weighted average of all asset classes benchmarks)</td>
<td>Total return outperformed by 202 bps</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Full target</td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Meet revised target with ROI of 5.35%</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Meet target</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>Meet target</td>
<td></td>
</tr>
<tr>
<td>Add value to fund growth by delivering total return above inflation rate</td>
<td>Outperform 5-year rolling CPI + 250 bps</td>
<td></td>
</tr>
<tr>
<td>5-year rolling CPI + 250 bps</td>
<td>Outperformed by 63 bps</td>
<td></td>
</tr>
</tbody>
</table>

### FINANCIAL OBJECTIVES

<table>
<thead>
<tr>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceed GDP 2016</td>
<td>ROI of 5.50%</td>
<td>Meet target</td>
</tr>
<tr>
<td>Customised benchmark (weighted average of all asset classes benchmarks)</td>
<td>Total return outperformed by 202 bps</td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Meet revised target with ROI of 5.35%</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Meet target</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>Meet target</td>
<td></td>
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<tr>
<td>Add value to fund growth by delivering total return above inflation rate</td>
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<td></td>
</tr>
<tr>
<td>5-year rolling CPI + 250 bps</td>
<td>Outperformed by 63 bps</td>
<td></td>
</tr>
</tbody>
</table>
### CORPORATE SCORECARD

#### REVIEW OF CORPORATE SCORECARD 2016

|-------------------------|-----------------|---------------|-----------------------------|
| 2. Migrate to MFRS      | Percentage of initiatives completed | Completed 30% of requirements under IFRS | 2. Exceed Target  
Completed 100% requirements under MFRS with changes made on the following:  
- Treatment and classification of financial instruments  
- Financial statements and overall SOPs which includes the processes and procedures that reflect MFRS standards |

| 3. Effective cost management and monitoring | Number of initiatives implemented | Conduct 3 effective cost management initiatives | 3. Meet target  
Completed all initiatives namely:  
- Decentralisation of budget by department  
- Review of reward philosophy completed and to be tabled to the Board in 2017  
- Proposal to standardise the fee structure for External Fund Managers was approved by the Investment Panel and will be implemented in January 2017 |

### OPERATIONAL OBJECTIVES

<table>
<thead>
<tr>
<th>C. Operational Objectives</th>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
</table>
| 1. Integrate and transform Pension Operations and offer value added products and services | a. Number of initiatives implemented | i. Implement at least 5 out of 7 or 75% transformation initiatives | 1. Exceed target  
Implemented 6 out of 7 or 86% initiatives  
- Conducted 12 internal change management-related activities such as Staff Engagement Programme, Teambuilding, and others  
- Implemented automation system for pension adjustment calculation  
- Enable pensioners to do self-check on pension processing status via enhancement of web apps  
- Introduced SMS as a medium for pensioners to submit their queries as a replacement to phone calls and letters  
- Automated the pensioners’ travelling claim calculator to reduce error and processing time |
## C. Operational Objectives

### KPI Measurement

<table>
<thead>
<tr>
<th>C. Operational Objectives</th>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
</table>
| 1. Integrate and transform Pension Operations and offer value added products and services | a. Number of initiatives implemented | i. Implement at least 5 out of 7 or 75% transformation initiatives | **i. Exceed target**
| | | ii. Implement at least 2 out of 3 value added products and services initiatives | **ii. Meet target**

- Improved Gantian Cuti Rehat (GCR) system’s capability to assist the Government in calculation of GCR in line with new Government’s circular on grade changes.

- Exceeded target by achieving 93.8% (Average).

### b. % of achievement under service level requirements

- Achieved 90% (adjusted for any backlog at the point of takeover).

In addition, KWAP also delivered beyond scope of work as prescribed under the Agency Agreement such as:

- Organised customer engagement programmes.
- Proactively engaged with Pension Associations to build close working relationship.
- Improved pension processes through engagements with Government ministries.
## C. Operational Objectives

<table>
<thead>
<tr>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2. Introduce new investment strategies and market risk management approaches</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Number of initiatives implemented</td>
<td>Implement at least 10 out of 14 or 75% initiatives</td>
<td>i. <strong>Exceed target</strong>&lt;br&gt;Implemented 11 out of 14 or 79% initiatives&lt;br&gt;• Conducted a review on KWAP’s existing Strategic Asset Allocation (SAA) with proposed revised SAA approved by the Board in November 2016&lt;br&gt;• A concept study on Reference Portfolio was conducted and tabled to the Board in November 2016&lt;br&gt;• Developed KWAP’s Investment Strategy Framework to ensure sustainable investment and revised KWAP’s Policy and Strategy Benchmark as well as quantifiable fund level risk tolerance level&lt;br&gt;• Commenced a virtual simulation for Smart Beta Model Equity Selection Model and Country Allocation model&lt;br&gt;• Conducted a study on FX option and FX swap, and presented it to the Investment Committee&lt;br&gt;• Identified potential partners for Retirement Oriented Development Projects&lt;br&gt;• Commenced Phase II of Absolute Return Strategy which includes the following:&lt;br&gt;(1) Explored relevant strategies, proposed relevant benchmarks and differing types between managers&lt;br&gt;(2) Studied the impact on KWAP’s portfolio e.g. add value vis-à-vis risk&lt;br&gt;(3) Identified the most effective implementation and access routes to execute the strategy&lt;br&gt;• Conducted market study on the development of Persiaran Stonor and Jalan Changkat Kia Peng lands&lt;br&gt;• Completed investment in Uber Technologies&lt;br&gt;• Completed investment in commercial properties, CapSquare Kuala Lumpur&lt;br&gt;• Invested in 3 Private Equity Funds</td>
</tr>
<tr>
<td>b. % of investment proposals approved by the Investment Panel</td>
<td>At least 90% of investment proposals approved by the Investment Panel</td>
<td>b. <strong>Exceed target</strong>&lt;br&gt;64 out of 69 proposals or 93% of investment proposals approved by the Investment Panel</td>
</tr>
</tbody>
</table>
### C. Operational Objectives

<table>
<thead>
<tr>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Greater emphasis on Shariah-investment and build related operational capabilities</td>
<td>Implement at least 4 out of 6 or 67% Shariah related initiatives</td>
<td>a. <strong>Meet target</strong>&lt;br&gt;Implemented 4 out of 6 or 67% initiatives&lt;br&gt;- Appointed 1 domestic fund manager to manage domestic Shariah mandate with approved fund size of RM100 million&lt;br&gt;- Initiated preliminary discussion with 3 Middle East institutions on the possibility of establishing Shariah Private Equity&lt;br&gt;- Proposal to segregate Fixed Income Shariah compliant instruments and Conventional instruments into separate portfolios to be tabled to the Investment Panel in January 2017&lt;br&gt;- Completed revision to Investment Policies and Guidelines on Global Sukuk</td>
</tr>
</tbody>
</table>

#### Note:
*Proposal to establish Global Sukuk mandate was approved at the Management level, however it could not proceed due to international investment restriction by Bank Negara Malaysia (BNM)*

| 4. Continuous improvement on operational excellence | Implement at least 10 out of 13 or 80% initiatives | a. **Exceed target**<br>Implemented 11 out of 13 or 85% initiatives<br>- Completed the roll-out of Private Equity (PE) Performance and Monitoring system<br>- Introduced and implemented ranking and tiering system for a panel of international stockbrokers in June 2016<br>- Completed review of existing Investment Management Agreement to standardise terms and conditions such as penalty amount, and fees standardisation<br>- Completed enhancement on investment research which as follows:<br>(1) Developed ESG-research methodology<br>(2) Developed a rating guideline for structured fixed income finance asset-backed security<br>(3) Expanded financial metrics of Corporate Debt Scorecard for property, construction, and plantation sectors |
### Operational Objectives

#### KPI Measurement

#### Annual Target

#### Actual Performance in 2016

<table>
<thead>
<tr>
<th>Operational Objectives</th>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
</table>
| Continuous improvement on operational excellence | Number of operational initiatives implemented | Implement at least 10 out of 13 or 80% initiatives | - Completed rollout of new HR Management System  
- Issued Performance Attribution Analysis Report on quarterly basis  
- Usage of Integrated Contribution Management System (ICMS) improved to 63% from 19% (320 out of 512 employers)  
- Letter of Award for new IFIMS system issued on 30 November 2016 and value within the approved budget  
- External Fund Managers (EFM):  
  1. Conducted enhancement on the EFM management and monitoring which includes tightening existing SOP  
  2. Introduced EFM performance matrix to enhance the monitoring of EFMs such as to track the underperforming EFM and appointed finance has enhanced the selection process of potential international mandates  
  3. Completed groundwork for Direct Market Access Trading such as visit to EFMs and discussions with 2 vendors |
| | ICMS usage rate of registered employers | 50% usage rate | b. **Exceed target**  
Achieved 63% usage rate |
| | % of compliance to legislations and regulations | 100% compliance | c. **Meet target**  
100% compliance to legislations and regulations |
| | % of audit observations closed over stipulated time | 100% closure | d. **Below target**  
20 out of 22 or 91% of closure  
2 outstanding observations will be rectified in 2017 |
| | Opinion by statutory auditor | Obtain unqualified Audit Certificate for the Financial Statements | e. **Meet target**  
Received Unqualified Audit Certificate in April 2016 for financial statement for Financial Year 2015 |
| | Opinion by Auditor General in relation to performance audit | No material findings raised by Auditor General and all non-material findings raised to be resolved within 6 months | f. **Meet target**  
No material findings raised by Auditor General |
## C. Operational Objectives

<table>
<thead>
<tr>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Enhance operational risk management and internal controls</td>
<td>Implement at least 5 out of 7 or 80% initiatives</td>
<td><strong>a. Exceed target</strong></td>
</tr>
<tr>
<td>a. Number of initiatives implemented</td>
<td></td>
<td>Implemented 6 out of 7 or 86% initiatives</td>
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<tr>
<td></td>
<td></td>
<td>• Completed scenario planning exercise with 2 scenarios selected for possible mitigation and contingency plans</td>
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<td></td>
<td></td>
<td>• Improved fraud awareness through knowledge sharing sessions and case studies</td>
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<td></td>
<td></td>
<td>• Implemented fraud risk prevention:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1) Produced and issued Fraud Assessment Questionnaires to HODs and selected key personals to gauge knowledge on fraud</td>
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<td>(2) Segregated duties for 3 key operational areas i.e. HR Payroll, Procurement, and Fixed Asset tagging</td>
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<td></td>
<td>• Implemented Information Security Guideline which was approved by the EXCO in January 2016</td>
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<td>• Implemented Data Leakage Program (DLP) through various initiatives such as:</td>
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<td></td>
<td></td>
<td>(1) Daily notification to user should there be an incident</td>
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<td></td>
<td>(2) Issuance of monthly dashboard performance update to Head of Departments and ITSC</td>
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<td></td>
<td>(3) Rollout of DLP Governance-related policy to relevant departments</td>
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<td>• Formulated Internal Audit Opinion Methodology – proposed Methodology deliberated by the Audit Committee.</td>
</tr>
</tbody>
</table>
### LEARNING & GROWTH OBJECTIVES

<table>
<thead>
<tr>
<th>D. Learning &amp; Growth Objectives</th>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contribute towards the nation's talent pool</td>
<td>Number of initiatives implemented</td>
<td>i. Implement at least 2 out of 3 or 75% initiatives</td>
<td><strong>i. Exceed target</strong>&lt;br&gt;Completed the following initiatives:&lt;br&gt;- 3 Business Leadership Programs (BLP1) for 60 potential employees were conducted in collaboration with ICLIF to enhance employees leadership capabilities&lt;br&gt;- BLP2 was conducted for 20 employees that met the standards set by BLP1. These employees will be included into KWAP’s existing talent pool&lt;br&gt;- Recruited 2 talents with international exposure&lt;br&gt;- Employees engagement at industry-level:&lt;br&gt;(1) 2 head of departments participated as a speaker in investment conferences&lt;br&gt;(2) 2 officers participated in industry-level association&lt;br&gt;&lt;br&gt;ii. 10% talent pool&lt;br&gt;&lt;br&gt;<strong>ii. Meet target</strong>&lt;br&gt;- Achieved 10% talent back up ratio of 39 employees, an increase from 3%&lt;br&gt;- Recruited additional 15 KWAP Young Talents under the 2016/17 Programme</td>
</tr>
<tr>
<td>2. Continuous talent development</td>
<td>Number of initiatives implemented</td>
<td>Implement 2 initiatives</td>
<td><strong>Exceed target</strong>&lt;br&gt;Completed 3 initiatives namely:&lt;br&gt;- Appointment of external Executive Coaches for all talent pool candidates identified as successors in the department&lt;br&gt;- Structured coaching and mentoring sessions for all KWAP Young Talents by appointed internal coaches comprising of Head of Departments and talents from the talent pool&lt;br&gt;- Integrate KWAP competency framework into the promotion and upgrading exercise, talent pool, and KWAP Young Talent evaluations</td>
</tr>
</tbody>
</table>
### D. Learning & Growth Objectives

<table>
<thead>
<tr>
<th>KPI Measurement</th>
<th>Annual Target</th>
<th>Actual Performance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of initiatives implemented</td>
<td>Implement at least 3 out of 4 or 75% initiatives</td>
<td><strong>Exceed target</strong> Completed all initiatives such as:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Completed review on KWAP Reward Philosophy and to be tabled to the Board in 2017</td>
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<tr>
<td></td>
<td></td>
<td>• New office concept at Integra Tower and Cyberjaya had been designed to promote collaboration and vibrant working environment, while promoting good ESG practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Introduction of KWAP Experiential Learning Program (KELP) to facilitate knowledge transfer programme of Pension Services Department</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Diversity in annual departmental outings which reflects healthy employee engagement level</td>
</tr>
</tbody>
</table>
KWAP and its Role in ESG

KWAP’s Corporate Level ESG Guidelines

In 2016, KWAP has internalised good ESG practices across its business and operational activities encompassing all the main areas namely investment, operations, and pension services administration and management by adopting KWAP’s Corporate Level ESG guidelines.

The objectives of the Corporate Level ESG Guidelines are:

a) Role to Stakeholders –
To enable KWAP to fulfil its roles to its stakeholders (including the future generations) in a responsible and sustainable manner by adopting good ESG practices.

b) Sustainable Performance –
To improve the sustainability and long term performance of KWAP and its investee companies. KWAP believes sustainability factors may significantly influence the risk-return profile of investments.

c) Promotion of good ESG practices in the capital market and KWAP’s business partners –
To leverage on KWAP’s position as an institutional investor to improve ESG practices in:

i. The capital market vis-à-vis:
   - Engagements with our investee companies.
   - Collaborations with regulators (eg: Bursa Malaysia and Securities Commission)
   - Collaborations with corporate governance (CG) bodies (eg: ICGN, ACGA, UNPRI, and MSWG)
   - Active roles in CG related councils (eg: Institutional Investors Council and Security Commissions Key CG Stakeholders Group)

ii. Companies across KWAP’s value chain including its suppliers, third party service providers and other related business partners.

The Corporate Level ESG Guidelines consists of seven pillars namely:

- Environment
- Human Capital
- Governance
- Investment Management
- Members Administration
- Ethical Practices
- Social

The Corporate Level ESG Guidelines will be updated periodically to keep abreast with the latest best industry practices and to reflect KWAP’s latest ESG initiatives.

In addition to KWAP’s Corporate Level ESG Guidelines, KWAP’s commitment towards ESG in its investments and investment practices is reflected in the following documents which form part of its overall ESG Guidelines:

- a) ESG Guidelines for Investment
- b) Investment Policy and Guidelines
- c) ESG – Based Research Methodology
EXPANSION OF GLOBAL INVESTMENT

Global Investment Presence in 31 Countries
EXPANSION OF GLOBAL INVESTMENT

- Singapore
- Malaysia
- Thailand
- India
- UAE
- Qatar
- Saudi Arabia
- Bahrain
- China
- South Korea
- Hong Kong
- Taiwan
- Philippines
- Vietnam
- Indonesia
- Australia
- New Zealand
- Austria
- Turkey
- Austria
- Turkey
ENGAGING PENSIONERS

The incorporation of the Pension Services Department (PeSD) further extends KWAP’s role in serving its stakeholders, allowing for various opportunities for the organisation to implement initiatives and creating a portfolio for the new responsibilities it entails. Throughout 2016, new plans were rolled out with the aim to reach out to these new stakeholders, seeing more on-ground outreach programmes that helps to establish mutually beneficial relationships and promotes KWAP’s new functions. These are done through various awareness programmes, communication of the Value Added Opportunities and the increased level of services KWAP is bringing to the table, engagements with several Human Resource Units from government agencies and institutions, and partnerships with the Public Services Department (PSD) that was specifically focused on financial planning on a national level. Below are the key engagement activities conducted throughout 2016:

<table>
<thead>
<tr>
<th>No</th>
<th>Type of Engagements</th>
<th>Location and Date</th>
<th>Objectives</th>
</tr>
</thead>
</table>
2. Sarawak, 28th October 2016  
3. Southern, 8th November 2016  
4. Sabah, 22nd November 2016  
5. Seremban, 15th December 2016 | Improved Pension Processes  
- Creating Awareness on KWAP  
- Educating the Agencies on Pension processes  
- Reducing the percentage of documentation issues |
| 2. | Engagements with Pension Associations | 1. Program Muafakat Bersama Presiden KUPEKMAS, 23rd May 2016  
3. Persatuan Pesara Kerajaan Malaysia (PPKM) – Melaka, 9th August 2016  
4. Persatuan Pesara Bekas Polis Sabah, 22nd November 2016 | Building Close Working Relationship  
- Creating good rapport by showing support  
- Creating awareness of KWAP’s new function, new location, and services offered |
## Engaging Pensioners

<table>
<thead>
<tr>
<th>No</th>
<th>Type of Engagements</th>
<th>Location and Date</th>
<th>Objectives</th>
</tr>
</thead>
</table>
2. Perak Education Ministry, 28th July 2016  
3. Melaka Education Ministry, 2nd August 2016  
4. Oral Health Division Perlis, 8th August 2016  
5. Working Visit, PT Taspen, Indonesia, 19th August 2016  
7. Courtesy visit for Bantuan Hari Raya in conjunction with Hari Raya Festivities, 29th June 2016 | Building Close Working Relationship  
- Creating awareness of KWAP’s new function, new location, and services offered  
- Introducing PeSD’s new office (Call Centre and Counter Services) |
CREATING MORE PRESENCE
REBRANDING THROUGH VISION, MISSION AND VALUES

A NEW VISION, MISSION, AND VALUES
With an Eye on the Future as an organisation, we evolve, we grow, and we progress. And, as we took a major step forward towards our aim to ultimately be the full-fledged pension fund, we extend our role to serve the Malaysian pensioners and the nation with the incorporation of the Pension Services Department.

The extension of our role in pension operations and management had broadened our horizon to reach out to our customers, thus presenting us with a blank canvas to reposition ourselves. And it is time for us to realise our new vision, mission, and values for the future.

After much deliberation and consideration of KWAP’s new roles and responsibilities that comes along with a new entity being under our purview, the new vision, mission, and values materialised, encompassing new investment strategies as well as pension services operations. Months of preparation were involved, and after a Management Workshop conducted in March 2016 and a Board Retreat in May of the same year, the new vision, mission, and values received its stamp of approval from the Board on 1 June 2016.

Our new vision statement emphasised on the role of KWAP as the country’s retirement fund specifically for the public-sector retirees while being responsible in assisting the Government to provide retirement benefits as prescribed under the law and regulation. As a custodian of the public fund, trust is at the core of our foundation as we uphold our organisation in the highest level of integrity. We will continuously strive to be innovative in our delivery, while ensuring the sustainability of the benefits delivered to our stakeholders. Apart from the core function, KWAP is also supporting nation building through its investment activities with the provision for the national economic development plan and capital market initiatives in the country.

The new mission statement placed importance in optimising investment returns within the given risk limitations, as we deliver innovative and cost-efficient services to assist the Malaysian Government in meeting its obligations. This is done through the adoption of best practices throughout the organisation.

In KWAP, we believe that our people makes us different. As we aspire to be the best amongst the rest, our values represent our fundamental beliefs and to us, it is a call for excellence – “LET’S ACe IT!”. In essence, it is the acronym for Leadership, Excellence and Achievement, Teamwork, Stakeholder Orientation, Accountability, Continuous Learning and Innovation, and Integrity.

In realising the vision, mission, and values into adoption and implementation amongst our stakeholders, the Employees Value Proposition (EVP) was developed, internal and external change management activities and communication effort was rolled-out, and strategic blueprint for medium and long-term was drawn up.
CREATING MORE PRESENCE
REBRANDING THROUGH VISION, MISSION AND VALUES

VISION
The trusted retirement fund that supports nation building by innovatively delivering sustainable benefits

MISSION
Optimise investment returns and deliver excellent services by adopting best practices in meeting key stakeholders’ commitments

VALUES

LEADERSHIP

EXCELLENCE & ACHIEVEMENT

TEAMWORK

STAKEHOLDER ORIENTATION

ACCOUNTABILITY

CONTINUOUS LEARNING & INNOVATION

INTEGRITY

LET’S ACE IT!
CREATING MORE PRESENCE
REBRANDING THROUGH VISION, MISSION AND VALUES

KWAP’s new vision statement
The trusted retirement fund that supports nation building by innovatively delivering sustainable benefits

Definition/Rationale

THE…RETIREMENT FUND
Emphasise the role of KWAP as Malaysia’s retirement fund for the public sector retirees and responsible to assist the Government in providing retirement benefits as prescribed under the laws/regulations

TRUSTED
Trust is a prerequisite for a pension fund but it needs to be further reiterated in the vision statement underlined by its role as a custodian of public funds i.e. practice and uphold high level of integrity

INNOVATIVELY
Constantly strive to deliver its responsibilities, both investment return and pension services, innovatively and cost efficient towards meeting the needs of its stakeholders sustainably

SUPPORTS NATION BUILDING
Apart from its core function of assisting the Government in providing retirement benefits, KWAP also has a responsibility via its investment activities to support national economic development plan and capital market initiatives such as Islamic Finance, sustainable investment or ESG, and corporate governance, of which KWAP as a financial investor/will benefit either directly or indirectly

SUSTAINABLE BENEFITS
Indicate benefits to the retirees to be delivered on a sustainable/responsible manner considering provision of pension benefits is long term in nature

KWAP’s new mission statement
Optimise investment returns and deliver excellent services by adopting best practices in meeting key stakeholders’ commitments

Definition/Rationale

OPTIMISE RETURNS AND DELIVER EXCELLENT SERVICES
Maximise investment return given prescribed risk parameters and deliver innovative and cost efficient pension services

ADOPTING BEST PRACTICES
Benchmarking and adopting best practices throughout the organisation i.e. investment management and performance, pension services, risk management, talent and culture, policies, processes and technologies

MEETING KEY STAKEHOLDERS’ COMMITMENTS
Assisting the Government in meeting its obligations
## Values

<table>
<thead>
<tr>
<th>Values</th>
<th>Definition/Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>Ability to “lead self” and/or “lead others” to continuously improve</td>
</tr>
<tr>
<td>Accountability</td>
<td>Taking responsibility for actions</td>
</tr>
<tr>
<td>Teamwork</td>
<td>Working together to provide efficient and effective outcomes for each stakeholder</td>
</tr>
<tr>
<td>Integrity</td>
<td>An expected internal trait of strong morals and principles</td>
</tr>
<tr>
<td>Excellence &amp; Achievement</td>
<td>Achievement attained through excellence</td>
</tr>
<tr>
<td>Continuous Learning &amp; Innovation</td>
<td>To be innovative, there is a need to continuously learn from challenges/achievements</td>
</tr>
<tr>
<td>Stakeholder Orientation</td>
<td>Focus on all stakeholders e.g. government, retirees etc.</td>
</tr>
</tbody>
</table>

## Alignment between KWAP’s Vision, Mission and Values

<table>
<thead>
<tr>
<th>Vision</th>
<th>Values</th>
<th>Mission</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The trusted retirement fund...”</td>
<td>Accountability</td>
<td>“Optimise investment returns and deliver excellent services...”</td>
</tr>
<tr>
<td>“…that supports nation building...”</td>
<td>Integrity</td>
<td>“...by adopting best practices...”</td>
</tr>
<tr>
<td>“…by innovatively delivering sustainable benefits”</td>
<td>Leadership</td>
<td>“...in meeting key stakeholders’ commitments”</td>
</tr>
<tr>
<td></td>
<td>Stakeholder Orientation</td>
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<td></td>
<td>Teamwork</td>
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</tr>
<tr>
<td></td>
<td>Excellence &amp; Achievement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Continuous Learning &amp; Innovation</td>
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</table>
In October 2016, we took a new corporate office situated on the pivotal point of Jalan Tun Razak and Jalan Ampang – the KWAP owned Integra Tower, which is now home to the organisation’s main office. The new open plan workplace which covers four floors within an area of 100,000 square feet was designed with future expansions in mind and it functions as a collaborative community of likeminded professionals, whom are dedicated to effectively deliver excellence to their stakeholders.

A major component of the new workplace is KWAP’s commitment to sustainability. Towards this end, the Leadership in Energy and Environmental Design (LEED) Platinum Certified building is being designed and developed to achieve the LEED Gold USGBC certification.

Sustainability has been recognised as a key element in KWAP’s operating culture, especially more since we have nestled in Integra Tower, and it will be embedded across all our functions as we progress. Moving forward, we aim to be working and living in an ideal ecosystem within a community that consumes resources at a rate equal to those that are utilised so that consumption and replacement are a zero sum game. In addition to the tangible effects, KWAP plans to contribute to the future as a sustainable community.
The office as a village
Create a workplace that enables KWAP to achieve its goals and aspirations in an environment that instils community and shared purpose.

PRACTICALITY
- Optimum space efficiency.
- Adaptable to multitasks and various departments.

SUITABILITY
- Durable materials and finishes.
- Design align with budget.
- Strong corporate brand and identity.
- Sustainable design

FUNCTIONALITY
- Collaborative spaces.
- Technology integration with environment.
- Increase productivity.
- Supports future growth.

- Open Plan Spaces – Better Exposure To Natural Daylight
- Motion & Brightness Sensors In Enclosed Rooms
- Recycling Areas In Respective Zones
- Greenery To Enhance Environment And Improve Air Quality
- Low Flow Faucets For New Taps
- Recycled Content For Materials And Furniture Where Possible
- Low Voc Adhesives
Following the incorporation of pension services and operations from the Public Services Department into KWAP, plans were made to provide a conducive one stop service centre for the pensioners, and May 2016 saw the establishment of KWAP’s Pension Services Department Office in Cyberjaya. The office that serves as an efficient processing hub is well-equipped with full-service customer touchpoints including call centres, customer service counters, and dedicated customer service personnel to attend to the visiting pensioners. Other essential facilities are also provided for the comfort of the pensioners, such as the pensioners’ lounge and a multi-purpose hall. The elements of sustainability are also incorporated in this office that was built using sustainable materials.

Pension Services Department Office, SkyTech Tower 2, Cyberjaya

- Within MSC Area
- Public Transport
- Near Government Precincts
- 18,000 ft² Open Plan
The office as an efficient processing hub
Create a workplace that enables KWAP to achieve its pension processing goals and a welcoming customer service centre customised to pensioners’ needs.

**PRACTICALITY**
- Optimum space efficiency.
- Adaptable to multitasks.

**SUITABILITY**
- Durable materials and finishes.
- Design align with budget.
- Strong corporate brand and identity.
- Sustainable design

**FUNCTIONALITY**
- Collaborative spaces.
- Technology integration with environment.
- Increase productivity.
- Supports future growth.

- Open Plan Spaces — Better Exposure To Natural Daylight
- Recycling Areas In Respective Zones
- Greenery To Enhance Environment And Improve Air Quality
- Low Voc Adhesives

**CREATING MORE PRESENCE**

**REBRANDING THROUGH RELOCATIONS**
Year 2016 also saw the office of KWAP’s subsidiary, Prima Ekuiti (UK) Limited in London relocated to a new premise – a more spacious area that serves as an efficient investment centre for our ventures in United Kingdom and Europe. The new workplace that caters to future expansions are well-equipped with office amenities which provide comfort and convenience for the employees, without compromising the elements of sustainability, with its reduced consumption of water and energy as well as the usage of sustainable materials in its design.
The office as an efficient investment centre
Create a workplace that enables KWAP to achieve its international investment goals through its subsidiary.

**PRACTICABILITY**
- Optimum space efficiency.
- Adaptable to multitasks.

**SUITABILITY**
- Durable materials and finishes.
- Design align with budget.
- Strong corporate brand and identity.
- Sustainable design.

**FUNCTIONALITY**
- Collaborative spaces.
- Technology integration with environment.
- Increase productivity.
- Supports future growth.
- Open Plan Spaces – Better Exposure To Natural Daylight
- Recycling Areas In Respective Zones
- Greenery To Enhance Environment And Improve Air Quality
- Recycled Content For Materials And Furniture Where Possible
- Low Voc Adhesives
Section 04
INVESTMENT ACTIVITIES

081 Review of Investments by Chief Investment Officer
085 Economic Review
087 Market Review
099 Fund Performance
102 Asset Classes Performance
121 Subsidiaries
REVIEW OF INVESTMENTS BY CHIEF INVESTMENT OFFICER

2016 was indeed a year of unexpected events, a year when major socioeconomic and political upheavals were in surplus. A year that proved to be difficult for investors but one that had rewarded dynamic and agile investors with opportunities to take a long term view.

Nik Amlizan binti Mohamed

At the turn of the year initially, concerns about the U.S. monetary policy path and global economic growth were prominent in dismal prospect for the world economy. These concerns began to lose traction as improving economic conditions began to allay these early fears. Unfortunately, this positive backdrop did not endure as fresh concerns emerged at the forefront, credibly unnerving investor sentiments.

Few had predicted with great precision the outcome of the U.K. referendum and the U.S. Presidential election last year. The mounting scepticism over the sustainability of the European Union and the policy repercussions from a more inward looking U.S. administration was enough to dent sentiment and raise concerns about the future of the global economy. Both these developments contributed greatly to the volatility that ensued in the global economy and financial markets in the latter part of 2016. While the initial market reactions were predominantly negative, global stock markets were resilient and managed to finish the year on a strong note. However, the same cannot be said for the global fixed income and currency markets as interest rates rose meaningfully in the U.S., aggravated further by bouts of capital outflows.

These external headwinds posed considerable challenges to the Malaysian economy and the domestic financial markets despite the gradual improvement in the global landscape towards the end of 2016. While the Malaysian economy performed respectably in 2016, growing by a modest 4.2% in 2016 on the back of crude oil price recovery, the local stock market however, struggled and registered an unprecedented third year in a row of negative return. Similarly, the Malaysian bond market ended the year on a negative note amidst an exodus of capital outflow from the country, causing a significant depreciation in the ringgit in the last quarter of the year.

Notwithstanding the difficult market condition in 2016, I am pleased to report that KWAP’s fund size grew by 7.1% to RM125.00 billion in 2016. From a total return or time weighted rate of return (TWRR) perspective, KWAP generated a return of 4.60% in 2016, outperforming the Fund’s benchmark by 202 basis points. The benchmark is the blended performance of different asset classes as defined by our Strategic Asset Allocation.

We also managed to realise our profits prudently as evidenced by the Fund’s gross return on investment (ROI) of 5.35% and total gross income of RM6.36 billion. KWAP’s performance in 2016 was indeed a respectable achievement as the fund managed to beat its benchmark across different investment performance metrics. Furthermore, despite the turbulent market conditions prevalent throughout last year, the performance bears testament to our disciplined and focused investment approach.
Over the past five years, KWAP’s fund size grew from RM88.73 billion in 2012 to RM125.00 billion in 2016, representing a solid average growth of 9.7% per annum. Over the same period, KWAP’s total return averaged at 6.23% per annum. The Fund managed to register an average gross ROI of 6.16% in the same period, surpassing the five-year average real GDP growth benchmark of 5.10%.

Our internal managers have consistently outperformed the benchmarks over the past five years. In fact, domestic equity achieved a five-year average TWRR of 6.78% compared to the FBM100 benchmark of 1.64% and the KLCI -3.00%. Domestic Corporate Bonds achieved 5.29% compared to Quantshop Corp Medium Index benchmark of 4.67% and MGS portfolio achieved 4.12% versus Quantshop MGS All Index benchmark of 3.40%.

As for KWAP’s internally-managed investments abroad, they have performed commendably relative to benchmarks across different asset classes. Our international fixed income achieved a stellar 5-year annualised TWRR of 12.33%, outperforming the benchmark JPM Global Aggregate Bond Index benchmark of 7.72%. International equity investment achieved a 5-year annualised TWRR of 9.17% versus the benchmark of 8.75%.

In the Alternative Investment, KWAP successfully concluded the sale of 88 Wood Street building in the U.K., and purchase of Capital Square Tower in Malaysia, as well as initiated our first investments into venture capital and technology space.

While the sustainable growth of the fund remains an integral part of KWAP’s investment philosophy, the events of 2016 are a stark reminder of how quickly expectations and conditions can change, and of the importance for KWAP to be nimble yet prudently pragmatic in rethinking our strategies and exploiting investment opportunities as they avail.

KWAP recognises the need for the fund to continue pursuing a responsible diversification strategy that cuts across geographies, asset classes and currencies. Such diversification strategy will invariably give the Fund adequate flexibility to invest through adverse market conditions with relentless focus on growing our fund size. We remain committed towards cultivating and embedding new, innovative ideas in its investments.

2016 also marks the year that we officially incorporated the Environmental, Social and Governance (ESG) beliefs in KWAP Investment Policy and Guidelines (IPG) that cut across all asset classes. A proprietary ESG rating framework was also introduced with assessment on investee companies ongoing.

As we head into our tenth year of anniversary post incorporation, I am proud of what KWAP’s team has achieved given our passionate commitment towards creating a long-term, sustainable value for our stakeholders within the permitted risk perimeters.
## REVIEW OF INVESTMENTS BY CHIEF INVESTMENT OFFICER

### TABLE FOR REFERENCE

<table>
<thead>
<tr>
<th>Gross ROI</th>
<th>2016</th>
<th>5.35%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>5.41%</td>
</tr>
<tr>
<td>Average 2012 – 2016 (5Y)</td>
<td>(6.84%+7.05%+6.15%+5.41%+5.35%)/5 = 6.16%</td>
<td></td>
</tr>
<tr>
<td>Average 2009 – 2016 (8Y)</td>
<td>6.22%</td>
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</table>

<table>
<thead>
<tr>
<th>Fund Size</th>
<th>2016</th>
<th>As at 31 Dec 2016 (accounting fund size) = RM 125.00 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>As at 31 Dec 2015 (accounting fund size) = RM116.70 billion</td>
</tr>
<tr>
<td>Average 2012 - 2016</td>
<td>5-y average fund growth of 9.7% per year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CAGR since 2007 = 13.16%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fund size end 2007 = RM 48.08 billion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fund size end 2012 = RM 88.73 billion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fund size end 2016 = RM 125.00 billion</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Fund Size (RM bn)</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>88.73</td>
<td>12.4%</td>
</tr>
<tr>
<td>2013</td>
<td>99.92</td>
<td>12.6%</td>
</tr>
<tr>
<td>2014</td>
<td>109.43</td>
<td>9.5%</td>
</tr>
<tr>
<td>2015</td>
<td>116.7</td>
<td>6.6%</td>
</tr>
<tr>
<td>2016</td>
<td>125.0</td>
<td>7.1%</td>
</tr>
<tr>
<td>Average</td>
<td>108.0</td>
<td>9.7%</td>
</tr>
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*Note: All fund size are accounting fund size from balance sheet.*

<table>
<thead>
<tr>
<th>TWRR</th>
<th>2016</th>
<th>Total Fund = 4.60%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Benchmark = 2.58%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outperformance = 2.02%</td>
</tr>
<tr>
<td>2015</td>
<td>Total Fund = 5.39%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benchmark = 3.37%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Outperformance = 2.02%</td>
<td></td>
</tr>
<tr>
<td>Average 2012 - 2016</td>
<td>Total Fund = 6.23%</td>
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</tr>
<tr>
<td></td>
<td>Benchmark = 3.83%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Outperformance = 2.40%</td>
<td></td>
</tr>
<tr>
<td>Average 2009 – 2016 (10Y) (Note: BP has TWRR data only since 2009)</td>
<td>Total Fund = 7.07%</td>
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<tr>
<td></td>
<td>Benchmark = 5.60%</td>
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<tr>
<td></td>
<td>Outperformance = 1.47%</td>
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### TABLE FOR REFERENCE (CONTINUED)

<table>
<thead>
<tr>
<th>Absolute Income (RM billion)</th>
<th>2016</th>
<th>Asset Class</th>
<th>RM billion</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Equity</td>
<td>2.25</td>
<td>34.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loans &amp; PDS</td>
<td>1.56</td>
<td>24.26</td>
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<tr>
<td></td>
<td></td>
<td>MGS</td>
<td>1.33</td>
<td>20.68</td>
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<tr>
<td></td>
<td></td>
<td>Money Market</td>
<td>0.22</td>
<td>3.42</td>
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<tr>
<td></td>
<td></td>
<td>Private Equity</td>
<td>0.03</td>
<td>0.47</td>
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<tr>
<td></td>
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<td>International Equity</td>
<td>0.38</td>
<td>5.91</td>
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<td>International Fixed Income</td>
<td>0.15</td>
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<td>International Property</td>
<td>0.45</td>
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<td>Domestic Property</td>
<td>0.06</td>
<td>0.93</td>
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<tr>
<td></td>
<td></td>
<td>TOTAL</td>
<td>6.43</td>
<td>100.00</td>
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<table>
<thead>
<tr>
<th>ROI</th>
<th>2016</th>
<th>Asset Class</th>
<th>2016 (%)</th>
<th>2012 - 2016</th>
<th>2009 - 2016</th>
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<tbody>
<tr>
<td>Average 2012 – 2016</td>
<td></td>
<td>Equity</td>
<td>5.30</td>
<td>6.79</td>
<td>7.74</td>
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<tr>
<td>Average 2009 – 2016</td>
<td></td>
<td>Loans &amp; PDS</td>
<td>5.10</td>
<td>4.97</td>
<td>5.07</td>
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<tr>
<td></td>
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<td>MGS</td>
<td>4.40</td>
<td>3.98</td>
<td>4.18</td>
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<td>Money Market</td>
<td>3.32</td>
<td>3.17</td>
<td>3.01</td>
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<td>Private Equity</td>
<td>2.06</td>
<td>28.39</td>
<td>24.01</td>
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<td></td>
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<td>International Equity</td>
<td>11.80</td>
<td>10.07</td>
<td>11.12</td>
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<td>International Fixed Income</td>
<td>2.72</td>
<td>4.22</td>
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<td></td>
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<td>International Property</td>
<td>13.59</td>
<td>3.97</td>
<td>4.36</td>
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<td></td>
<td></td>
<td>Domestic Property</td>
<td>4.30</td>
<td>NA</td>
<td>NA</td>
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<tr>
<td></td>
<td></td>
<td>TOTAL</td>
<td>5.35</td>
<td>6.16</td>
<td>6.23</td>
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<table>
<thead>
<tr>
<th>Asset Allocation (Market Value)</th>
<th>2016</th>
<th>Asset Class</th>
<th>End 2016</th>
<th>End 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>Domestic Equity</td>
<td>32.3%</td>
<td>30.8%</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>PDS &amp; Loans</td>
<td>23.4%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>MGS &amp; Quasi Bonds</td>
<td>25.8%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>Money Market</td>
<td>5.3%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>Private Equity*</td>
<td>1.2%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>International Equity</td>
<td>5.6%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>International Fixed Income</td>
<td>2.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>International Property</td>
<td>2.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>Domestic Property</td>
<td>1.4%</td>
<td>-</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>International Infrastructure</td>
<td>0.15%</td>
<td>-</td>
</tr>
<tr>
<td>Asset Allocation (Market Value)</td>
<td>2016</td>
<td>TOTAL</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Private equity includes both domestic and international investments
ECONOMIC REVIEW

On a broader perspective, 2016 was a year full of surprises. Key political outcomes shaped global markets’ direction in 2016 following the UK’s vote to exit the European Union in June and Donald Trump’s victory in the U.S. presidential election in November. Such situations also paved the way for currency markets to react to changes in flows and resulted in disorderly downward pressure on emerging market currencies coupled with increased financial stress.

As such, the global economy struggled to find a sustainable footing as investors are continually worried about political risks – largely on an extrapolation of events in the UK and US. Meanwhile, the US Federal Reserve hiked the Fed funds rate for only the second time in almost a decade, a further hint of the Fed’s dovishness. Despite the very slow normalisation in US policy rates, the focus is now on the policy divergence between the major central banks, namely the Fed and the European Central Bank.

On Brexit, it is apparent that weak investment spending and hiring has not been averted, but merely postponed. Businesses and financial markets are still assuming a compromise or transition deal which will preserve most of the UK’s existing trade arrangements. Once the Article 50 process begins it will become clear that neither of these options is realistic.

For Asia, growth stabilised in 2016, with China delivering a relatively resilient real GDP growth of 6.7% for the whole of last year, supported by strong credit growth channelled into the housing and auto sectors. Given the limitation of monetary policy to turn around a business cycle, a dark cloud gathered over China’s economic outlook at the beginning of the year. However, the government’s spending momentum to avoid a hard landing and copious liquidity injection into the financial system helped stabilise market sentiment. The Chinese Renminbi finally joined the IMF’s SDR basket helping to justify the People’s Bank of China’s financial liberalisation initiatives. The volatility of the Chinese currency increased due largely to the appreciation of the US dollar. Nonetheless, the currency supported the exports cause and helped maintain the country’s competitiveness.

Over in Japan, the central bank surprised markets by switching from a relatively straightforward quantitative target for its purchases of Japanese government bonds to qualitative and quantitative easing with yield curve control. Despite enduring a strong currency for most of the year, the yen somewhat returned to desirable levels which put Japan corporates in a sweet spot.

For the rest of Asia, the question remained whether it can weather a strong dollar, which often spells trouble in terms of outflows and weak currencies. Still, for now the region continues to avert a sharp slowdown as China’s growth moderation is a controlled affair. For these reasons, Asian economies showed a transient recovery in late 2016 as the region demonstrated a relatively benign growth cycle supported by a gradual improvement in overseas shipments. In addition, as many Asian countries still had low overall leverage ratios, governments allowed credit cycles to rapidly expand to offset weak global demand. Many Asian central banks also cut rates to record low levels to spur domestic demand and mitigate the weakness in external demand.

In the commodities space, crude oil prices caught everyone’s attention due to its precipitous price declines. However, oil prices have managed to rebound from very low levels supported by OPEC’s recent initiative to cap output although the transition to competitive pricing has not really started. Nevertheless, given the current price levels, some stability and calm can be expected over the horizon.
ECONOMIC REVIEW

On the domestic front, the economy emerged as Asia’s dark horse as Malaysia managed to buck the slowdown seen in other heavy export dependent countries like Taiwan, Korea, and Singapore. Growth continued to surpass expectations while consumption remained resilient, in line with the government’s plan to re-orientate the economy towards domestic demand. While weak external demand means that the market for Malaysian exports is less than stellar, the outlook remains stable, and the current account should stay in a comfortable surplus territory.

Nonetheless, despite having decent fundamentals, the country suffered a bout of liquidation by foreign investors as the currency continued to remain volatile. Reforms such as the successful adoption of the goods and services tax together with concrete plans to eliminate the budget deficit means that we could be rest assured that foreign investors would not make a periodic dash for the exit. Bank Negara Malaysia has also come in with bold responses to arrest the volatility in the currency market. It is encouraging to see the government’s commitment to consolidate its fiscal position by reducing its operating expenses, rather than capital projects during the budget roll-out last October. In the same vein, the central bank’s surprise policy rate cut in July could be seen as a shot in the arm to cushion the domestic economy from uncertain global environment and foster sustained real growth.

Going forward, there would continuously be domestic growth as higher cost of living amid soft employment conditions and weak sentiment could dampen domestic demand prospects. However, as global oil prices seem to have found some stability in recent months, Malaysia’s terms of trade could improve and support the broader economy.

China delivering a relatively resilient real GDP growth of 6.7%

Over in Japan, the central bank surprised markets by switching from a relatively straightforward quantitative target for its purchases of Japanese government bonds
In search for equity and fixed income returns in a low growth environment and rising volatility, we continued to explore investment ideas within and outside Malaysia by engaging with the companies with sustainable business model and financial position, as well as the implementation of the environmental, social, and governance mandate.

MARKET REVIEW AND OUTLOOK

Equity Market 2016
2016 was a challenging and volatile year as markets were buffeted by both external and internal events. Several major occurrences transpired throughout the year, underscoring the ‘new normal’ affecting equity markets globally. Of particular note were the United Kingdom’s referendum resulting in the departure of the nation from the EU, Donald Trump’s victory in the US Presidential Election, and the continued strength of the US Dollar. The Malaysian equity market was not insulated from these external headwinds, and coupled with domestic challenges, resulted in a weaker KLCI performance in 2016. The benchmark index declined by 3% year-on-year, to end 2016 at 1,641.7 points, reflecting its third year of negative performance.

The Malaysian market underperformed many of its regional peers on a total return basis and also underperformed the regional benchmark, the MSCI Asia Pacific Index by 5.3%. On a positive note, the index outperformed the Shanghai Composite Index during the year.

The index’s negative total return was attributed to the weak performance in the telecommunication services and healthcare sectors. The telecommunication services sector was the worst performing sector in the year with a total return of -12.8% year-on-year while the healthcare sector recorded a -3.5% total return.

The uninspiring performance of the telecommunications sector was due to concerns of intense rivalry and the uncertainty of the spectrum reallocation. The increased level of competition eroded the profit margins of telecom companies and cast doubt into their long-term growth prospects. Nevertheless, the spectrum allocation has been resolved and the industry now has greater clarity on the issue. The healthcare sector was hit by higher costs associated with the stronger US Dollar and margin compression. Meanwhile, the energy sector recorded positive returns for the year as oil price stabilised off their lows. The benchmark Brent crude price ended the year +23.8% year-on-year, supported by the agreement of major oil producing countries in cutting their crude production.

In the first half of 2016, the local bourse displayed resilience. The year began with KLCI falling to its lowest level of 1,600 points when crude oil prices declined to the year’s low of USD27 per barrel. The market strengthened following the announcement of the Budget 2016 recalibration in January 2016 and the US Federal Reserve decision to hold interest rates steady. However, pressures on the Ringgit weighed on the index, and it retreated from the year’s high of 1,727.99 points.

The second half of 2016 saw the index rebounded slightly, making up some lost ground to its regional peers. Investors became more accepting of the stronger US Dollar providing an opportunity for exporters, and improving sentiment in the plantation and financial sectors. However, the last two months of the year were particularly challenging for Malaysia and regional markets following the US Presidential Election and the subsequent win of Donald Trump. The event triggered a large flow of funds from emerging markets towards developed markets. The anticipation of fiscal policies and protectionism by Donald Trump to drive growth in the US has led to a stronger US Dollar. With challenges on multiple fronts, the benchmark FBMKLCI ended the year with a 3% contraction year-on-year.
Due to the weaknesses surrounding the domestic economy and the Ringgit, sectors that were positively exposed to the US Dollar benefited the most. The Plantations sector gained 3.3% in 2016, as crude palm oil (CPO) prices averaged higher at RM2,649 per tonne compared to RM2,168 per tonne in 2015. CPO prices rallied in the second half of the year due to the strong US Dollar and lower supply following the exceptionally strong El Nino phenomenon in late 2015.

Foreign investors continued to exit the local market in 2016, albeit at a slower rate compared to the previous years. Foreign investors sold RM3.1 billion of Malaysian equities during the year, compared to RM19.5 billion in 2015. Since 2010, foreign net buying has declined to RM4.1 billion. Foreign ownership in Malaysian equities ended the year at 22.6%, slightly lower from the peak of 23.6%.

In terms of valuation, the FBMKLCI’s price-to-earnings (PE) multiple decreased to 16.7 times in December 2016 from 18 times in December 2015, due to weaker sentiment and the exit of foreign funds. However, the multiple is still above FBMKLCI’s ten-year historical PE multiple average of 15.6 times. At 16.7 times PE multiple, the FBMKLCI traded lower than the regional average of 18.3 times.

**GLOBAL EQUITY INDICES PERFORMANCE IN 2016**

![Global Equity Indices Performance in 2016](image)

**EQUITY MARKET IN 2017**

Global growth is expected to improve in 2017, after slowing down for two consecutive years. This is largely contributed to the improved commodity prices. In addition, countries in the developed world are shifting from monetary policy to fiscal policy to boost growth.

Despite the expected improvement in global growth, we remained cautious on several issues. There is downside risk to the global market after markets factored in significant boost to growth from reflationary policies by the new US President, Donald Trump. The global growth potential may be derailed by Trump’s protectionist measures which will give repercussions on global trades. Rising borrowing cost will impact business investments and the housing markets. The continuous rise of the US Dollar tends to dampen exports and affect corporate profitability. Given the US markets that were trading at peak valuations, risk could emerge from earnings disappointments, and possible market sell-off.

While improvement in demand and supply balances provides a platform for better commodity prices, the downside were global economic growth disappointment and the ramp up of production from excess capacities.

We have seen more conducive condition for growth in Europe, given the low interest rates, weak Euro, and an end to austerity environment. However potential risk of disintegration of the Eurozone is a key risk to growth for the Eurozone.

Within the emerging markets, the construction of infrastructure projects is expected to support investment and encourage growth in consumer spending. Higher commodity prices will help to boost income and spur consumption for commodity reliant countries.

Investment opportunities for Malaysia lies within exporters which enjoy potential upside in earnings from the stronger US Dollar. The stabilizing crude oil price and steady CPO prices is positive on government fiscal position and terms of trade, while providing upside in earnings for oil and gas, and plantation related companies. The GLC restructuring move is also expected to provide positive catalysts for GLCs. Accommodative monetary policies by BNM is expected to provide a good base for economic growth hence supportive to the equity market.
Our investment preferences are stocks which offer structural growth trend. There will be pockets of opportunities for these names in the event of sell-off triggered by news flows on policies and political events. In addition, tactical investment for cyclical sectors can provide room to realize profit. Against the backdrop of uncertainties, we continue to look for stocks which offer attractive and sustainable dividend yield.

From valuation perspective, the FBMKLCI is trading at 16.7 times, which is lower than the regional average of 18.3 times. It is also trading cheaper as compared to its three-year average multiple of 17.3 times. Similarly, Thailand provides room for upside at 1.7 times PE multiple, which is below its three-year historical multiple average of 17.8 times and five-year multiple average of 18.7 times.

**BOND MARKET 2017**

**Corporate Bond Market Review**

2016 was a volatile year in the bond market, mainly affected by political developments. The UK referendum results and the outcome of the US Presidential Election were key influencing drivers in the bond market. The Fed raised the federal funds rate for the first time in 2016 by 25bps in December and signalled further hikes in 2017 with the timing of these hikes remains to be seen.

Bonds as an asset class performed well throughout the year and had its positive momentum reversed upon the unexpected Trump victory. This led to a sharp bond sell-off as investors priced in an increased pace of interest rate that rised from Trump’s inflationary policies. Overall the global corporate bond space performed better in 2016 compared to 2015 with both the investment grade and high-yield bond indexes posted profits.

Domestically, the TR BPAM Bond Index finished the year positive reflecting the resilience of the local corporate bond market. Corporate bond issuances in Malaysia were robust, stemming predominantly from the infrastructure and utilities, and financial services sectors. This trend is expected to continue into 2017 given the strong projected issuances in the pipeline from these sectors.

**Credit Quality**

Rating actions taken by S&P, and Moody’s were negatively biased amid challenging conditions. The year 2016 saw an elevated number of defaults from both S&P and Moody’s totalling 230 defaults compared to 168 defaults in 2015. The energy industry, specifically the upstream oil and gas sector, was the biggest contributor of defaults in 2016. This was a similar trend as 2015, however with greater intensity.

In terms of rating transition, the credit quality in the Asia ex-Japan space has worsened as there were more downgrades than upgrades with upgrade-to-downgrade ratio falling below or hovering around the 0.5 times for all three rating agencies.

The credit trend from RAM Ratings and MARC also closely aligned the trend of the international rating agencies. In total, RAM Ratings and MARC registered 14 downgrades in 2016, from just seven in 2015. The downgrades were mainly attributed to competitive pressures in the automotive industry and the protracted slowdown in the Oil & Gas industry.

**Sovereign Ratings**

On 11 January 2016, Moody’s revised Malaysia’s sovereign rating outlook to Stable from Negative, and affirmed the A3 rating premised on worsening growth and external credit metrics due to external pressures as well as high macro-financial risks. On 8 September 2016, Fitch affirmed Malaysia’s rating at A- with a Stable outlook as real GDP growth remains better than the ‘A’ rated peers. In addition, S&P also affirmed Malaysia at A- with a Stable outlook based on its favourable external position and high monetary flexibility.

**Bond Market in 2017**

Global credit in 2017 is expected to be reasonably stable on account of a modest revival in global growth and accommodative interest rates environment. However, concerns over the efficacy of monetary policy, the policy implications on world trade and security from the policies of the new US president and a busy election calendar in Europe will translate to more uncertain economic and credit outcomes over the coming year. While the stabilisation of oil prices buoyed inflation expectations, the continued weak oil and commodities prices may weaken the fundamentals of oil producers.

For Malaysia, resilience in macroeconomic outlook provides support to the broad credit condition. However, the possibility that the current trends of downgrades outnumbering upgrades will prevail in view of the challenging business environment. Prospects are relatively muted for retail, automotive, and property sectors due to the subdued consumer spending. The infrastructure and utilities segment are expected to retain their Stable outlook reflecting the concession-based assets and oligopolistic nature of the industry.
MARKET REVIEW

AXIA EX-JAPAN: RATIO OF RATING UPGRADE-TO-DOWNGRADE BY S&P, MOODY’S, AND FITCH

MALAYSIA: THE NUMBER OF RATING CHANGES BY RAM RATINGS AND MARC

RATING UPGRADE AND DOWNGRADE FOR MALAYSIA BY RAM RATINGS AND MARC
2016 PRIVATE EQUITY SUMMARY

Private Equity Overview
2016 was another robust year for the private equity fundraising market with 844 funds closed globally, raising a combined USD353 billion. These figures put 2016 beyond the post-Global Financial Crisis record of USD348 billion seen in 2014. This also marks the fourth consecutive year in which annual fundraising totals had exceeded USD300 billion, although it remains some way off the nearly USD400 billion raised by funds closed in 2007 and 2008.

Although the aggregate capital raised through the year was greater than in 2015, the number of funds closed was lower, down from 945 to 844 in 2016. Consequently, the average fund size in 2016 reached a record of USD418 million, surpassing the previous record of USD410 million for funds closed in 2007. This trend seems to be in-line with the large institutional private equity investors putting in larger commitments into fewer funds, and this also indicates increasing competition for large size private equity backed deals, going forward.

GLOBAL PRIVATE EQUITY FUNDRAISING FROM 2007 TO 2016

This indicates two things: Appetite for private equity continues to grow, underpinned by the low yield environment pervading other asset classes, such that it is easier for funds to achieve or even exceed its target size, however on the other hand the more popular GPs are consciously managing their oversubscription levels given the increasing challenge to deploy capital.

Funds in Market
Perhaps in part due to the recent strength of the fundraising market, the number of new vehicles being marketed to investors has been climbing over the past few years. At the start of 2016, 1,630 private equity funds were on the road, and a year later, this figure climbed to a new record of 1,835 vehicles seeking investment.

At the same time, the total capital being targeted by private equity funds in the market has surpassed half a trillion dollars. Funds being marketed to investors at the start of 2016 were seeking a combined USD488 billion in capital commitments, but at the start of 2017 private equity funds on the road are seeking an aggregate of USD526 billion.
MARKET REVIEW

PRIVATE EQUITY FUNDS IN MARKET FROM 2012 TO 2016

Dry Powder in PE
The level of dry powder available to private equity fund managers increased throughout 2016 to reach USD820 billion at the end of the year, up from USD752 billion at the end of 2015. This is the fourth consecutive annual increase in dry powder levels from the USD558 billion recorded at the end of 2012, as firms struggle to effectively deploy capital in a competitive and liquid deal market. Against this backdrop, we expect investors to flock to GPs who had exhibited the ability to generate strong deal pipelines and employ creative strategies to translate that into actual capital deployment and sustain a steady investment pace.

VENTURE CAPITAL FUNDRAISING BY REGION FROM 2007 TO 2016

Venture Capital
Global venture fundraising has seen a steady increase of 11% CAGR over the past 7 years, reflecting the interest in the asset class by investors. North America continues to be a hotbed for venture fundraising with USD34.1 billion raised in 2016, representing 61% of the total capital raised for venture globally.

The number of venture deals has grown by 9% CAGR from 2009, reflecting the rapid pace of innovation and technology development seen over the past 7 years. Although, throughout the year, the number of deals had declined by 13% reaching 9,717 deals in 2016, the average deal size in 2016 hit a record of USD14 million, surpassing the previous record of USD13 million for deals in 2015.

GLOBAL VENTURE CAPITAL DEALS FROM 2007 TO 2016

No. of Deals
USD (Billion)

Year
The majority of venture capital deals in 2016 were within the internet industry, in terms of both number of deals and aggregate deal value. The internet and mobile age has been the catalytic platform for rapid technological advancement. Better connectivity and enhanced mobility will continue to drive innovation and the technology revolution, which is only at its infancy at present.

**GLOBAL VENTURE CAPITAL DEALS BY INDUSTRY IN 2016**

<table>
<thead>
<tr>
<th>Industry</th>
<th>No. of Deals</th>
<th>Aggregate Deal Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>…</td>
<td>25%</td>
</tr>
<tr>
<td>Software Related</td>
<td>…</td>
<td>14%</td>
</tr>
<tr>
<td>Telecoms</td>
<td>…</td>
<td>16%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>…</td>
<td>12%</td>
</tr>
<tr>
<td>Other IT</td>
<td>…</td>
<td>6%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>…</td>
<td>4%</td>
</tr>
<tr>
<td>Business Services</td>
<td>…</td>
<td>4%</td>
</tr>
<tr>
<td>Industrials</td>
<td>…</td>
<td>2%</td>
</tr>
<tr>
<td>Clean Technology</td>
<td>…</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>…</td>
<td>5%</td>
</tr>
</tbody>
</table>

Regional Outlook

With an aggregate deal value of USD190 billion in 2016, North America continues to be the home of most private equity funds than in any other region. Middle-market buyouts and growth capitals continue to dominate investors’ interests, followed by small-market buyout, and growth capital funds. Amongst the North America-based GPs surveyed, concerns over valuations outweighed other issues by some margin. The results of the latest election caught financial markets by surprise as pre-election polling predicted Clinton win. The impact of the impending Trump presidency is yet to be seen, however his initial win had caused the US equity market to fall nearly 5%.

European private equity activity continued its slide since 2014. Germany has had the third highest number of private equity-backed buyout deals in the European market, each year since 2007, behind UK and France. However, individual deal value in Germany has been higher than France. The largest proportion of German buyout deals have been for industrial companies since 2007 and IT companies had also attracted considerable interest. BREXIT and how the vote will affect the region and alternative assets investing environment is primarily unknown at present. According to Pitchbook, as Britain moves through its separation process, as well as the recent legal challenges to it, mispricing in the market will be inevitable. It is believed, however, that private equity firms with longer investment time-frames than most, are well positioned to navigate this changing landscape and deploy capital with timely effectiveness.

Despite a decline in China’s growth rate amid the continued export weakness and the 2015 crash of the Shanghai Stock Exchange which resulted into the deep economic turmoil, the Asian private equity industry posted one of its strongest years on record in 2015. More company owners, looking to fund growth or to retire, are warming to the private equity value proposition, which is increasing the pool of potential investments. China continues to be the most attractive of the Asian markets for private equity investors, with venture capital being the preferred strategy in 2016. The Internet sector has also continued to do well despite the downturn, and continues to present attractive growth prospects.

The MENA region is home to 203 Private Equity GPs, with USD25.9 billion in capital raised in the last ten years. With fund managers in the region earning their stripes—and as the exit environment shows significant signs of improvement—institutional investors are taking a fresh look at the region that has historically been viewed more as a source of capital than a destination for fund. The majority of private equity deals took place in the United Arab Emirates, followed by Egypt, and Saudi Arabia between 2006 and 2016.

Half of the private equity investors in Latin America believed that low entry valuations and good availability of deal-flow within the continent are attractive compared to other emerging markets, according to the annual Coller Capital/LAVCA Latin American Private Equity Survey. Investors are especially bullish on Mexico at the moment, due to its economic diversification away from energy and long-term attractiveness.
Globally, renewable energy deals have continued its momentum from the previous years and dominated the infrastructure investing landscape. Large declines in the costs of utility scale solar and wind energy had helped push the demand for countries to include or increase the allocation of alternative energy in their energy mix. This trend is not expected to go downwards anytime soon.

**Infrastructure Overview**

2016 was a record year for private infrastructure funds with USD58 billion raised, the highest ever seen in the industry. Of that, USD14 billion came from one fund, Brookfield Infrastructure Partner III, the largest private infrastructure fund ever raised.

Despite record amounts being raised, actual number of funds that closed in the year fell to its lowest level since 2010; evidence that capital is becoming increasingly concentrated within the hands of a smaller pool of experienced managers.

**Global Annual Unlisted Infrastructure Fundraising from 2010 to 2016**

Aggregate infrastructure deal value climbed to USD413 billion in 2016 from USD362 billion the previous year driven by the thirst for quality infrastructure assets, cheap financing, and record dry powder. No doubt these conditions have pushed asset prices higher as seen in the increase in the proportion of infrastructure deals worth USD1 billion or more.
Broken down by region, Asia Pacific was the hot spot for infrastructure investors, with USD131 billion worth of deals being closed in 2016. The infrastructure privatisation drive in Australia continues to be a catalyst for deal making in the region, with notable deals that include the AUD9.70 billion acquisition of Port of Melbourne by a consortium led by General Infrastructure Partners and the purchase of Ausgrid, a state power distribution company, for AUD16 billion by a consortium led by IFM Investors.

Another catalyst for the Asia Pacific region is the roll out of infrastructure programmes in developing Asian countries to build the much needed roads, railways, ports, and power plants to keep up with the rate of urbanisation in those countries. The continued roll-out of these programs is expected to drive the growth in Asian infrastructure spending over the next decade.

Power and energy related infrastructure deals continue to dominate the landscape in North America. The largest deal closed in the North American region in the year was the USD11.3 billion acquisition by Fortis Inc. and GIC of the Michigan based power distribution company, ITC Holdings.

President Trump’s pledge to focus on improving the infrastructure in the US could be a boost to infrastructure spending in the North American region. However, large institutional investors such as Caisse de depot et placement du Quebec (CDPQ) are more cautious, and will wait for a more detailed plan from the new US administration before making infrastructure investment decisions in the US.

Europe saw a very turbulent 2016 with terrorist attacks, refugee crisis, and the Brexit dominating the headlines. Despite the turbulence, large infrastructure deals continue to be made with one such deal being the GBP5.40 billion sale of the UK’s gas distribution network to a consortium which included Macquarie, QIA, and China Investment Corporation. With elections scheduled for 2017 in France and Germany however, Europe is expected to remain volatile (pending the outcome of those elections) with investors adopting a more cautious approach to infrastructure investing in the region.
PROPERTY MARKET REVIEW

Global
Direct commercial real estate investment has recorded approximately USD454 billion transaction volume in third quarter of 2016 or 10% lower on year to date compared to third quarter of 2015. Total full year investment for 2016 is expected to range between USD610 to USD630 billion (Figure 1). Strong performers of established major markets in third quarter of 2016 were USA (USD71.5 billion), Germany (USD15.3 billion) and UK (USD10.9 billion). Investment activity in Europe for 2016 is expected to fall 10% from USD160 billion recorded in 2015, driven by its three largest markets Germany, UK and France1. New York with approximately over USD33.1 billion of investment is a city which recorded the highest direct commercial investment, followed by London USD17.3 billion and Los Angeles USD15.7 billion (Figure 2).

FIGURE 1
DIRECT COMMERCIAL REAL ESTATE INVESTMENT - QUARTERLY TRENDS, 2007-2016

Source: JLL, October 2016

FIGURE 2
DIRECT COMMERCIAL REAL ESTATE INVESTMENT, TOP 20 CITIES, YTD 2016

Australia
Australian CBD offices saw decreased in average vacancy rate from 10.5% in January 2016 to 10.4% in July 2016 (Figure 3). Top performer was Sydney with 50,500 sqm absorption of office space in July 2016 with vacancy rate at 5.6%. Melbourne trailed behind with 7.0% vacancy rate and 7,641 sqm of absorption. Perth’s recorded the highest vacancy rate in over 20 years at 21.8% with absorption of approximately -17,241 sqm2. Commercial office accounted for 44% of investment activities in 2016 with foreign investment accounted to AUD12.1 billion or 51% of total investment3 (Figure 4).

1 Jones Lang LaSalle Global Market Perspective Q4 2016
2 Australian Property Council Office Market Report July 2016
3 Cushman & Wakefield Investment MarketBeat Q4 2016
UK

The overall UK office average vacancy rates stood at 7.9%, reduced by 120 basis points year on year\(^4\). The average prime office yield in Central London submarkets of City in third quarter of 2016 increased marginally to 4.25%, 25 basis point higher than first quarter of 2016. West End average prime yield remained stable at 3.5% (Figure 5). Uncertainty is expected to increase in 2017, as Brexit negotiations get under way. Demand is forecast to remain steady in core locations, but activity in second-tier and secondary markets may become more subdued, as occupiers and investors re-assess risk\(^5\). Central London recorded weaker investment volumes of £8.6 billion, 26% down on the equivalent period last year\(^6\). As at third quarter of 2016, international investors accounted 81% of transaction volume in Central London, where Asia (28%), American (24%) and Middle Eastern (17%) investors were the most prominent.
MARKET REVIEW

**FIGURE 6**

INVESTMENT TRANSACTION BY PURCHASERS, Q3 2016

**FIGURE 7**

OFFICE NET ABSORPTION, SQ FT (MILLION) AND VACANCY RATE

Malaysia

Office buildings in Kuala Lumpur recorded an average vacancy rate of approximately 20.6% in third quarter of 2016, a slight decrease from 20.2% in second quarter of 2016. Supply in third quarter of 2016 increased by 750,000 sq ft with only one building completed during the quarter. With the new addition, total office supply in Kuala Lumpur now stood at 78.9 million sq ft. Kuala Lumpur includes submarket of Kuala Lumpur Golden Triangle, Kuala Lumpur Central Business District and Kuala Lumpur fringe. Average rent and capital value remained generally stable at RM6.03 psf and RM933 psf as recorded in second quarter of 2016. With substantial pipeline of supply of approximately 7 million sq ft from first quarter of 2017 to 2018, rents are expected to remained under pressure (Figure 8).

Source: NTL Research

**FIGURE 8**

OFFICE DEVELOPMENT PIPELINE, SQ FT (MILLION)

Source: NTL Research

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7 Nawawi Tie Leung Research Kuala Lumpur Q2 2016
The main contributor to fund growth was investment income by RM6.36 billion, employers’ contributions by RM2.95 billion and Federal Government by RM0.40 billion.

BREAKDOWN OF SOURCES OF FUND

Year 2016 registered yet another challenging year for fixed-income and equity market. Managing domestic and international funds has proven to even more perplexing. Nevertheless, the Fund recorded gross realised investment income of RM6.36 billion, which was RM0.07 billion lower against the preceding year of RM6.43 billion. Fixed-income investments including MGS, PDS, Loans and Money Market contributed 51% of total income. Investment in equities delivered 41%, and alternative investments contributed 8%.
The fund posted Gross ROI of 5.35%, which was 0.06% lower than the previous year’s Gross ROI of 5.41%. International Property returned the highest ROI of 13.59%, and followed by International Equity with 6.44%. The rest of asset classes delivered respective ROI ranging from 2.06% to 5.56%.

HISTORICAL GROSS RETURN ON INVESTMENT

<table>
<thead>
<tr>
<th>Years</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>3.32%</td>
<td>3.60%</td>
<td>3.16%</td>
<td>3.81%</td>
<td>3.06%</td>
</tr>
<tr>
<td>MGS</td>
<td>4.40%</td>
<td>4.18%</td>
<td>4.07%</td>
<td>3.08%</td>
<td>4.62%</td>
</tr>
<tr>
<td>International Equity</td>
<td>5.10%</td>
<td>5.08%</td>
<td>5.14%</td>
<td>3.91%</td>
<td>5.71%</td>
</tr>
<tr>
<td>International Fixed Income</td>
<td>5.56%</td>
<td>5.82%</td>
<td>6.97%</td>
<td>7.69%</td>
<td>10.83%</td>
</tr>
<tr>
<td>International Property</td>
<td>13.59%</td>
<td>9.64%</td>
<td>92.59%</td>
<td>3.81%</td>
<td>13.46%</td>
</tr>
<tr>
<td>Loans &amp; PDS</td>
<td>2.06%</td>
<td>4.74%</td>
<td>4.03%</td>
<td>5.18%</td>
<td>28.54%</td>
</tr>
<tr>
<td>Money Market</td>
<td>0.03%</td>
<td>6.62%</td>
<td>0.05%</td>
<td>5.15%</td>
<td>2.64%</td>
</tr>
<tr>
<td>MGS</td>
<td>1.33%</td>
<td>4.74%</td>
<td>0.18%</td>
<td>5.15%</td>
<td>4.82%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>0.70%</td>
<td>5.08%</td>
<td>0.13%</td>
<td>5.15%</td>
<td>5.71%</td>
</tr>
<tr>
<td>Domestic Equity</td>
<td>1.56%</td>
<td>5.82%</td>
<td>0.07%</td>
<td>5.15%</td>
<td>10.83%</td>
</tr>
</tbody>
</table>
Net income after the allowance for diminution in value of investments and impairment of investments, amounted to RM4.83 billion or net ROI of 3.90%.

**HISTORICAL NET RETURN OF INVESTMENT**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.78%</td>
<td>6.93%</td>
<td>4.62%</td>
<td>3.60%</td>
<td>3.90%</td>
</tr>
</tbody>
</table>

**TOTAL RETURN**

The total fund level total return is measured against a blended benchmark consisting the weighted average of different benchmarks assigned to every investment categories. As of December 2016, the total fund level year to date total return was 4.60%, which outperformed the blended benchmark by 201 basis points.

<table>
<thead>
<tr>
<th>TWRR (%)</th>
<th>Benchmark (%)</th>
<th>Excess Return (%)</th>
<th>Gross ROI (%)</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DOMESTIC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>0.96</td>
<td>-2.45</td>
<td>3.41</td>
<td>5.30</td>
</tr>
<tr>
<td>MGS &amp; Quasi Bonds</td>
<td>5.48</td>
<td>3.37</td>
<td>2.11</td>
<td>4.40</td>
</tr>
<tr>
<td>PDS</td>
<td>5.05</td>
<td>3.84</td>
<td>1.21</td>
<td>5.37</td>
</tr>
<tr>
<td>Loans</td>
<td>4.75</td>
<td>4.05</td>
<td>0.70</td>
<td>4.65</td>
</tr>
<tr>
<td>Money Market</td>
<td>3.37</td>
<td>3.56</td>
<td>-0.19</td>
<td>3.32</td>
</tr>
<tr>
<td>Property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.30</td>
</tr>
<tr>
<td><strong>INTERNATIONAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>8.28</td>
<td>10.11</td>
<td>-1.83</td>
<td>6.44</td>
</tr>
<tr>
<td>Fixed-Income</td>
<td>8.78</td>
<td>6.50</td>
<td>2.28</td>
<td>5.56</td>
</tr>
<tr>
<td>Property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13.59</td>
</tr>
<tr>
<td>Private Equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.06</td>
</tr>
<tr>
<td><strong>KWAP TOTAL</strong></td>
<td>4.60</td>
<td>2.58</td>
<td>2.01</td>
<td></td>
</tr>
</tbody>
</table>

Investments in domestic equities returned 0.96%, underperformed the benchmark by 3.41%. International equity portfolio posted 8.28% return, underperformed the benchmark by 183 basis points, due to the volatile performance of the global equity market last year.

Domestic fixed-income portfolios posted steady returns as the bond market maintained its positive momentum until year end. The global bond market performed well last year, which saw International fixed-income portfolios outperformed the benchmark by 228 basis points.

KWAP is also attributable via having a disciplined approach on Strategic Asset Allocation, hence was able to sustain a steady overall total return amidst greater uncertainties in both domestic and international front.
ANNUAL REPORT 2016 | RETIREMENT FUND (INCORPORATED)

ASSET CLASSES PERFORMANCE

EQUITY MARKET FUND SIZE
KWAP’s equity exposure has increased by 18.2% to RM52.6 billion as at 31 December 2016 from RM44.5 billion at the beginning of the year, representing 40.5% of KWAP’s total assets. Domestic equity accounted for 87% of KWAP’s total exposure in equity at cost, whilst the balance of 13% was invested in international equity.

Of the total RM52.6 billion, 82% was managed internally and the remaining 18% was outsourced to external fund managers appointed by KWAP.

EQUITY INCOME
For the year ended 31 December 2016, KWAP equity investments recorded total realised income of RM2.95 billion, representing a Return of Investment (ROI) of 6.10%.

In line with KWAP’s equity exposure which is predominantly invested in the Malaysian market, domestic equities contributed 76% of the ROI, whilst international equities accounted for the remaining 24%. Similarly, internally managed equity contributed 69% of KWAP’s total equity income with the balance of 31% derived from equity investment outsourced to the external fund managers.

INTERNALLY MANAGED DOMESTIC EQUITY
KWAP continues to exercise prudence in its investments by employing rigorous screening methodology and evaluation processes favouring companies that are fundamentally sound with strong management track record, low earnings risk, good dividend yield, and high liquidity.

Practising this philosophy steadfastly has proved to be effective as our internal domestic portfolio recorded a total return of 1.27% as measured by the Time Weighted Rate of Return (TWRR). The return compares favourably against the FBM100 Index return of -2.45%, outperforming by 3.72% in 2016.

In terms of realised return, internal domestic equity recorded a total realised income of RM1.9 billion or an ROI of 5.38%. Of the total investment income, RM822.4 million was derived from capital gain whilst the balance of RM1.1 billion was derived from dividend income.
INTERNALLY MANAGED INTERNATIONAL EQUITY
KWAP’s first foray into foreign equity market began in 2012 with the establishment of an internally managed international equity mandate investing in Asia Pacific ex-Japan markets. In 2016, KWAP expanded its proprietary international equity investments with the inclusion of Japan and consequently changed the mandate to investing in all countries within the Asia Pacific markets.

During the period under review, the internally managed international equity fund size has increased by 58.3% to RM3.8 billion. The asset growth was attributed to market value expansion as well as capital injection. Despite the extreme transmission of volatility across markets within the Asia Pacific region amidst heightened global uncertainties, the fund recorded superior performance of 14.15%, as measured by TWRR against the 6.86% benchmark, outperforming the MSCI All Countries Asia Pacific Index by 7.29%.

In terms of realised return, the fund recorded realised income of RM111.6 million which translates into ROI of 3.74%.

This commendable performance was achieved by an active investing approach driven by fundamental research and conviction. Country and sector analysis serve as an essential tool, though allocations are primarily driven by conviction and within established risk tolerances.

INTERNATIONAL EQUITY COUNTRY BREAKDOWN FOR 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China/HK</td>
<td>31.93%</td>
</tr>
<tr>
<td>Singapore</td>
<td>19.59%</td>
</tr>
<tr>
<td>Australia</td>
<td>16.56%</td>
</tr>
<tr>
<td>Thailand</td>
<td>10.10%</td>
</tr>
<tr>
<td>Philippines</td>
<td>8.44%</td>
</tr>
<tr>
<td>Korea</td>
<td>4.28%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.51%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.03%</td>
</tr>
<tr>
<td>China/HK</td>
<td>2.56%</td>
</tr>
</tbody>
</table>

EQUITY FUND SIZE BY REGION

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>13%</td>
</tr>
<tr>
<td>Domestic</td>
<td>87%</td>
</tr>
</tbody>
</table>

EQUITY FUND SIZE BY MANAGERS

<table>
<thead>
<tr>
<th>Managers</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>19%</td>
</tr>
<tr>
<td>Internal</td>
<td>81%</td>
</tr>
</tbody>
</table>

ROI BY REGION

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>15%</td>
</tr>
<tr>
<td>Domestic</td>
<td>85%</td>
</tr>
</tbody>
</table>

EQUITY FUND SIZE BY REGION

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>19%</td>
</tr>
<tr>
<td>Internal</td>
<td>81%</td>
</tr>
</tbody>
</table>
ASSET CLASSES PERFORMANCE
EQUITY

EXTERNALLY MANAGED DOMESTIC EQUITY
As at 31 December 2016, the total value at cost managed by domestic external fund managers (EFMs) stood at RM6.8 billion, an increase of 4.6% from RM6.4 billion in 2015. The total equity portfolios managed by domestic EFMs account for 5.2% of KWAP total fund size of RM125.2 billion. In total there are 18 domestic EFMs-5 EFMs managing Shariah mandates, 4 EFMs managing Small Cap mandate, 4 new EFMs managing Environmental, Social, and Governance (ESG) mandate while the rest are managing Conventional mandates.

LIST OF DOMESTIC EXTERNAL FUND MANAGERS AS AT 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>Conventional Fund Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIMB-Principal Asset Management Sdn. Bhd.</td>
</tr>
<tr>
<td>Affin Hwang Asset Management Berhad</td>
</tr>
<tr>
<td>Kenanga Investors Berhad</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Islamic</th>
</tr>
</thead>
<tbody>
<tr>
<td>i-VCAP Management Sdn. Bhd.</td>
</tr>
<tr>
<td>CIMB-Principal Islamic Asset Management Sdn. Bhd.</td>
</tr>
<tr>
<td>AlMizan Asset Management Berhad</td>
</tr>
<tr>
<td>AlIMAN Asset Management Berhad</td>
</tr>
<tr>
<td>MIDF Amanah Asset Management Berhad</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Small Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affin Hwang Asset Management Berhad</td>
</tr>
<tr>
<td>Kenanga Investors Berhad</td>
</tr>
<tr>
<td>Maybank Asset Management Sdn. Bhd.</td>
</tr>
<tr>
<td>Eastspring Investments Berhad</td>
</tr>
</tbody>
</table>

KWAP actively engaged with all domestic EFMs on a quarterly basis to review their performance and operational compliance, and on a monthly basis for those portfolios undergoing restructuring. Throughout the year, 72 quarterly meetings and 18 monthly meetings were conducted with the EFMs. KWAP also conducted annual visits to the EFMs’ premises, compliance visits, and due diligence visits throughout the year.

As at 31 December 2016, KWAP’s domestic equity EFMs recorded an aggregate realised income of RM326.6 million, representing an ROI of 4.91%. On aggregate, all the outsourced mandates outperformed their respective benchmark. KWAP’s ongoing initiative includes outsourcing funds to strengthen its exposure to domestic Shariah, ESG, and Small Cap investments. This is done via additional capital injections to the top performing EFMs and adding new EFMs to the existing mandates. EFMs selection was made via Request for Proposals (RFPs) to local and foreign asset management companies, whereby those with outstanding track record and strong investment process would be empaneled as KWAP’s EFMs.

EXTERNALLY MANAGED INTERNATIONAL EQUITY
In 2016, KWAP’s externally managed international investments were allocated into 3 mandates, namely Asia Pacific ex-Japan (APEX), United Kingdom (UK), and Europe mandates. APEX mandates are managed by State Street Global Advisors Asia Limited (SSGA) and Invesco Asset Management Singapore Limited (Invesco). KWAP’s wholly owned subsidiary, Prima Ekuiti (UK) Limited (Prima Ekuiti) is responsible for both UK and Europe mandates.
LIST OF INTERNATIONAL EXTERNAL FUND MANAGERS AS AT 31 DECEMBER 2016

<table>
<thead>
<tr>
<th></th>
<th>Fund Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific ex-Japan</td>
<td></td>
</tr>
<tr>
<td>State Street Global Advisors Limited</td>
<td>2011</td>
</tr>
<tr>
<td>Invesco Asset Management Singapore Limited</td>
<td>2015</td>
</tr>
<tr>
<td>UK</td>
<td></td>
</tr>
<tr>
<td>Prima Ekuiti (UK) Limited</td>
<td>2012</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>Prima Ekuiti (UK) Limited</td>
<td>2014</td>
</tr>
</tbody>
</table>

As at 31 December 2016, KWAP’s international equity EFMs recorded an ROI ranging between 2.8% and 9.2% totaling RM591 million. All portfolios outperformed their designated benchmark except for the UK mandate. Both SSGA and Invesco outperformed the MSCI AC Asia Pacific ex Japan Index whilst the Europe mandate, managed by PEUK, outperformed MSCI Euro Index by 838bps.

2016 TWRR PERFORMANCE

<table>
<thead>
<tr>
<th>International EFM</th>
<th>TWRR (%)</th>
<th>Benchmark (%)</th>
<th>Out/(under) performance (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEUK – UK</td>
<td>10.04</td>
<td>14.43</td>
<td>(439)</td>
</tr>
<tr>
<td>PEUK – Europe</td>
<td>9.57</td>
<td>1.74</td>
<td>783</td>
</tr>
<tr>
<td>SSGA</td>
<td>8.25</td>
<td>3.74</td>
<td>451</td>
</tr>
<tr>
<td>Invesco</td>
<td>10.23</td>
<td>3.74</td>
<td>451</td>
</tr>
</tbody>
</table>

Investments in UK and Europe equities are outsourced to Prima Ekuiti (UK) Limited (PEUK), a wholly owned subsidiary of KWAP. To date, PEUK has performed commendably for the Europe mandate under the management in 2016.

On a quarterly basis, performance review meetings were held mainly via tele-conference and video-conference. Portfolio strategies and compliance reports were discussed during the meetings. Throughout the year, a total of 13 quarterly review meetings and 4 monthly review meetings were held with the respective EFMs.

KWAP has also engaged potential fund managers regularly, via conference calls and meetings. These inputs were stored in our database to assist us in our manager search process. In 2016, KWAP has decided to expand its current international investments to include ESG equity mandate. KWAP has employed the service of a reputable investment consultant to assist in the search of potential Global ESG managers. Subsequently, KWAP has issued RFP to 6 managers. The due diligence process is on-going, and the appointment is subject to the suitability of the managers in managing KWAP’s ESG equity investment.
ASSET CLASSES PERFORMANCE
FIXED INCOME

FIXED INCOME

Overall Fixed Income Performance
2016 was an eventful year for Malaysia and the global market as a whole. In Malaysia, several significant events took place, namely the appointment of the new Bank Negara Malaysia (BNM) Governor, the first Overnight Policy Rate (OPR) cut since 2009, the first Statutory Reserve Requirement (SRR) cut since 2011, and the new foreign exchange measures introduced by BNM to curb the speculation of the Ringgit. On the global front, the fixed income market sentiment was grappled by China currency woes, Federal Fund rate normalisation, Brexit, and Donald Trump’s Presidential Election victory.

Fixed Income market in Malaysia as well as other countries in Asia has performed relatively well, despite several unexpected global events. Overall, fixed income portfolio’s return on investment (ROI) achieved as at 31 December 2016 was 4.83% [the average 10-year Malaysian Government Securities (MGS) yield in 2016 was 3.83%] with total income of RM3,187 million compared to RM3,059 million in 2015. Individually, income for corporate bond investment as at 31 December 2016 rose to RM827 million (ROI of 5.23%) from RM792 million (ROI of 5.41%) from the previous year. Government and Quasi Bonds delivered RM1,329 million income which increased 10.3% from 2015 while ROI increased to 4.40% from 4.18% in the previous year. Domestic External Fund Managers delivered an ROI of 6% from 5.03% a year ago. International external fund managers’ ROI edged a tad lower to 2.91% from 4.18%. Loan’s ROI decreased to 4.65% from 4.70% while money market’s ROI fell to 3.32% from 4.34% on the back of the OPR cut in July.

INTERNALLY MANAGED

Malaysian Government Securities and Quasi Government Bonds
In the first quarter of 2016, the market experienced a significant rally on the back of the US Federal Reserve’s decision to pause rising interest rates. The Malaysian Government recalibrated budget for 2016 was also positive to the market, which led to optimism among local and foreign investors on Ringgit assets. Foreign inflows coupled with fresh domestic investment drove Malaysian Government Securities (MGS) yields down between 30 to 40 basis points across the curve. The improvement in the demand for Government bonds was also attributed to Bank Negara Malaysia’s (BNM) decision to reduce the Statutory Reserve Requirements (SRR) for banks by 50 basis points to 3.50% in January 2016, which led to increased liquidity in the domestic market. The 10-year MGS yield fell to as low as 3.78% in March from 4.17% at the beginning of the year.

The bond market was further rewarded when BNM decided to lower its benchmark policy rate from 3.25% to 3% at its Monetary Policy Committee (MPC) meeting in July 2016. BNM in its MPC statement mentioned that the decision to cut OPR is based on expectations of weak exports due to subdued demand from key trading partners as well as expectations of a lower inflation rate going forward. The 10-year MGS yields fell further in August 2016 to 3.47%, the lowest since May 2013.

Foreign inflows increased steadily throughout the first 10 months of 2016. This was evident as the percentage of foreign investors holdings of MGS increased from 48% at the beginning of the year to as high as 52% in October 2016.

In the fourth quarter of 2016 the market reversed significantly as the US Presidential Election saw an unexpected result. Donald Trump’s Presidential Election victory sent shockwaves of uncertainties globally which led to investors withdrawing from Emerging Markets.

Global investors generally view that Mr. Trump’s presidency will see increased US Government spending to boost the economy which in turn would push inflation higher. This, coupled with expectations of increased government borrowings led to investors reducing exposure on US Treasuries and subsequently switching into US equities. The 10-year Treasury yield increased by 67 basis points to 2.44% while the Dow Jones Industrial Average Index climbed 10% to 1,874 points during the same period.

QUARTERLY MGS YIELD CURVE MOVEMENT
The US Federal Reserve’s decision to hike interest rate in December 2016 exacerbated global investor’s exodus from emerging markets. This in turn led to the appreciation of the Dollar which saw the Ringgit depreciate from MYR4.20 to the Dollar in early November 2016 to as high as MYR4.49 to the Dollar in December 2016. The MGS market yield experienced a sharp rise which saw the 10-year MGS yield rising by 80 basis points to 4.46%.

INVESTMENT INCOME FOR 2009 TO 2016

Despite the significant sell-off in Government bond prices post-Trump election win in early November 2016, the portfolio managed to register an ROI of 4.54% for the financial year with a portfolio duration of 7.82 years. This was an increase of 36 basis points compared to the previous year’s ROI of 4.18%. The gross investment income as at 31 December 2015 increased by 10.3% to RM1,329 million as compared to 2015’s income of RM1,205 million. The overall portfolio yield increased by 3 basis points from 4.03% at the beginning of the year to 4.06% as at 31 December 2016.

The improved portfolio performance was mainly due to the active management of the Malaysian Government Securities and Quasi Government Bonds portfolio. In addition, KWAP also adopted a yield curve positioning strategy in order to capitalise on the yield curve movements throughout the year. In 2016, the turnover ratio for the portfolio was recorded at 1.02 times (RM33.5 billion of transaction volume).

KWAP’s total investment in government securities (MGS, GII and Quasi Government Bonds) as at 31 December 2016 stood at RM32.9 billion as compared to RM29.4 billion as at the end of 2015.

Corporate Bond
The local corporate bond market had a good run in 2016, up until early fourth quarter when the US Presidential election took place. President-elect Trump’s surprise victory brought about a massive global bond rout causing huge capital outflows from the Emerging Markets, and the local corporate bond market, despite having low foreign exposure, was not spared as yields rose alongside government bonds.

Corporate bonds provided higher returns year-on-year compared to government bonds as foreign exposure in the asset class was small at roughly 3% of amount outstanding. This provided cushion against the global volatility as investors searched for yields prior to the MGS spike in November. Based on Thomson Reuters BPAM Index for corporates, the cumulative returns for Jan to Oct 2016 was 6.50%, while cumulative returns for the year was 5.54%. Average monthly returns were 0.65% in January to October 2016 versus the 0.35% average in 2015 (average returns for 2016: 0.46%). In November, the index returned -2.025% amid the global bond sell-off. The returns were highest in January at 0.987% on the back of global bond rally after the Fed hiked rate in December and signalled a dovish outlook. The returns were also supported by BNM’s decision to cut SRR during its January meeting. The second largest month-on-month return was in July at 0.9621% on the back of the surprise OPR cut.
Investors in the PDS market generally lengthened their duration in 2016 compared to 2015 as they hunted for yields in a low interest rate and low inflation environment. Corporate bond spreads tightened in the first half of 2016 as MGS yields declined and investors looked for yields in the corporate segment. However, spreads began to widen in the second half of the year as risk appetite slowed down due to lower growth expectation and heightened concerns on the general health of the corporate sector. After the US Presidential election, corporate bond spreads tightened as MGS yields rose and corporate bonds lagged behind.

**Credit spreads between AAA and MGS from January to December 2016**

Source: BPAM

Corporate bond issuance was relatively flat at RM84.8 billion in 2016 compared to RM85 billion in 2015. There were more Government Guaranteed bond issuances compared to the previous year mainly from the infrastructure, utilities and financial services sectors. Demand for corporate credits was robust as investors continued to search for yields.

For the year 2016, KWAP portfolio holdings in PDS (at market value) decreased from RM16.38 billion to RM14.47 billion on the back of large maturities and early redemption. Total amount sold and redeemed is RM3.03 billion against new purchases of RM1.09 billion for net sale of RM1.94 billion.

**Income in 2016 increased from RM792 million to RM827.2 million largely due to sizeable capital gains during the year.**

**ROI decreased from 5.41% in 2015 to 5.23% in 2016 on the back of maturities of higher yielding issuances and reinvestment into lower yielding bonds amid the low interest rate environment.**
2017 could continue to be a challenging year for the domestic bond market. Supply of PDS is expected to be flat on the back of moderate economic growth as well as the absence of funding requirements. Investors will continue to be cautious of credit risks and eventually become more price sensitive. Credit condition may begin to deteriorate especially in industries which are highly affected by softening economy i.e. automotive, property and construction. Lower corporate earnings and weaker financial results may exacerbate potential credit negative.

In spite of the perceived higher yields in the sovereign bond market, yields in the corporate bond market may see less volatility as supply of new issuances may be thinning out against strong demand for the credit papers.

**Loans**
As at 31 December 2016, KWAP’s Loan Portfolio stood at RM11.2 billion, which constitutes 8.64% from the total KWAP’s investment. The Loan Portfolio was reduced by RM493 million (nett) during the year. Total repayment of principal and maturity of loans was RM594.06 million and on top of that, RM101.07 million of interest and profit was capitalised.
KWAP’S LOAN PORTFOLIO AND INCOME FOR 2016

<table>
<thead>
<tr>
<th>Loans Portfolio Movement</th>
<th>Amount (RM million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Portfolio as at 1 January 2016</td>
<td>11,717.71</td>
</tr>
<tr>
<td>Interest/Profit Capitalisation</td>
<td>101.07</td>
</tr>
<tr>
<td>Repayment/Maturity</td>
<td>(594.06)</td>
</tr>
<tr>
<td>Loan Portfolio as at 31 December 2016</td>
<td>11,224.72</td>
</tr>
</tbody>
</table>

**LOAN MATURITY PROFILE**

**KWAP’S LOAN MATURITY PROFILE AS AT DECEMBER 2016**

Money Market

Total outstanding money market investments including the Ringgit and Foreign Currencies as at 31 December 2016 stood at RM5.64 billion, an increase of 20.50% from RM4.68 billion at the beginning of the year. KWAP’s cash balances, including money market investments accounted for 4.50% of KWAP’s total fund size. The chart below shows the breakdown of money market investments as at 31 December 2016.

**BREAKDOWN OF MONEY MARKET INVESTMENTS AS AT END OF 2016**

Loan Income

For the year 2016, total income from loan portfolio was RM553.08 which translated into a Return of Investment (ROI) of 4.65%.
Money market investments as at 31 December 2016 include deposits of RM4.23 billion and Negotiable Islamic Debt Certificate (NIDCs) of RM1.41 billion.

On 1 February 2016, Bank Negara Malaysia (BNM) reduced the Statutory Reserve Requirement (SRR) ratio from 4.00% to 3.50%, its first time since July 2011. The reduction in SRR ratio which is essentially the amount of funds that banks governed by BNM are required to keep with the central bank, has spurred liquidity in the domestic financial system. As at 30 December 2016, liquidity in the domestic financial market stood at RM38.19 billion in the conventional system and RM13.2 billion in Islamic market.

In a surprise move during its July MPC meeting, BNM cut OPR from 3.25% to 3.00%. The reduction in both SRR and OPR resulted in lower yields being offered by financial institutions for money market investments. As at 31 December 2016, the investments in money market generated a gross income of RM223.43 million, which was 2.5% lower as compared to RM229.09 million income received in 2015.

**MONEY MARKET PERFORMANCE FOR THE PERIOD OF 2012 TO 2016**

![Money Market Investment vs Gross Income Graph]

International

KWAP continued to mark its global footprint by increasing the market value of its existing international fixed income portfolio from RM3,251 as at 31 December 2015 to RM3,363 million as at 31 December 2016.

**INTERNATIONAL FIXED INCOME HOLDINGS AS AT 31 DECEMBER 2016**

![International Fixed Income Holdings Chart]

**INTERNALLY MANAGED INTERNATIONAL FIXED INCOME BY COUNTRY**

![Internally Managed International Fixed Income by Country Chart]

Source: FID
Despite Brexit, Trump’s surprise win, and Fed rate normalisation, KWAP’s internally managed fixed income portfolios continued to deliver strong performance by generating an aggregate realised income of RM100.15 million. The International Sovereign portfolio delivered ROI in excess of 7% while KWAP’s Asian Fixed Income (AFI) delivered ROI of 6.45% and TWRR of 8.56%, beating the benchmark by 4.81%. The outperformance was attributed to yield curve positioning as well as strategic credit selection.

**EXTERNAL MANAGED**

As part of capability building and diversification of income, KWAP has outsourced funds to external fund managers (EFMs) to manage its funds both domestically and internationally. As at 31 December 2016, the total funds at cost that have been outsourced to external fund managers (EFMs) stood at RM4.44 billion representing 3.42% of overall KWAP fund size. The amount fell slightly by 0.77% comparing to 2015 fund size of RM4.48 billion due to the reallocation of investment strategy from Emerging Market Debt mandate to Asia Fixed Income mandate. In terms of geographical exposure, 76% of the externally-managed assets were invested in Malaysian bond market and 24% were allocated in global markets as part of KWAP international asset diversification.
EFM PORTFOLIOS BY GEOGRAPHICAL EXPOSURE
As at 31 December 2016, total funds at cost managed by domestic EFMs remained unchanged at RM3.37 billion, accounting for 4.83% of overall fixed income investments. As at 31 December 2016, domestic EFMs recorded an aggregate realized income of RM202.25 million representing an average ROI of 6%.

LIST OF DOMESTIC EXTERNAL FUND MANAGERS AS AT 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>Domestic</th>
<th>Fund Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIMB-Principal Asset Management Berhad</td>
<td>2006</td>
</tr>
<tr>
<td>AmFunds Management Berhad</td>
<td>2007</td>
</tr>
<tr>
<td>Affin Hwang Asset Management Berhad</td>
<td>2011</td>
</tr>
<tr>
<td>Maybank Islamic Asset Management Sdn. Bhd.</td>
<td>2014</td>
</tr>
<tr>
<td>RHB Islamic International Asset Management Berhad</td>
<td>2014</td>
</tr>
<tr>
<td>Maybank Asset Management Sdn. Bhd.</td>
<td>2015</td>
</tr>
<tr>
<td>VCAP Asset Managers Sdn. Bhd.</td>
<td>2015</td>
</tr>
<tr>
<td>Franklin Templeton GSC Asset Management Sdn. Bhd.</td>
<td>2015</td>
</tr>
<tr>
<td>AllMAN Asset Management Sdn. Bhd.</td>
<td>2015</td>
</tr>
<tr>
<td>i-VCAP Management Sdn. Bhd.</td>
<td>2015</td>
</tr>
</tbody>
</table>

Source: FID

In terms of international investments, external managers’ investment exposure reduced to USD316.85 million (RM1.07 billion) in 2016 from USD350 million (RM1.11 billion) in the previous year. Combined with internally-managed bond portfolios, offshore fixed income investment accounted for 1.97% of KWAP fund size at cost value as at 31 December 2016. As at 31 December 2016, international external fixed income fund managers recorded an aggregate realised income of USD14.88 million representing an average ROI of 4.70%.

LIST OF INTERNATIONAL EXTERNAL FUND MANAGERS AS AT 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>International</th>
<th>Fund Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIMB-Principal Islamic Asset Management Sdn. Bhd.</td>
<td>2011</td>
</tr>
<tr>
<td>AmIslamic Funds Management Sdn. Bhd.</td>
<td>2011</td>
</tr>
<tr>
<td>Franklin Templeton GSC Asset Management Sdn. Bhd.</td>
<td>2014</td>
</tr>
<tr>
<td>JF Asset Management Limited</td>
<td>2015</td>
</tr>
</tbody>
</table>

Source: FID

As part of KWAP’s monitoring process, performance reviews were regularly held on a quarterly basis with all EFMs and on-site visits were conducted at fund managers’ premises in ensuring their adherence to the terms of contract as well as understanding their best business practices. Throughout the year, 67 quarterly meetings, 7 annual visits and 3 compliance visits were conducted to observe their compliance with relevant internal control procedures and best business practice with regard to day-to-day trading activities and middle and back office operations.
ASSET CLASSES PERFORMANCE

ALTERNATIVE INVESTMENT PRIVATE EQUITY AND INFRASTRUCTURE

INVESTMENTS PERFORMANCE

After taking a hiatus from making any foreign investments in the previous year, KWAP sought to regain its momentum in building its private equity portfolio in 2016, returning to the market with investments into three funds (buyout, opportunistic, and venture capital) and made our maiden global technology direct investment.

We continued to diversify our portfolio of funds, taking on exposures in the North American mid-market and distressed buyout space, as well as making a commitment into a mid-stage venture fund focused in the technology sector. Over the year, we also followed through with our efforts to build a healthy pipeline of local direct deals including infrastructure.

On the ESG front, we are seeing an encouraging trend within the private equity space where an increasing number of Private Equity funds are coming up with their own formalised ESG policies, which is in-line with KWAP’s goals to be at the forefront of responsible investing. It has been KWAP’s practice since 2013 to include a term in our appended letters to our GPs not to invest in non-ESG compliant companies and businesses.

LIST OF PRIVATE EQUITY FUND FOR 2016

<table>
<thead>
<tr>
<th>Private Equity Fund</th>
<th>Type</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stonepeak Infrastructure Fund I</td>
<td>North US</td>
<td></td>
</tr>
<tr>
<td>ISQ Global Infrastructure Fund I</td>
<td>Global</td>
<td></td>
</tr>
<tr>
<td>Blackstone Energy Partners II</td>
<td>Infrastructure</td>
<td>Global</td>
</tr>
<tr>
<td>Equis Asia Fund II LP</td>
<td></td>
<td>Asia</td>
</tr>
<tr>
<td>CIMB Mapletree Real Estate Fund I</td>
<td>Asia</td>
<td></td>
</tr>
<tr>
<td>CIMB TrustCapital Australian Office No.1</td>
<td>Real Estate</td>
<td>Australia/N.Zealand</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Private Equity Fund</th>
<th>Type</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACON Equity Partners III</td>
<td>North America</td>
<td></td>
</tr>
<tr>
<td>Advent VI Trust</td>
<td>Australia/N.Zealand</td>
<td></td>
</tr>
<tr>
<td>Affinity Asia Pacific Fund IV</td>
<td>Buyout</td>
<td>Asia</td>
</tr>
<tr>
<td>Brookfield Capital Partner IV</td>
<td>North America</td>
<td></td>
</tr>
<tr>
<td>Kelso Investment Associates IX</td>
<td>North America</td>
<td></td>
</tr>
<tr>
<td>Nordic Capital VIII Fund</td>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>Ancora Fund II</td>
<td>SEA</td>
<td></td>
</tr>
<tr>
<td>Creador II, LLC</td>
<td>SEA</td>
<td></td>
</tr>
<tr>
<td>Lombard Asia III</td>
<td>Asia</td>
<td></td>
</tr>
<tr>
<td>Lombard Asia IV</td>
<td>Asia</td>
<td></td>
</tr>
<tr>
<td>Saratoga Asia III</td>
<td>Asia</td>
<td></td>
</tr>
<tr>
<td>Tata Capital Growth Fund</td>
<td>India</td>
<td></td>
</tr>
<tr>
<td>Templeton Strategic Emerging Markets Fund III</td>
<td>Asia</td>
<td></td>
</tr>
<tr>
<td>Templeton Strategic Emerging Markets Fund IV</td>
<td>Asia</td>
<td></td>
</tr>
<tr>
<td>The Asian Entrepreneur Legacy 2</td>
<td>SEA</td>
<td></td>
</tr>
<tr>
<td>Tremendous Opportunity Fund I</td>
<td>Growth</td>
<td>SEA</td>
</tr>
<tr>
<td>Strategic Partners VI</td>
<td>Secondary</td>
<td>SEA</td>
</tr>
<tr>
<td>DAG Ventures VI</td>
<td>Venture</td>
<td>North America</td>
</tr>
</tbody>
</table>

Direct Investment

<table>
<thead>
<tr>
<th>Company</th>
<th>Type</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uber Technologies Inc.</td>
<td>Direct</td>
<td>Global</td>
</tr>
<tr>
<td>Munchys Sdn Bhd</td>
<td>Direct/Co-Inv.</td>
<td>Asia</td>
</tr>
</tbody>
</table>
Asset Allocation
As at 31 December 2016, KWAP has invested in 24 private equity funds and 2 direct private equity investments. KWAP’s total private equity investment amounted to RM1.69 billion or 1.35% of KWAP’s total fund size, which is within the approved 3% Strategic Asset Allocation (SAA).

Income
As at 31 December 2016, private equity investments generated a total income of RM30.60 million with an ROI of 2.06%, a reflection of our currently young and growing portfolio.

KWAP’S PROPERTY INVESTMENTS
Asset Allocation
As at 31 December 2016, KWAP’s total investment in property is RM6,525 million or 5.21% of KWAP’s total fund size and is within the approved SAA of 7.0%.

KWAP is progressively implementing environmental, social and corporate governance (ESG) practise to its property investment activities across all asset types. The table lists all the properties in the portfolio with the building environmental certification systems across the world, such as National Australian Built Environment Rating System (NABERS), Energy Performance Certificate (EPC), Leadership Energy and Efficiency Design (LEED) and Green Building Index (GBI).

<table>
<thead>
<tr>
<th>Property</th>
<th>NABERS</th>
<th>EPC</th>
<th>LEED</th>
<th>GBI</th>
</tr>
</thead>
<tbody>
<tr>
<td>737 Bourke Street, Melbourne</td>
<td>4.5 Stars</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 Bridge Street, Sydney</td>
<td>4.0 Stars</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>179 Turbot Street, Brisbane</td>
<td>5.5 Stars</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>747 Collins Street, Melbourne</td>
<td>6.0 Stars</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Gresham Street, London</td>
<td>E (Score 110)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intu Uxbridge, London</td>
<td>D (Score 84)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integra Tower, Jalan Tun Razak, Kuala Lumpur</td>
<td>LEED platinum</td>
<td></td>
<td>Certified</td>
<td></td>
</tr>
<tr>
<td>Cap Square Tower, Jalan Munshi Abdullah, Kuala Lumpur</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Our ongoing activities are focused on improving the rating of the buildings that has been certified and to initiate certification for non-certified buildings.

Income
As at 31 December 2016, the 11 properties generated a net cash income of RM486.55 million. The net yield for the portfolio for 2016 was above 6.5%.
## ASSET CLASSES PERFORMANCE

### ALTERNATIVE INVESTMENT

### DOMESTIC PROPERTY INVESTMENTS

#### INTEGRA TOWER, KUALA LUMPUR (40-STOREY OFFICE)

- **Purchase price**: RM1,065 Million
- **Date of acquisition**: 31 March 2015
- **Tenure**: Freehold
- **Net lettable area**: 760,715 sq ft
- **Occupancy rate as at 31 December 2016**: 80%

#### CAPSQUARE TOWER, KUALA LUMPUR (41 STOREY OFFICE)

- **Purchase price**: RM474.3 million
- **Date of acquisition**: 15 December 2016
- **Tenure**: Freehold
- **Net lettable area**: 601,794 sq ft
- **Occupancy rate as at 31 December 2016**: 80%

### INTERNATIONAL PROPERTY INVESTMENT

#### 737 BOURKE STREET, MELBOURNE, AUSTRALIA (12-STOREY OFFICE)

- **Purchase price**: A$113.0 Million
- **Date of acquisition**: 9 December 2010
- **Tenure**: Freehold
- **Net lettable area**: 204,952 sq ft
- **Occupancy rate as at 31 December 2016**: 79.97%
## ASSET CLASSES PERFORMANCE
### ALTERNATIVE INVESTMENT

<table>
<thead>
<tr>
<th>20 BRIDGE STREET, SYDNEY, AUSTRALIA (14-STOREY OFFICE)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>A$185.0 Million</td>
</tr>
<tr>
<td>Date of acquisition</td>
<td>22 December 2011</td>
</tr>
<tr>
<td>Tenure</td>
<td>Freehold</td>
</tr>
<tr>
<td>Net lettable area</td>
<td>219,861 sq ft</td>
</tr>
<tr>
<td>Occupancy rate as at 31 December 2016</td>
<td>97.74%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>747 COLLINS STREET, MELBOURNE, AUSTRALIA (16-STOREY OFFICE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
</tr>
<tr>
<td>Date of acquisition</td>
</tr>
<tr>
<td>Tenure</td>
</tr>
<tr>
<td>Net lettable area</td>
</tr>
<tr>
<td>Occupancy rate as at 31 December 2016</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>179 TURBOT STREET, BRISBANE, AUSTRALIA (25-STOREY OFFICE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
</tr>
<tr>
<td>Date of acquisition</td>
</tr>
<tr>
<td>Tenure</td>
</tr>
<tr>
<td>Net lettable area</td>
</tr>
<tr>
<td>Occupancy rate as at 31 December 2016</td>
</tr>
</tbody>
</table>
ASSET CLASSES PERFORMANCE
ALTERNATIVE INVESTMENT

133 LENORE DRIVE, ERSKINE PARK, SYDNEY, AUSTRALIA
(LOGISTICS)

<table>
<thead>
<tr>
<th>Purchase price</th>
<th>A$75.13 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of acquisition</td>
<td>30 November 2014</td>
</tr>
<tr>
<td>Tenure</td>
<td>Freehold</td>
</tr>
<tr>
<td>Net lettable area</td>
<td>480,430 sq ft</td>
</tr>
<tr>
<td>Occupancy rate as at</td>
<td>100%</td>
</tr>
<tr>
<td>31 December 2016</td>
<td></td>
</tr>
</tbody>
</table>

1 GRIFFIN CRESCENT, BRENDALE, QUEENSLAND, AUSTRALIA
(LOGISTICS)

<table>
<thead>
<tr>
<th>Purchase price</th>
<th>A$73.84 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of acquisition</td>
<td>30 November 2014</td>
</tr>
<tr>
<td>Tenure</td>
<td>Freehold</td>
</tr>
<tr>
<td>Net lettable area</td>
<td>542,570 sq ft</td>
</tr>
<tr>
<td>Occupancy rate as at</td>
<td>100%</td>
</tr>
<tr>
<td>31 December 2016</td>
<td></td>
</tr>
</tbody>
</table>

38-46 BERNEA ROAD, PRESTONS, SYDNEY AUSTRALIA
(LOGISTICS)

<table>
<thead>
<tr>
<th>Purchase price</th>
<th>A$70.05 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of acquisition</td>
<td>30 July 2015</td>
</tr>
<tr>
<td>Tenure</td>
<td>Freehold</td>
</tr>
<tr>
<td>Net lettable area</td>
<td>237,884 sq ft</td>
</tr>
<tr>
<td>Occupancy rate as at</td>
<td>100%</td>
</tr>
<tr>
<td>31 December 2016</td>
<td></td>
</tr>
</tbody>
</table>
**145 Lenore Drive, Sydney Australia (Development Land)**

<table>
<thead>
<tr>
<th><strong>Purchase price</strong></th>
<th>A$5.1 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date of acquisition</strong></td>
<td>23 December 2015</td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
<td>Freehold</td>
</tr>
<tr>
<td><strong>Land size</strong></td>
<td>171,038 sq ft</td>
</tr>
</tbody>
</table>

**10 Gresham Street, London, UK (8-Storey Office)**

<table>
<thead>
<tr>
<th><strong>Purchase price</strong></th>
<th>£200.0 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date of acquisition</strong></td>
<td>24 October 2012</td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
<td>Leasehold (expiring in 24 June 2164)</td>
</tr>
<tr>
<td><strong>Net lettable area</strong></td>
<td>259,759 sq ft</td>
</tr>
<tr>
<td><strong>Occupancy rate as at 31 December 2016</strong></td>
<td>99.63%</td>
</tr>
</tbody>
</table>

**Intu Uxbridge, London, UK (Retail)**

<table>
<thead>
<tr>
<th><strong>Purchase price</strong></th>
<th>£174.8 Million (80% interest)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date of acquisition</strong></td>
<td>20 June 2014</td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
<td>Freehold</td>
</tr>
<tr>
<td><strong>Net lettable area</strong></td>
<td>452,257 sq ft</td>
</tr>
<tr>
<td><strong>Occupancy rate as at 31 December 2016</strong></td>
<td>96.43%</td>
</tr>
</tbody>
</table>
INVESTMENT IN PROPERTY BY COUNTRY

UNITED KINGDOM

- Intu Uxbridge, London
- 10 Gresham Street, London

AUSTRALIA

- 145 Lenore Drive, Sydney
- 133 Lenore Drive, Sydney
- 38-46 Bernera Road, Sydney
- 737 Bourke Street, Melbourne
- 20 Bridge Street, Sydney
- 747 Collins Street, Melbourne
- 1 Griffin Crescent, Brisbane
- 179 Turbot Street, Brisbane

PENINSULAR MALAYSIA

- CAPSQUARE TOWER
  10, Jalan Munshi Abdullah
  Kuala Lumpur
- Jalan Changkat Kia Peng,
  Lot 392, Section 63, Kuala Lumpur
- Integra Tower, Kuala Lumpur
- Persiaran Stonor PT 79, Section 63
  Kuala Lumpur
ensuing to the acquisition, the establishment of subsidiaries took place, seeing the KWAP Managed Investment Trust (KWAP MIT) being established to manage properties in Australia, while Prima Harta (Jersey) Unit Trust (Prima Harta) oversees the investment in United Kingdom.

Moving beyond the strategic move and to further strengthen KWAP’s presence in the international investment arena, in addition to its aspiration to be a key player in a more lucrative asset class – the equity market, Prima Ekuiti thus came into existence, as its establishment allows for KWAP to trade actively in United Kingdom and the European market.

**KWAP MIT**
KWAP MIT was founded on 4 November 2010, with the main objective of managing property investment trusts in Australia. At present, the properties under the management of KWAP MIT are office buildings situated in prime areas – the 737 Bourke Street in Melbourne and 20 Bridge Street in the cosmopolitan city of Sydney.

In the year 2013, KWAP MIT 3 was formed on 9 September, and subsequently, KWAP MIT 2 commenced operations on 24 October in the same year. KWAP MIT 3 was set up to manage property investment trusts of a co-investment agreement between KWAP and Lembaga Tabung Haji for an office building, the 747, Collin Street, situated in the culturally vibrant city of Melbourne, Australia.

As for KWAP MIT 2, it was formed to manage property investment trust for an office building, the 170, Turbot Street, Brisbane, Australia.

On 21 October 2014, KWAP MIT 4 was formed to manage the property investment trusts for its logistics and development land. At present, the logistics under the purview of its personnel are the 38, Bernera Road and 133, Lenore Drive in Sydney and 1 Griffin Crescent, Queensland, while 145, Lenore Drive is a development land located in Sydney.

**PRIMA HARTA**
Prima Harta was constituted on 24 November 2011, with the aim to manage and grow the property investment trusts in United Kingdom. At present, the properties under its management includes the 10, Gresham Street an office building located in the metropolitan city of London.

Prima Harta 2 was set up on 30 May 2014 for the management of property investment trusts in United Kingdom’s West London area, a shopping mall, INTU Uxbridge which is co-owned with INTU Properties PLC.
SUBSIDIARIES

PRIMA EKUITI (UK) LIMITED

Background
Prima Ekuiti (UK) Limited [Prima Ekuiti] has continued to grow as KWAP’s investment partner in the European region since its establishment in 2012. The office was set up as part of KWAP’s initiatives to develop active management of foreign investments with clear objectives, which are:

- Prima Ekuiti shall be a vehicle for KWAP to invest directly in foreign capital markets and generate optimum returns on its investments.
- Prima Ekuiti shall complement KWAP’s diversification strategy by expanding KWAP’s investments and geographical presence beyond the Malaysian market.
- Prima Ekuiti shall serve KWAP’s strategy to develop and attract talent by providing international exposure and experience to staff.

The year 2016 proved to be another landmark year for Prima Ekuiti as the establishment successfully increased its assets under management by approximately 22%. The market value of its UK equity portfolio increased to GBP272.81 million from GBP241.98 million recorded in the previous year. As for Euro equity portfolio, the market value grew to EUR229.96 million in 2016 from EUR193.28 million in 2015, or an expansion of EUR59.96 million from its initial investment of EUR170 million in 2015. Meanwhile, both portfolios have repatriated more than GBP51.9 million since its establishment.

Prima Ekuiti also continuously strive to enhance its investment capabilities and corporate governance in 2016. It has distributed another GBP200,000 in dividends to KWAP during the financial year 2016, resulting in a total of GBP400,000 dividends distributed since the programme was first introduced in 2015.

Market Review
Volatility in global financial markets remained at heightened levels in 2016 amidst a series of surprising events during the year. Nonetheless, global equity markets performed well in 2016, led by developed market equities amidst an adverse investment landscape for government bonds in the second half of the year.

The year had started with lacklustre performance of most major indices, stoked by concerns over China’s slowing economy and its depreciating currency as well as declining commodity prices, particularly in oil as continuous oversupply resulted in significant price swings that led oil prices to reach below USD40 a barrel in the first quarter. The dampened mood was exacerbated further when the UK surprisingly voted to leave the European Union, injecting greater uncertainty over the political situation and an economic landscape of the fifth largest economy in the world. This turnaround of an unexpected event caused a knee jerk reaction among investors when the UK FTSE 100 Index plunged by almost 10% and Pound Sterling dropped by almost 15% post referendum. This populist momentum continued with Donald Trump’s surprise win in United States presidential election.

However, equity markets had since gathered pace to reflect the growing risk appetite of investors and the improving economic environment. Major indices increased by healthy levels through the later half of the year as investors’ confidence strengthened on robust economic fundamentals as well as improving global growth outlook, anticipation of positive policy developments including deregulation and lower taxes, and growing expectations of positive inflation and higher infrastructure spending. The strong performance of the equity market, particularly in the US, continued as the Federal Reserve decided to hike interest rate by 25 basis points in its December meeting, citing improvement in home prices, low unemployment, and improved confidence in the economy as it projected three additional rate hikes in 2017.

Overall, the MSCI World Index exhibited a resilient performance, returning 5.3% in 2016, supported by the sterling performance of the S&P 500 Index, which grew by 9.5% during the year. The broadly negative perception of Brexit also did not hinder the strong performance of the FTSE 100 Index which registered double digit returns in 2016 and concluded the year at historical highs. Initial fears over the exit of UK from the European Union failed to offset the anticipated positive impact emanating from the weaker GBP, accommodative monetary policies of the Bank of England as well as the constructive environment for commodities amidst minimal adverse developments in China. Meanwhile, European equities, represented by MSCI Euro Index, managed to end the year slightly positive, despite stark improvement in economic fundamentals. Emerging markets also performed reasonably well, up by 8.6% in 2016 amidst increased risk aversion away from emerging markets.
Going into 2017, the World Bank expects global economy to expand at a sustainable rate of 2.8%, a slight acceleration from the anticipated 2.4% in the previous year. This is supported by further expansion in the US and developed economies, as well as recovery in the growth of emerging economies, particularly commodity-exporting countries. Meanwhile, the economic growth in the Eurozone is expected to remain resilient amidst continued concerns over political events with support from accommodative fiscal and monetary measures, improving labour markets, as well as strengthened banking system. While the region faces several key political events throughout the year, namely elections in Netherlands, France, and Germany, the underlying strength of the economic recovery appears resilient barring any event risks. On the other hand, the UK economy is set to face a challenging period in 2017 on the account of policy uncertainty over its decision to leave the European Union. The uncertainty overhang is likely to weigh on household and business activities, with possible inflationary pressure emanating from the much-weakened GBP. Nonetheless, equity markets, as an asset class, are expected to remain constructive in 2017.

**Investment Review**

At Prima Ekuiti, asset management is its prime business and the creation of long-term value is its central goal.

The UK equity portfolio had advanced 10.04% in 2016 to GBP272.81 million. Despite UK’s vote to leave the European Union, the FTSE 100 Index rose by 14.43% given the depreciation in GBP and the monetary assistance introduced by the Bank of England. Since its inception on 2 May 2012, the portfolio had increased by 39.29% while FTSE 100 Index registered a return of 22.89% during the corresponding period. Excluding cash, the equity carve-out portfolio returned of 56.50%, outperforming the benchmark by 33.61%. As at 31 December 2016, its UK equity portfolio’s Net Asset Value (NAV) stood at 1.02x, and recorded Gross Return on Investment (ROI) of 8.33%, beating the benchmark dividend yield of approximately 4% and KWAP’s income target of 8%.
Meanwhile, the Euro equity portfolio registered a return of 9.57% in 2016 and closed the year higher with a market value of EUR229.96 million. The portfolio outperformed the MSCI Euro Index by 7.83%, supported by its high concentration in stocks with high earnings growth potential. Since its inception on 2 September 2014, the Euro equity portfolio had increased by 33.83% and outperformed the benchmark by 25.88%. Excluding cash, the equity carved-out portfolio return of 30.38%, outperforming the benchmark by 22.43%. As at 31 December 2016, its Euro equity portfolio’s Net Asset Value (NAV) stood at 1.06x, and recorded Gross Return on Investment (ROI) in excess of 8.34%, beating the benchmark dividend yield of 3.4% and KWAP’s income target of 8%. The Euro equity portfolio had an information ratio of 2.38x, indicating that it created more than 2x value for every risk it took.
**EURO: ASSET ALLOCATION**

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Equity</th>
<th>Money Deposit</th>
<th>Cash</th>
<th>MSCI Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 15</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Jan 16</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Apr 15</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Apr 16</td>
<td>40%</td>
<td>60%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Jul 15</td>
<td>20%</td>
<td>80%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Jul 16</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Oct 15</td>
<td>-10%</td>
<td>110%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Oct 16</td>
<td>-5%</td>
<td>105%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**EURO: TWRR SINCE INCEPTION**

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Portfolio</th>
<th>Equity Only</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 15</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Apr 15</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Jul 15</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Oct 15</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Nov 15</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Dec 15</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

**EURO: INFORMATION RATIO**

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Excess Return</th>
<th>Info Ratio</th>
<th>Tracking Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 15</td>
<td>8.0</td>
<td>10.0</td>
<td>-</td>
</tr>
<tr>
<td>Apr 15</td>
<td>6.0</td>
<td>4.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Jul 15</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Oct 15</td>
<td>-10.0</td>
<td>10.0</td>
<td>-</td>
</tr>
<tr>
<td>Nov 15</td>
<td>-5.0</td>
<td>5.0</td>
<td>-</td>
</tr>
</tbody>
</table>

**EURO: NET ASSET VALUE**

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Total Portfolio</th>
<th>Equity only</th>
<th>MSCI Euro (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 15</td>
<td>1.15</td>
<td>1,150</td>
<td>1.110</td>
</tr>
<tr>
<td>Apr 15</td>
<td>1.20</td>
<td>1,200</td>
<td>1.050</td>
</tr>
<tr>
<td>Jul 15</td>
<td>1.25</td>
<td>1,250</td>
<td>1.000</td>
</tr>
<tr>
<td>Oct 15</td>
<td>1.30</td>
<td>1,300</td>
<td>0.950</td>
</tr>
</tbody>
</table>
SUBSIDIARIES

Business Review
Prima Ekuiti is a wholly-owned subsidiary of KWAP. Operating as an external asset management company, the establishment has significantly grown from its modest beginnings to become a self-sufficient organisation. Correspondingly, the assets under the management of Prima Ekuiti have also expanded since its inception, growing four-fold from GBP100 million to more than GBP450 million in 2016.

For the year ended 2016, Prima Ekuiti recorded a turnover of approximately GBP 2.02 million, compared to the turnover of GBP 2.24 million in 2015. This was attributed to lower performance fee for the investment portfolios managed during the period. Nonetheless, of the total GBP 2.02 million, 82.5% was derived from management fee, indicating greater resilience in the revenue of the company. Operating expenses also increased in 2016 due to the expansion of Prima Ekuiti’s operations. Resultantly, profit after taxation amounted to GBP 618,283, compared to GBP 966,478 in the previous year.

Meanwhile, its balance sheet has strengthened with shareholders’ funds increasing from GBP 1.69 million in 2015 to GBP 2.11 million as at 31 December 2016. Of the total GBP 2.11 million, 81.1% came from retained earnings whilst other reserves and called up share capital made up 16.5% and 2.4% respectively.

Looking ahead, it is targeting a high single digit organic growth in assets under management and prudent cash-cost management to ensure sustainable growth for the company.

SUMMARY OF FINANCIALS

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Per Share (GBP)</td>
<td>0.37</td>
<td>0.50</td>
<td>9.62</td>
<td>19.33</td>
<td>12.37</td>
</tr>
<tr>
<td>Return on Shareholders’ Funds</td>
<td>4.42%</td>
<td>5.65%</td>
<td>52.16%</td>
<td>57.25%</td>
<td>29.35%</td>
</tr>
</tbody>
</table>

In 2016, Prima Ekuiti had successfully distributed a total of GBP 200,000 (net) in dividends to its shareholders. Since the introduction of the dividend policy in 2015, Prima Ekuiti has distributed 8 times of its share capital or a total of GBP400,000 in the form of dividends to its shareholders. The establishment plans to make a clear commitment to pay dividends amounting to two times its share capital annually. In addition to the investment and financial accomplishments, Prima Ekuiti also strives to uphold its other tenets, particularly with regards to talent management and development. Prima Ekuiti continues to provide an effective platform for training and development of talent that is synergistic for our client and shareholder as well as for the management and the team at Prima Ekuiti. In 2016, the establishment was involved in an attachment programme whereby analyst from the parent company, KWAP, spent two weeks in the office to garner more understanding of the European markets, gaining on-the-ground insights to the dynamics prior to the UK referendum.

Prima Ekuiti, via its internship programme, undertook three Malaysian students from various universities in the UK in 2016 which gave them a first-hand experience and practical lessons on the asset management industry. Furthermore, in an effort to promote and garner interest on investments among students, Prima Ekuiti had organised its first Prima Ekuiti Investment Challenge, which aims to allow students to build better appreciation of the industry and provide an opportunity for participants to enhance various competencies. The competition required a group of participants to undertake comprehensive analysis on a company using a top-down approach. A total of 28 students from multiple universities participated in the competition.

The year was capped with the success of the inaugural Prima Ekuiti - KWAP Investment Symposium 2016. The event was set up with the goal of providing a discourse platform for investors to connect with peers and industry experts by engaging on frontier topical affairs. The theme “Navigating New Normal” was aptly chosen in view of the altering economic and political landscape. The challenging environment of low returns, low interest rates and heightened geopolitical risks are likely to weigh on investments decisions moving forward. The symposium provided unparalleled insights and actionable ideas to effectively deal with opportunities and challenges facing the industry. Similarly, the event elevated Prima Ekuiti’s brand equity and KWAP’s position as a truly global pension fund.

The foundations of further expansions and successes are well-placed for Prima Ekuiti to embark on future initiatives. Prima Ekuiti shall continuously strive to be the knowledge and talent centre for our shareholders, with a high commitment to grow the establishment and achieve respectable investment results. These objectives are pertinent to build and strengthen KWAP’s trust and augment Prima Ekuiti’s position as its prime European investment partner.
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATIONS ACTIVITIES</td>
<td>128</td>
<td>Review of Operations by Chief Operating Officer</td>
</tr>
<tr>
<td></td>
<td>133</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td></td>
<td>140</td>
<td>Safety and Health Committee</td>
</tr>
<tr>
<td></td>
<td>141</td>
<td>Corporate Calendar</td>
</tr>
</tbody>
</table>
Throughout 2016, KWAP had implemented a series of initiatives that were predominantly improvements and enhancements in nature. The initiatives cut across the operations of the organisation, ranging from system improvements, operational refinements, and business processes, among others.

One of the major operational challenges that proved to be both daunting to orchestrate and yet provides an opportunity for a fresh start that we had to overcome in 2016 were the relocation of both KWAP offices in Kuala Lumpur and Cyberjaya, which also marked a significant progressive milestone for the organisation.

Since KWAP took over the Pension Services Department, it had begun planning for a relocation from the Public Service Department, and finally, May 2016 saw the newly incorporated department nesting in MKN Embassy Techzone in Cyberjaya. This new location also operates as a conducive service centre for our customers.

As KWAP had marked its foray into the domestic property market with the acquisition of Integra Tower, it is just fitting for the organisation to have its main office operating from its own asset, thus the year marked another major office relocation from Menara Yayasan Tun Razak to this new building, in October 2016.

**PENSION SERVICES**

The operationalisation of the new Pension Services Department as well as the launch of KWAP’s first call centre and counter services located in Cyberjaya is another milestone for the organisation towards becoming a full-fledged pension fund. The centre serves as a single touch point for customer interactions with KWAP. The online self-service application was rolled-out in the same year, which allows future pensioners to check on the status and updates of their pension processing, whereby with the introduction of this platform, about half of the enquiries on this matter were reduced.

The Pension Services Department commenced various enhancements effort throughout 2016 across all its functions with the aim to streamline, automate, and improve key processes. The year saw 4 automation initiatives implemented and completed, which includes the Adjustment Automation System, Travelling Claim Calculator, GCR Calculation System, and the Web-based SMS Query System, all of which increased business operation’s efficiency and effectiveness.

These results are a good indication of success for the Pension Service operations and service in serving its customers, and having achieved it within the first year since the department began to operationalise, is indeed remarkable.

**CONTRIBUTION MANAGEMENT**

In line with KWAP’s main function in managing the pension contribution received from Statutory Bodies, Local Authorities and Federal Government, the effectiveness and efficiency of the contribution is prime to our operations.
2016 saw a total contribution of RM3.35 billion, with RM0.40 billion coming from the Federal Contribution, RM1.12 billion from the Employer Contribution, and the remaining RM1.83 billion from the Government share that reflects an increase by 2.1% compared to the previous year. As at 31 December 2016, a total of 513 employers were registered with KWAP, with a total of 186,511 members.

The initiative to conduct a survey on the Contribution Portal led to significant findings on the feedback of the Employers. The result showed that 81% of the respondents found that the Portal was indeed accommodating to its users in the management of their pension contribution, while another 71% were satisfied with the functions provided on the said portal. Concerning the immediate response from the Contribution Portal helpdesk and the level of services provided, 88% of the respondents found it highly satisfactory.

During the course of the year, 10 engagement sessions were conducted with various ministries, Public Service Commission (SPA), Public Services Department (PSD), and other agencies with the aim to create awareness and compliance with regards to the contribution for seconded officers. Subsequently, this had resulted in an increase of collection for pension contribution from all the secondment agencies by a staggering 66%.

In addition, 4 series of Employer Refresher Programme were conducted, with the aim to train employers on the usage of the newly revised Contribution Forms and the Contribution Portal that facilitates the online submission of the contribution data.

**CONTRIBUTION MANAGEMENT**

<table>
<thead>
<tr>
<th>RM* Billion</th>
<th>Year</th>
<th>Federal Contribution</th>
<th>Employer Contribution</th>
<th>Government Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR 2014</td>
<td></td>
<td>0.40</td>
<td>1.12</td>
<td>1.83</td>
</tr>
<tr>
<td>INCREASE BY 2.1%</td>
<td>RM (Million)</td>
<td>1,022</td>
<td>1,065</td>
<td>1,117</td>
</tr>
</tbody>
</table>

**FEDERAL CONTRIBUTION TREND FOR 2014 TO 2016**

**EMPLOYER CONTRIBUTION TREND FOR 2014 TO 2016**
GOVERNMENT SHARE TREND FOR 2015 TO 2016

TOP 20 CONTRIBUTORS

<table>
<thead>
<tr>
<th>No</th>
<th>Contributing Employers</th>
<th>RM (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Universiti Teknologi Mara</td>
<td>135.04</td>
</tr>
<tr>
<td>2</td>
<td>Majlis Amanah Rakyat</td>
<td>71.29</td>
</tr>
<tr>
<td>3</td>
<td>Universiti Kebangsaan Malaysia</td>
<td>58.87</td>
</tr>
<tr>
<td>4</td>
<td>Universiti Putra Malaysia</td>
<td>38.99</td>
</tr>
<tr>
<td>5</td>
<td>Dewan Bandaraya Kuala Lumpur</td>
<td>37.71</td>
</tr>
<tr>
<td>6</td>
<td>Universiti Teknologi Malaysia</td>
<td>37.15</td>
</tr>
<tr>
<td>7</td>
<td>Universiti Malaya</td>
<td>33.45</td>
</tr>
<tr>
<td>8</td>
<td>Hospital Universiti Sains Malaysia</td>
<td>30.99</td>
</tr>
<tr>
<td>9</td>
<td>Universiti Sains Malaysia</td>
<td>29.59</td>
</tr>
<tr>
<td>10</td>
<td>Universiti Utara Malaysia</td>
<td>22.76</td>
</tr>
<tr>
<td>11</td>
<td>Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah</td>
<td>19.63</td>
</tr>
<tr>
<td>12</td>
<td>Pusat Perubatan Universiti Malaya</td>
<td>19.17</td>
</tr>
<tr>
<td>13</td>
<td>Lembaga Pertubuhan Peladang Kuala Lumpur</td>
<td>16.46</td>
</tr>
<tr>
<td>14</td>
<td>Institut Penyelidikan Dan Kemajuan Pertanian Malaysia</td>
<td>16.18</td>
</tr>
<tr>
<td>15</td>
<td>Lembaga Kemajuan Tanah Persekutuan (FELDA)</td>
<td>15.28</td>
</tr>
<tr>
<td>16</td>
<td>Universiti Teknikal Malaysia Melaka</td>
<td>15.22</td>
</tr>
<tr>
<td>17</td>
<td>Universiti Tun Hussein Onn Malaysia</td>
<td>15.17</td>
</tr>
<tr>
<td>18</td>
<td>Universiti Malaysia Sarawak</td>
<td>13.98</td>
</tr>
<tr>
<td>19</td>
<td>Universiti Pendidikan Sultan Idris</td>
<td>13.05</td>
</tr>
<tr>
<td>20</td>
<td>Lembaga Pemasaran Pertanian Malaysia (MARDI)</td>
<td>12.66</td>
</tr>
</tbody>
</table>
REVIEW OF OPERATIONS BY CHIEF OPERATING OFFICER

CONTRIBUTING EMPLOYER PROFILE FOR 2014 TO 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>NO OF EMPLOYERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>196</td>
</tr>
<tr>
<td>2015</td>
<td>150</td>
</tr>
<tr>
<td>2016</td>
<td>165</td>
</tr>
</tbody>
</table>

CONTRIBUTING MEMBER PROFILE FOR 2014 TO 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>NO OF MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>124,701</td>
</tr>
<tr>
<td>2015</td>
<td>128,267</td>
</tr>
<tr>
<td>2016</td>
<td>133,808</td>
</tr>
</tbody>
</table>

NEW CONTRIBUTING EMPLOYERS FOR 2016

<table>
<thead>
<tr>
<th>NO.</th>
<th>CONTRIBUTING EMPLOYER</th>
<th>REGISTRATION DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Institut Profesional Baitulmal Sdn. Bhd.</td>
<td>12/1/2016</td>
</tr>
<tr>
<td>2.</td>
<td>Asrama Amanjaya</td>
<td>18/1/2016</td>
</tr>
<tr>
<td>15.</td>
<td>Perbadanan Stadium Melaka</td>
<td>21/6/2016</td>
</tr>
<tr>
<td>17.</td>
<td>Invest Kedah Berhad</td>
<td>1/7/2016</td>
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</tbody>
</table>
REVIEW OF OPERATIONS BY CHIEF OPERATING OFFICER

<table>
<thead>
<tr>
<th>NO.</th>
<th>CONTRIBUTING EMPLOYER</th>
<th>REGISTRATION DATE</th>
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</thead>
<tbody>
<tr>
<td>22.</td>
<td>Permodalan Nasional Berhad</td>
<td>8/9/2016</td>
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</table>

SUMMARY OF COMPLIANCE AND ENFORCEMENT VISITS FOR 2016

<table>
<thead>
<tr>
<th>No</th>
<th>Month of Visit</th>
<th>State</th>
<th>Statutory Body</th>
<th>Local Authority Agency</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>January</td>
<td>Penang</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>February &amp; March</td>
<td>Terengganu</td>
<td>7</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>April</td>
<td>Pahang</td>
<td>5</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>May</td>
<td>Melaka</td>
<td>8</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>September</td>
<td>Sarawak</td>
<td>4</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>November</td>
<td>Federal Territory of Kuala Lumpur</td>
<td>9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>38</td>
<td>13</td>
<td>3</td>
</tr>
</tbody>
</table>

SUPPORT SERVICES
In line with the business initiatives of the Alternative Investment Department, the implementation of the Private Equity System (FrontInvest) was rolled-out, to support the operational and management requirements of KWAP’s Private Equity Portfolio.

In improving internal service delivery for Information Technology (IT) facilities within KWAP, a new IT helpdesk system on the intranet was introduced, to ease and expedite technical assistance for the employees. Similarly, based on the business objectives of the Human Resource Department (HRD), and the Risk Management and Compliance Department (RMCD), the implementation of the new Human Resource Management Information System (Phase I) was conducted, and the implementation of the Automated Self-compliance Checklist was completed, which is an upgrade of the Q-Radar System utilised by RMCD.

CORPORATE SOCIAL RESPONSIBILITY
Giving back to the community and our stakeholders remains central to KWAP, and 2016 saw plenty of Corporate Social Responsibilities (CSR) activities conducted through the year. In total, 24 initiatives were conducted to serve the various communities under the 4 CSR pillars, which are the marketplace, workplace, community, and the environment. Notably, KWAP had initiated the KWAP Eco-Green CSR programme in Kampung Santubong, Sarawak as a pilot project to our environmental effort, with activities such as tree planting, cleaning the Mount Santubong hiking trail, and distributed the Eco Green Kit and basic provisions to the villagers.
SHARING OUR VALUES

KWAP is committed to being a responsible corporate citizen, delivering a sustainable future for the nation. We believe by empowering employees to give back to the communities and environment around them through philanthropic and ESG efforts as well as the act of volunteerism could help the society that we live in. KWAP’s sustainability development is defined by investing in better global governance and better global growth holistically.

"We believe the Corporate Social Responsibility (CSR) initiatives are integrated into its business model in line with our mission, vision, and core values. In achieving the goals, we anchor our four key pillars of Community, Environment, Workplace and Marketplace."

Striving for excellence fosters an ongoing enthusiasm and tenacity of employees in KWAP, and therefore the CSR initiatives aim at these 4 objectives:

1. To support the Government in creating awareness on retirement planning to benefit Government servants and pensioners;
2. To promote education and continuous learning in support of the nation’s human capital agenda by leveraging on KWAP’s core competencies;
3. To encourage volunteerism among employees with the aim of creating a caring corporate culture;
4. To participate, directly or indirectly, in humanitarian efforts.

Community
We are committed to creating sustainable communities across the nation through our long-term outreach programmes and high-impact CSR initiatives to make community engagements more pervasive.

Environment
We are committed to continuous environmental improvement and preservation efforts in building a greener future.

Workplace
We are committed to nurturing socially responsible employees and creating a positive work environment.

Marketplace
We are committed to optimising stakeholders’ values and delivering business outcomes for long-term viability.
NEW INITIATIVES

RESPONSIBILITY TO THE COMMUNITY:

It’s a Sign!
KWAP Young Talent batch 2015 collaborated with the Malaysian Federation of the Deaf (MFD) to organise a CSR programme dedicated to the deaf community, called “It’s A Sign!”

KWAP employees participated in a Sign Language Class and “Bake & Make” Session with the deaf community. Apart from raising awareness, the employees contributed their talent in baking, sewing, and handicraft making in one of the sessions. All items made were then sold during the Silent Bazaar held in KWAP’s main office.

Employees who attended the event purchased the items in the name of charity and applied basic sign language knowledge to interact with the children from MFD.

KWAP Youth Aspirations @ IIUM
KWAP Youth Aspirations Programme was held on 3rd March 2016 at the Faculty of Economics and Management Sciences (KENMS), International Islamic University Malaysia (IIUM), Gombak, Selangor and was attended by almost 300 students.

It aims to reach out to higher learning institute students on career planning. KWAP’s Chief Operating Officer, Encik Nik Ahmad Fauzan Nik Mohamed officiated the programme, witnessed by the Deputy Dean (Students Affairs), Encik Asrul Dahari and the Assistant Professor, Dr Nizam Barom. Some of the directors also presented at the programme and shared their professional and personal insights with the students.

Kasih KWAP - A Gift of Ramadhan
A gift of Ramadhan was a new outreach programme aimed for the pensioners. In its first execution, 100 selected pensioners received KWAP’s Ramadhan goodies delivered to their doorstep. While we were at it, KWAP representatives took the opportunity to get to know the pensioners better and introduce KWAP’s expanded role in serving the pensioners.

Kasih KWAP - Remembering The Elderly
KWAP visited Rumah Ehsan Kuala Kubu Bharu, an old folks home located in Hulu Selangor for the seventh consecutive year as part of our efforts in contributing to the society through volunteerism. The programme was filled with warmth and ignited the spirit of respect and care towards the elderly.

During the visit, KWAP donated basic necessities and healthcare supplies to 120 senior citizens of the Rumah Ehsan Kuala Kubu Bharu. Each resident also received a Ramadhan gift pack, Hari Raya cookies, and duit raya which was given during the visit. This charity visit continues to be a heartwarming experience for KWAP employees.

Kasih KWAP - A Day Out with the Children
KWAP shared the joy of Ramadhan and Syawal with the orphans and underprivileged children from Pusat Jagaan Rumah Kesayangan (RUKESA) located in Petaling Jaya held on 19 June 2016.

40 orphans and underprivileged children, along with 30 KWAP volunteers, were treated to a shopping outing to buy Hari Raya clothes at the AEON Departmental Store, Quill City Mall, Kuala Lumpur. The children, 20 girls and 20 boys aged between 4 year-old to 16 year-old were also treated to a feast for the breaking of fast and received Raya goodies from KWAP and the restaurant.
KWAP organised its annual financial education programmes for the eighth-time this year, which benefits almost 200 civil servants.

Seminar Perancangan Kewangan Untuk Masa Hadapan & Seminar Perancangan Kewangan Untuk Persaraan
KWAP organised its annual financial education programmes for the eighth-time this year, which benefits almost 200 civil servants. The event was divided into two parts, with one designed for civil servants below 40 years old, and another for public sector employees whom are retiring 3 to 5 years’ time.

Catering to the civil servants who are still in service, the seminars were an effort to educate the targeted participants on various aspects related to financial literacy and retirement plan. It was a collaborative effort between KWAP and selected agencies from Agensi Kaunseling & Pengurusan Kredit (AKPK), Malaysia Financial Planning Council (MFPC), Bank Negara Malaysia and Private Pension Administrator Malaysia (PPA).

The seminars received positive and encouraging feedback from participants from various ministries, government departments, and agencies namely, the Ministry of Finance, Ministry of Energy, Green Technology and Water, Ministry of Federal Territories, SWCorp, Nuclear Malaysia, and Universiti Teknologi MARA.

Fun Kids With KWAP - English Workshop
KWAP continues its CSR initiative to encourage the use of English Language among elementary school students by organising Fun Kids With KWAP

KWAP continues its CSR initiative to encourage the use of English Language among elementary school students by organising Fun Kids With KWAP

To create some excitement and to inspire the school children, a guest speaker, Zain Saidin, who is well known as the character Henry Middleton on the Astro TVIQ series Oh My English! was invited to motivate the students on how to overcome their fear in public speaking, to use English correctly and to open their mind that learning and speaking in English are fun.

At the end of the half day programme, the teachers gave good feedback about the programme, and the children felt motivated and more confident to speak in English.
KWAP FreeMarket With Orang Asli Community

KWAP FreeMarket is an outreach programme targeted to help the less privileged community. In its second year, the initiative reached out to the Orang Asli community in Hulu Langat on 18 December 2016.Around 145 dwellers of the Kampung Orang Asli Genting Peras, Kampung Orang Asli Paya Lebar and Kampung Orang Asli Donglai Baru came to the event and participated in the following programmes held on that day:

1. **FreeMarket**
   Goods ranging from clothing to sports equipment and household items, were available at 13 different stalls. No cash was exchanged for the over 1,500 items given away to the Orang Asli, but only a mere thank you was sufficient. All items were contributed by KWAP employees, and 78 employees participated as volunteers on the event day.

2. **Book Charity Drive: Books & Beyond**
   KWAP enriched the communities of Orang Asli in Hulu Langat through KWAP Book Charity Drive where the objective is to increase literacy amongst children in rural areas and to instill the love of reading at an early age. KWAP employees contributed more than 300 books, both used and new.

3. **I’m Ready For School**
   KWAP also organised the “I’m Ready For School” programme with the aim to provide the underprivileged children with basic school necessities and at the same time ease the burden of the parents in their yearly school preparation. The recipients were the primary school children from 3 villages of Orang Asli in Hulu Langat where 100 children received a set of school bag, stationeries, and storybooks worth RM50 each.

The half-day event also included a free hair-cut service for the Orang Asli children, as well as free basic medical check-up by PMCare Sdn. Bhd. In addition, 55 Orang Asli families were also selected to receive basic provisions worth RM350 for each family.
KWAP CEO led the hiking at Mount Santubong with 27 employees successfully completed the journey.

RESPONSIBILITY TO THE ENVIRONMENT:

Eco Green Programme
KWAP had initiated the KWAP Eco-Green CSR programme in Kampung Santubong, Sarawak as a pilot project under the environmental effort, with activities such as tree planting, cleaning the Mount Santubong hiking trail, and distributed the Eco Green Kit and basic provisions to the villagers. KWAP Chief Executive Officer, Dato’ Wan Kamaruzaman Wan Ahmad led the hiking at Mount Santubong with 27 employees successfully completed the journey.
RESPONSIBILITY TO THE WORKPLACE:

Financial Education Programmes For Employees

As part of the financial education programme for the employees, KWAP conducted a Financial Wellness Workshop and a Financial Talk. The objective is to increase the awareness on the importance of financial planning amongst KWAP employees. With the theme *Rancang, Bina, Lindung, Urus* (Plan, Build, Protect, Manage), the programme focused on 4 vital areas in financial planning, which was held over the course of 3 days. 50 employees who attended the workshop conducted by the financial experts from Actuarial Partners Consulting stated that it was a beneficial workshop and gained useful knowledge in managing their finances. Participants were given guidance covering all aspects of financial issues, including proper financial planning, personal finance management, retirement planning, and investment. Agensi Kauselling & Pengurusan Kredit (AKPK) was invited to give a Financial Talk titled *Bajet Raya, Kau Ada?* to KWAP’s employees to share knowledge on prudent spending during the festive season. Employees who attended the one hour talk also received a financial handbook to be used as reference.

50 employees who attended the workshop conducted by the financial experts from Actuarial Partners Consulting stated that it was a beneficial workshop and gained useful knowledge in managing their finances.
CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBILITY TO THE MARKETPLACE:

**Guest Speaker at the Employers’ Retirement Course**
KWAP continues to give full support and opportunity to internal talent to share their knowledge and experience with the public as part of KWAP’s talent development effort. This year, Encik Md Hayrani Mireso from Fixed Income Department was invited to give a talk on Personal Financial Management and Investment topics to employees of Dewan Bandaraya Kuala Lumpur (DBKL). It was held in March in Penang and has benefited almost 100 DBKL employees.

**Charity Run: Bursa Bull Charge and Danajamin Mighty 7 Run**
KWAP took part in the Bursa Bull Charge, a run-for-charity event organised by Bursa Malaysia held in September 2016. Participating KWAP employees successfully completed the run through the commercial heart of Kuala Lumpur. 9 of our employees participated in the event, where 4 of them won the top 3 Ministry Relay Category.

KWAP also participated in the Danajamin Mighty 7 Run organised by Danajamin Nasional Berhad in support of autism awareness through the National Autism Society of Malaysia (NASOM). As part of our commitment in encouraging a healthy lifestyle amongst KWAP employees, 12 KWAP runners participated in the competition along with KWAP Chief Executive Officer, Dato’ Wan Kamaruzaman Wan Ahmad.
SAFETY AND HEALTH COMMITTEE

KWAP Safety and Health Committee was formed to assist the Management in maintaining a safe and healthy workplace. It also fulfils the requirements as per the Occupational Safety and Health Act 1994.

The Committee appointed members to be part of its sub-committees consisting of the Emergency Response Team (ERT), Inspection and Investigation Team (IIT), Communications and Promotions Team (CPT) as well as the Policy and Procedures Team (PPT).

Below are the activities carried out to enhance the occupational safety and health practices as well as to raise the employee’s awareness on safety and health at work:

<table>
<thead>
<tr>
<th>Month</th>
<th>Events/Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Throughout The Year</td>
<td>Distributed Vitamin C and inhalers to all employees</td>
</tr>
<tr>
<td>Feb</td>
<td>E-Awareness - Zika Virus</td>
</tr>
<tr>
<td>Mar</td>
<td>“Unpredictable Weather”</td>
</tr>
<tr>
<td></td>
<td>Gave away KWAP’s umbrellas to 130 staff</td>
</tr>
<tr>
<td>June</td>
<td>Setting Up of SHC Task Force Team for Pension Services Department, Cyberjaya</td>
</tr>
<tr>
<td>July</td>
<td>Road &amp; Home Safety Campaign (for Hari Raya 2016)</td>
</tr>
<tr>
<td></td>
<td>• Chairman of SHC officiated the Road &amp; Home Safety Campaign</td>
</tr>
<tr>
<td></td>
<td>• SHC opened up Medical Check-Up Booth and held Pop Quiz for staff (to raise their</td>
</tr>
<tr>
<td></td>
<td>awareness on the SHC-related matters)</td>
</tr>
<tr>
<td>August</td>
<td>• E-Awareness - Emergency Evacuation Plan</td>
</tr>
<tr>
<td></td>
<td>• E-Awareness - The Hax is Back</td>
</tr>
<tr>
<td></td>
<td>• Fire drill exercise by Menara Yayasan Tun Razak</td>
</tr>
<tr>
<td></td>
<td>• Goodies for employees who were performing Hajj (Encik Md. Saffi bin Nadzir,</td>
</tr>
<tr>
<td></td>
<td>Pension Services Department and Encik Muhamad Hafiz bin Abas, Risk Management</td>
</tr>
<tr>
<td></td>
<td>and Compliance Department</td>
</tr>
<tr>
<td></td>
<td>• Appointment of new SHC Committee Members</td>
</tr>
<tr>
<td></td>
<td>• Appointment of additional First Aiders for KWAP’s new office</td>
</tr>
<tr>
<td>October</td>
<td>• E-Awareness – Green Office Programme</td>
</tr>
<tr>
<td></td>
<td>• E-Awareness – Clean Desk Program</td>
</tr>
<tr>
<td>December</td>
<td>• Review the draft of Safety and Health Policy</td>
</tr>
</tbody>
</table>

SHC Campaign

Umbrella Giveaway

SHC Campaign
CORPORATE CALENDAR

**JANUARY**

15  KWAP CEO Mandate
18  KWAP Gift Exchange
20  TPPA Briefing by MITI
22  EFM Briefing

**FEBRUARY**

17  KWAP CNY Celebration
25  Financial Wellness
29  Foreign Exchange Administrative Rules by BNM

**MARCH**

01  SPARC: Talk on Coaching Children
03  Youth Aspirations at IIUM
08  Visit by Administrative Staff College of India
25  SPARC: Annual General Meeting
CORPORATE CALENDAR

MAY

04  CEO at the 6th Annual Malaysia Roundtable

06  KWAP Annual Dinner 2016

09  KWAP Leadership Series with YBhg. Tan Sri Rafidah Aziz

13  IIUM Students Visit to KWAP

APRIL

03  The Malaysian Career Fair UKEC

12  KWAP CEO at Invest Malaysia 2016
JUNE

01
KWP Financial Planning Awareness Program

17
CEO Distribute Dates To Employees During Ramadhan

19
A Day Out with RUKESA Orphanage

20
Financial Talk with AKPK Bajet Raya

21
Kasih KWP Visit to Old Folks Home at Rumah Ehsan

24
Ihya Ramadhan with YBhg. Dato’ Badli Shah bin Alauddin

27 to 29
International Corporate Governance Network Conference, San Francisco, US

JULY

01
KWP Safety and Health Talk

20
KWP Hari Raya Open House

25
KWP Insiders Trading Briefing
CORPORATE CALENDAR

AUGUST

09 Corporate Visit by BPJS, Indonesia
20 to 21 KWAP Team Building 2016
25 Corporate Talk on The New Company Bill 2015

SEPTEMBER

04 Participate in Danajamin Mighty 7 Run
05 CEO at Institutional Investor Council Malaysia Report Launch
06 Corporate Visit by YB Dato’ Othman bin Aziz, Deputy Finance Minister I and YB Dato’ Lee Chee Leong, Deputy Finance Minister II
08 KWAP Bursa Bull Charge Run 2016
21 to 22 KWAP Private Equity Forum 2016
26 Khazanah Megatrends Forum 2016

OCTOBER

07 KWAP CSR to Mount Santubong
13 Seminar Perancangan Kewangan untuk Masa Hadapan
CORPORATE CALENDAR

**NOVEMBER**

- 01
  - CEO at 21st Malaysian Capital Market Summit

- 03
  - Seminar Perancangan Kewangan untuk Persaraan

- 15
  - English Workshop at SK Salak

- 16
  - CEO at International Institutional Investor Series 2016

- 17 to 18
  - Sign Language Classes

- 21
  - Silent Bazaar with Malaysian Federation of the Deaf

- 22
  - The Public Service Pension Fund Supervisory Committee from Taiwan Visit to KWAP

**DECEMBER**

- 16
  - Silent Bazaar with Malaysian Federation of the Deaf Closing Ceremony

- 18
  - FreeMarket at Kg. Orang Asli Genting Peras, Selangor
Section

06 LEADERSHIP & TALENT

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**Prima Ekuiti (UK) Limited**
Investing in UK and Europe equity market

**KWAP MIT**
Investment holding company for property investment in Australia

**Prima Harta (Jersey) Unit Trust**
Investment holding company for property investment in UK

**Valuecap Sdn. Bhd.**
Asset management company
Tan Sri Dr. Mohd Irwan Serigar bin Abdullah was reappointed as Chairman of the Board on 1 March 2016.

He is currently the Secretary General of Treasury, Ministry of Finance and serves as a Board of Director of various agencies and government bodies such as Malaysian Airline System Berhad (MAS), Petronas Nasional Berhad (PETRONAS), Mass Rapid Transit Corporation Sdn Bhd (MRT Corp), Khazanah Nasional, Permodalan Nasional Berhad (PNB), Lembaga Tabung Haji (TH) and the International Islamic University Malaysia (IIUM). He is also the Chairman of Lembaga Hasil Dalam Negeri (LHDN) and Cyberview Sdn. Bhd and holds an ex-officio position on the Board of Perbadanan Insurans Deposit Malaysia (PIDM).

He obtained his Bachelor’s Degree with Honours from University of Malaya, Masters of Science from University of Pennsylvania, USA and PhD in Economics from IIUM. He also attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

Encik Adnan Zaylani was appointed as KWAP Board Member on 7 June 2016.

He is currently an Assistant Governor of BNM. He is a member of BNM’s Monetary Policy Committee and Financial Stability Committee, and chairs the Financial Market Committee. He is also the Chairman of the Board of BNM Sukuk Berhad, a member of the Board Executive Committee of the International Islamic Liquidity Management Corporation, and Alliance for Financial Inclusion’s Budget and Finance Committee.

Encik Adnan obtained his Master in Global Market Economy and Bachelor of Economy from London School of Economics and Political Science. He is also a member of the Financial Market Association of Malaysia.
Dato’ Siti Zauyah was appointed as KWAP Board Member on 1 March 2016.

She is currently the Deputy Secretary General (Policy), Ministry of Finance, Malaysia. She sits on the board of various government and non-government related organisation such as Bank Kerjasama Rakyat Malaysia Berhad, Felda Global Ventures Holdings Berhad, Bintulu Port Holdings Berhad, Johor Corporation and Johor Petroleum Development Corporation Berhad (Alternate Director).

Dato’ Siti Zauyah holds a Bachelor of Science (Honours) in Quantity Surveying from University of Reading, United Kingdom, a Diploma in Administration from the National Institute of Public Administration (INTAN) and a Master in Business Administration (International Banking) from University of Manchester, United Kingdom.

Dato’ Che Pee was reappointed as KWAP Board Member on 1 March 2016.

He is currently the Accountant General of Malaysia. He holds directorship in various agencies and government bodies such as Amanah Raya Berhad, Malaysian Accounting Standard Board, Inland Revenue Board of Malaysia, Malaysian Institute of Accountants and Public Sector Home Financing Board.

He began his career as an Accountant in the government sector since 1982. His extensive experience includes serving at various government divisions including Ministry of Finance, Langkawi Development Authority (LADA), Malaysian Institute of Islamic Understanding (IKIM), Economic Planning Unit in Prime Minister’s Department and Perbendaharaan State of Kedah as the State Treasurer for nine (9) years. Dato’ Haji Che Pee holds a Bachelor Honours Degree in Accounting and is a member of Chartered Account (CA) of the Malaysian Institute of Accountants (MIA).
Dato' Siow Kim Lun was reappointed as a member of the Board on 1 March 2016. He is currently a member of the Board of Citibank Berhad, UMW Holdings Berhad, Sunway Construction Group Berhad, Eita Resources Berhad, Hong Leong Assurance Berhad, Eco World International Berhad and Mainstreet Advisers Sdn Bhd. He is also a Commission Member of the Land Public Transport Commission.

He obtained his Bachelor’s Degree (Hons) in Economics from Universiti Kebangsaan Malaysia, Masters in Business Administration from the Catholic University of Leuven, Belgium and attended the Advanced Management Program at Harvard Business School, USA.

Datuk Siti Zainab was appointed as KWAP Board Member on 1 March 2016.

She is currently the Head of Advisory Division, Attorney General's Chambers. Prior to this, she has served in various capacities in a few other Government agencies including being Treasury Solicitor in the Ministry of Finance and the State Legal Advisor of Malacca. She currently sits on the board of Subang Golf Course Corporation and Indah Water Consortium.

Datuk Siti Zainab obtained an LLB (Hons) from Essex University, United Kingdom and was admitted to the Bar of England & Wales (Gray’s Inn) in 1986. In 1998, she was admitted to the Malaysian bar as an Advocate & Solicitor.
Dato’ Azmi bin Abdullah, was reappointed as a member of the Board on 1 March 2016. He is currently an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad (the Bank). He is the Chairman of Remuneration and Board Risk Management Committees and member of Nomination, Board Audit and Veto. He is presently a Director of Amanah Raya Berhad, Ireka Corporation Berhad, Transnational Insurance Brokers Sdn Bhd, ECS Solution Sdn Bhd and UKM Holding Sendirian Berhad.

Dato’ Azmi is also the Chairman of Investment Committee of Amanah Raya Berhad. Prior to joining Bank Muamalat, he was the First Managing Director and Chief Executive Officer of SME Bank for more than 4 years and the Managing Director and Chief Executive Officer of Bumiputera-Commerce Bank Berhad, where he served for more than 26 years in various departments.

He obtained a B.A. (Hons) Degree in Economics from Universiti Kebangsaan Malaysia (UKM) and Honorary Doctorate in Business Administration from UKM on 16 August 2006.

Dato’ Dr. Gan Wee Beng was reappointed as a member of the Board on 1 March 2016.

He is currently a Board Member of PIDM. He was the Advisor of CIMB Group, a position he has held since 2012 until his retirement in 2015. Prior to that, he was the CIMB Group Deputy CEO responsible for risk management and an Executive Director of CIMB Bank. He has been a consultant to various local and international agencies, which included Bank Negara Malaysia (BNM), the Economic Planning Unit of the Prime Minister’s Department, Ministry of Finance, World Bank, International Labour Organisation, Asian Development Bank, and the United Nations Conference on Trade and Development. He was a member of BNM’s Working Group on Market Risk Capital Adequacy Framework and was also a member of National Economic Advisory Committee on Price Control and Subsidies.

Prior to joining CIMB Bank, Dato’ Dr Gan was the Senior Adviser (Economics) for the Monetary Authority of Singapore besides having held the position of Associate Professor at the University of Malaya. He is also a recipient of the Tun Abdul Razak Foundation Award for Best Published Article in an academic journal. He holds a Bachelor’s and Masters’ degree in Economics from the University of Malaya and obtained his Ph.D from the University of Pennsylvania, United States of America.
Datuk Azih Muda was reappointed as a member of the Board on 1 March 2016. He is currently the President of CEUPACS. He is also the President of Amalgamated National Union of Local Authorities Employees (Anulae).

Dato’ Wan Kamaruzaman was appointed as KWAP’s Chief Executive Officer on 2 May 2013. He holds directorship in Valuecap Sdn Bhd, Malakoff Corporation Berhad and KWAP’s subsidiary in London, Prima Ekuiti (UK) Limited.

He previously served as the General Manager, Treasury Department of Employees Provident Fund (EPF) since October 2007. He started his working career with Malayan Banking Berhad since 1981, mostly in Treasury Department with two overseas postings at Hamburg, Germany as Chief Dealer and London, UK as Treasury Manager. After leaving Maybank, Dato’ Wan Kamaruzaman served as CEO and Director with several companies within the Affin Group. Dato’ Wan Kamaruzaman holds a Bachelor of Economics majoring in Analytical Economic (Hons) from the University of Malaya.
Datuk Yeow Chin Kiong was reappointed as a member of the Board on 1 March 2016. He retired as KWAP’s Board Member on 6 November 2016 due to his retirement from the government service.

Dato’ Muhammad Bin Ibrahim was reappointed as a member of the Board on 1 March 2016. He resigned as KWAP’s Board Member on 1 May 2016 following his appointment as the Central Bank’s Governor.
Dato’ Mohammed Azlan bin Hashim was appointed as the Chairman of KWAP Investment Panel effective 1 June 2015. He was previously a member of KWAP Investment Panel since 2010 as private sector representative.

He is the Chairman of several public listed entities including D&O Green Technologies Berhad, SILK Holdings Berhad, Scomi Group Berhad and is Deputy Chairman of IHH Healthcare Berhad. He sits on the Boards of various government and non-government related organisations including Khazanah Nasional Berhad and Labuan Financial Services Authority. He holds a Bachelor of Economics from Monash University, Australia and qualified as a Chartered Accountant (Australia). He is a Fellow Member of the Institute of Chartered Accountants, Australia, member of Malaysian Institute of Accountants, Fellow Member of Malaysian Institute of Directors, Fellow Members of Malaysian Institute of Secretaries and Administrators and Honorary Member of the Institute of Internal Auditors Malaysia.

Dr. Yusof bin Ismail was appointed as Investment Panel member effective 15 May 2016. He is currently the Under Secretary of Strategic Investment Division, Ministry of Finance.

He holds a Doctorate Degree (Ph.D) in Community Development at Universiti Putra Malaysia. in 2006. He served various positions in the Government including Special Officer to the Secretary General of Treasury, Energy Section of the Economic Planning Unit of the Prime Minister’s Department and Deputy Director of the Manufacturing Industry Science and Technology Section, amongst others.

In June 2013, he was appointed as the Deputy Chief Executive Officer of the Planning and Development Division with Lembaga Pembangunan Langkawi (LADA). He then returned to the Ministry of Finance in 2015 as the Deputy Secretary of Government Investment Company Division.

Datuk Abdul Farid bin Alias was appointed as a member of the Investment Panel on 1 October 2013.

He is currently the President and Chief Executive Officer of Maybank Group. He graduated from Pennsylvania State University, USA in 1990 with a B.Sc Degree in Accounting, and from University of Denver, USA in 1991 with an MBA in Finance. He also attended Harvard Business School’s Advanced Management Programme in 2013.

He is Member of the Board of Directors of Maybank Investment Bank Berhad, Maybank Ageas Holdings Berhad, Board of Commissioners of PT Bank Maybank Indonesia Tbk, Etiqa International Holdings Sdn Bhd as well as Cagamas Holdings Berhad, Malaysia’s national mortgage corporation, STF Resources Sdn Bhd and Asian Banking School Sdn Bhd.

He is also Chairman of both The Association of Banks in Malaysia (ABM) and Malaysian Electronic Payment System Sdn Bhd (MEPS). Vice Chairman and a Fellow, Chartered Bankers of the Asian Institute of Chartered Bankers (AICB) and the Chartered Banker Institute (CBI) in the United Kingdom. Member of The Asian Bankers Association (ABA) Policy Advocacy Committee and Emerging Markets Advisory Council (EMAC) of The Institute of International Finance based in Washington, DC. Recently, he was appointed as Member for ASEAN Business Advisory Council (ASEAN-BAC) Malaysia.

Encik Johari Bin Abdul Muid was appointed as a member of the Investment Panel on 20 October 2015. He is currently a Board Member of Bursa Malaysia Berhad, Malaysia DEBT Ventures, Nomura Asset Management Malaysia Sdn. Bhd. and Nomura Islamic Asset Management Malaysia Sdn. Bhd.

He started his career in CIMB Investment Bank Berhad in the Treasury Division, he then joined CIMB Securities Sdn. Bhd. as the Senior Vice President for Institutional Sales. After serving CIMB Group for 20 years, he then joined Valuecap Sdn. Bhd. as the Chief Investment Officer for a year before joining the Employee Provident Fund (EPF), as the Chief Investment Officer Equity. He was promoted and became the Deputy CEO for Investment Division and later became the Deputy CEO of Pension Policy and Corporate Planning. After 8 years of serving the EPF, he left to join RHB Bank Berhad as the Managing Director and retired in 2013.

He is a Fellow Member of the Chartered Institute of Management Accountant, United Kingdom.
Encik Mohamed Nazri bin Omar was appointed as a member of the Investment Panel on 1 May 2016.

He is currently the Managing Director/Chief Executive Officer of Danajamin Nasional Berhad, effective 1 May 2014. His corporate career has been within the financial industry, particularly in corporate banking and capital markets. He started his career at Citibank Berhad and subsequently served in Macquarie Bank Limited as well as RHB Sakura Merchant Bankers Berhad (currently known as “RHB Investment Bank Berhad”). Before joining Danajamin, Nazri served in several capacities while at Kuwait Finance House (M) Bhd, which included Director of Investment Banking and Head of Capital Markets and Advisory.

Encik Nazri holds a Bachelor of Arts Degree, majoring in Economics (Hons) and Government, from Cornell University, USA. He is also a Chartered Financial Analyst (CFA).

Dato' Wan Kamaruzaman was appointed as Secretary to the Investment Panel on 2 May 2013.

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INVESTMENT PANEL

Datuk Ahmad Badri Mohd Zahir was appointed as Investment Panel of KWAP on 1 May 2014 until 28 February 2016.

He is currently the Director of National Budget Office, Ministry of Finance. Prior to the appointment, he was the Secretary of Strategic Investment Division, Ministry of Finance.

He graduated with Masters in Business Administration from University of Hull, United Kingdom. He holds a Degree in Land and Property Management from MARA University of Technology (UiTM), Shah Alam, Malaysia which qualified him as a Trained and Qualified Valuer. He also holds a Diploma in Land and Property Management from MARA University of Technology (UiTM), Shah Alam, Malaysia and a Diploma in Public Administration from National Institute of Public Administration (INTAN), Kuala Lumpur.

CIK CHE ZAKIAH BINTI CHE DIN
Public Sector Representative
(Term expired on 28 February 2016)

Cik Che Zakiah Binti Che Din was re-appointed as a member of KWAP’s Investment Panel on 1 March 2013 under Section 7(2)(b) as representative from Central Bank of Malaysia. Vide the Gazette of Retirement Fund (Amendment) Act, 2015 (Act A1496), Section 7(2)(b) of Act 662 has been deleted and representative from Central Bank of Malaysia has been removed. Hence, she was reappointed under the amended Section 7(2)(e) as the representative from public sectors with experience and expertise in business, investment, banking and finance on 21 October 2015 until 28 February 2016.

She is currently the Director of Financial Conglomerates Supervision Department, Central Bank of Malaysia. Prior to this, she was the Director of Development for Financial Institution Regulations Department.

She holds a Bachelor’s Degree in Economics (Hons) from University of Malaya.
Encik Cheah Tek Kuang was re-appointed as a member of KWAP’s Investment Panel on 1 March 2013 until 28 February 2016. He holds a Bachelor of Economics degree from University of Malaya and is a Fellow of The Asian Institute of Chartered Bankers, formerly known as the Institute of Bankers Malaysia.
SENIOR MANAGEMENT

1. **Nik Amlizan binti Mohamed**  
   Chief Investment Officer

   She has over 20 years of experience in the fund management industry. Prior to joining KWAP, she was the Head of Equity for RHB Asset Management Sdn. Bhd.

   She is a Board member of Prestariang Berhad, Prima Ekuiti (UK) Limited, and i-VCap Management Sdn. Bhd. She is also an Investment Committee member of Metropolitan Retail JV (Jersey) Unit Trust.

   She is a member of the Malaysian Institute of Integrity since 2015. She obtained her Bachelor’s Degree in Economics from Claremont McKenna College, USA.

2. **Nik Ahmad Fauzan bin Nik Mohamed**  
   Chief Operating Officer

   He has 24 years of experience in conglomerates and financial industry. Prior to joining KWAP, he was the Group Head Corporate Services of Pos Malaysia Berhad.

   He obtained his degree in Bachelors of Accountancy, the George Washington University, USA and MBA in Finance and Investments, from the same institution.

3. **Zalman bin Ismail**  
   Director of Alternative Investment Department

   He has over 20 years of experience in credit rating, equity research, corporate finance, and business development of telecommunication, property, healthcare, and commodities industry. Prior to joining KWAP, he was the Head of Strategy and Business Development for Sime Darby Property Berhad.

   He is a Board member of Jambatan Kedua Sdn. Bhd., Munchy Food Industries Sdn. Bhd., and an Alternate Director of Malakoff Corporation Berhad.

   He graduated with BBA Finance (Honours: Magna Cum Laude) from Eastern Michigan University, USA

4. **Azmeen bin Adnan**  
   Director of Fixed Income Department

   He has 20 years of experience in the banking and asset management industry having covered the areas of investment, treasury, sales, and product development. Prior to his current position, he was the Chief Executive Officer of Maybank Islamic Asset Management Sdn. Bhd.

   He is a Member of Persatuan Pasaran Kewangan Malaysia. He obtained his BSc in Business Administration, University of Denver in Colorado, USA.

5. **Ismail bin Zakaria**  
   Director of Corporate Strategy and Performance Department

   He has 18 years of experience in financial and corporate strategy specialising in business transformation. Prior to joining KWAP, he served at the Group Strategy Sime Darby Berhad.

   Currently Chairperson of Governance & Policy Working Group, Malaysia Institutional Investor Council.

   He obtained his Bachelor of Commerce (Accounting & Finance) from University of New South Wales, Australia.

6. **Tursina binti Yaacob**  
   Director of Research Department

   She has 18 years of experience as an investment analyst covering various sectors on the domestic and global landscape. Sectors specialisation includes oil & gas, utilities, telecommunications, consumer products, automotive, commodities, and Islamic finance industry.

   She obtained her BA (Hons) Financial Economics from Coventry University, UK and MBA (Strategic Management) from Universiti Teknologi Malaysia. Currently completing Masters in Islamic Finance Practise at INCEIF

7. **Najihah binti Mohamad Norwi**  
   Director of Accounts and Management Services Department

   She has 18 years of experience as a corporate accountant in sectors such as insurance, IT, utilities, and infrastructure. Prior to KWAP, she was the corporate accountant at MMC Berhad.

   She is a professional accountant, a member of CPA Australia and graduated with Bachelor of Business (Accounting and Finance) from Monash University, Australia.
He has 19 years of experience in capital markets including roles in research, market analysis and strategy with exposures in equity, fixed income and commodity. Prior to joining KWAP, he was an economist with the Securities Commission.

He graduated with a BBA (Hons) in Finance/Economics, International Islamic University Malaysia and obtained his MBA in Finance from the same institution. He attended 4th ASEAN Senior Management Development Program held in June and July 2011.

**Nazaiful Affendi bin Zainal Abidin**
Director of Portfolio Strategy Department

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He has 34 years of experience as an accountant. Prior to joining KWAP, he served in several government departments and Statutory Bodies.

He graduated with Bachelor’s Degree in Accounting, Universiti Teknologi MARA and obtained his MBA, from Universiti Utara Malaysia. He is a Chartered Accountant with the Malaysian Institute of Accountants.

**Md Saffi bin Nadzir (K.M.N)**
Senior Director of Pension Services Department

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He obtained his Bachelor’s Degree (Hons) in Finance and International Studies from the same institution. He is a Chartered Accountant with the Malaysian Institute of Accountants Associate and member of HBSACM (Harvard Business School Alumni Club of Malaysia).

**Ambalagam R. Marappan**
Director of Investment Support Services Department

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He has 24 years of experience in risk management and banking. Prior to joining KWAP, he was with OCBC Bank (Malaysia) Berhad.

He graduated with LL.B (Hons) from University of Glamorgan, Wales, UK and obtained his Certificate of Legal Practice, Legal Profession Qualifying Board, Malaysia.

**Tai Kim Fong**
Director of Information Technology Department

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He has over 27 years of IT experience in the financial industry. Prior to joining KWAP, he was the Head of Group IT at MIDF Berhad.

He graduated with a Bachelor of Science (Computer Science & Economics) from Iowa State University, USA. He is also a Business Continuity Certified Expert (BCM Institute), COBIT Foundation (ISACA).

**Khairul Azwa bin Kamalul Bahrin**
Director of Risk Management and Compliance Department

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He has over 27 years of IT experience in the financial industry. Prior to joining KWAP, he was the Head of Group IT at MIDF Berhad.

He graduated with a Bachelor of Science (Computer Science & Economics) from Iowa State University, USA. He is also a Business Continuity Certified Expert (BCM Institute), COBIT Foundation (ISACA).

**Tai Kim Fong**
Director of Information Technology Department

---

He graduated with a Bachelor of Science (Computer Science & Economics) from Iowa State University, USA. He is also a Business Continuity Certified Expert (BCM Institute), COBIT Foundation (ISACA).
TALENT MANAGEMENT
HIGH PERFORMANCE CULTURE

KEY HUMAN RESOURCE FOCUS IN 2016
The key focus for human resource in 2016 centered on creating a sustainable work environment, enhancing employee engagement and culture, as well as talent development.

SUSTAINABLE WORK ENVIRONMENT
To cultivate a high performance culture, we believe that a good workplace would encourage employee engagement and performance. As part of KWAP’s commitment to sustainability, the new workplace was built to cater for future needs. The workplace resembles a community village and is designed to break down silos and increase collaboration and interaction that leads to better efficiency in delivery and performance.

A new home requires changes in how we think, live and act to create a sustainable environment. With this in mind, KWAP aims to make our contribution to the future as a sustainable community that gives back what it consumes. Our goal is to ensure that the new workplace brings a sense of pride for our employees and will set the benchmark for organisational workplaces in Malaysia.

EMPLOYEE ENGAGEMENT AND CULTURE
In cultivating a high performance culture, KWAP continues to build a positive working environment with the setting up of the new Pension Services Department and the inclusion of employees from the Public Services Department who joined KWAP on seconderment basis for knowledge transfer and expertise, there was a need to harmonise and bring together the employees towards a common goal and understanding to drive operational excellence and enhance customer services. Internal change programmes and culture initiatives were launched to harmonise the workforce and create a sense of belonging to KWAP.

To instill positive mindsets amongst our employees, KWAP continued to organise the annual teambuilding which involved the participation of all level of employees. As the event was held during the Merdeka month, the theme for the teambuilding was entitled The Soul of Malaysia and it was chosen to celebrate our diversity and commemorate the pride and patriotism of what it means to be uniquely Malaysian.

TALENT DEVELOPMENT
Developing our people is our key priority. We invest generously in learning and development of our employees to ensure that they are competent and multi-skilled. Employees at all levels have the opportunity to attend training and development programmes locally and internationally to enhance their skills and bring value to the organisation. Through our education assistance programme, our employees are allowed to enroll for relevant professional certification and pursue their tertiary education.

We are aggressively moving towards positioning KWAP for future growth and expansion. Hence the strengthening of KWAP’s leadership bench is essential. In 2016, we continued with the implementation of the 2-years modular Business Leadership Programme for middle management group. From the total employees in the middle management level, 63% have undergone the leadership development programme that serves as one of our approach towards creating KWAP’s future talent pool. In addition to the structured Business Leadership Programme and KWAP Experiential Learning Programme, young talents are groomed via our KWAP Young Talent Programme and KWAP Experiential Learning Programme.

KWAP YOUNG TALENT PROGRAMME (KYTP)
A structured programme that recruits young talents to become our future leaders has gained recognition as one of the most sought after Management Trainee Programs in the industry. Since its launch in 2014, KWAP now has 31 KWAP Young Talents on the programme.
It is specifically designed to meet the interests and demands of the young millennial generation. Key to the success of the programme is its flexibility, exposure to real working environment, and generous opportunities for training and development. In addition the talents are personally coached and mentored by experienced seniors in the organisation whom are keen to see them succeed in their career.

KWAP EXPERIENTIAL LEARNING PROGRAMME (KELP)

The KWAP Experiential Learning Programme is a structured 12-month on the job training in the Pension Services Department covering the whole spectrum of pension services and payment. It is introduced with the aim to create future pension experts in KWAP and subsequently for the nation’s pension industry.
## TALENT MANAGEMENT
### HIGH PERFORMANCE CULTURE

### LEARNING DAYS BY CATEGORY OF EMPLOYEES

<table>
<thead>
<tr>
<th>Category</th>
<th>Days Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management (Director &amp; above)</td>
<td>6%</td>
</tr>
<tr>
<td>Senior Management (VP)</td>
<td>12%</td>
</tr>
<tr>
<td>Middle Management (AVP)</td>
<td>30%</td>
</tr>
<tr>
<td>Junior Management (Senior Associate &amp; Associate)</td>
<td>41%</td>
</tr>
<tr>
<td>Non-Executive</td>
<td>11%</td>
</tr>
</tbody>
</table>

### TRAINING BUDGET EXPENDITURE BY CATEGORY OF EMPLOYEES

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management (Director &amp; above)</td>
<td>15%</td>
</tr>
<tr>
<td>Senior Management (VP)</td>
<td>25%</td>
</tr>
<tr>
<td>Middle Management (AVP)</td>
<td>29%</td>
</tr>
<tr>
<td>Junior Management (Senior Associate &amp; Associate)</td>
<td>22%</td>
</tr>
<tr>
<td>Non-Executive</td>
<td>10%</td>
</tr>
</tbody>
</table>

### LEARNING DAYS ATTENDED BY CATEGORY OF PROGRAMME

<table>
<thead>
<tr>
<th>Programme</th>
<th>Days Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership &amp; Management</td>
<td>12%</td>
</tr>
<tr>
<td>Technical Functional Development Programme</td>
<td>46%</td>
</tr>
<tr>
<td>Soft Skills Development Programme</td>
<td>4%</td>
</tr>
<tr>
<td>Value, Culture &amp; Motivation</td>
<td>28%</td>
</tr>
<tr>
<td>Workplace Wellness Programme</td>
<td>10%</td>
</tr>
</tbody>
</table>

### TRAINING BUDGET EXPENDITURE BY CATEGORY OF PROGRAMME

<table>
<thead>
<tr>
<th>Programme</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership &amp; Management</td>
<td>24%</td>
</tr>
<tr>
<td>Technical Functional Development Programme</td>
<td>37%</td>
</tr>
<tr>
<td>Soft Skills Development Programme</td>
<td>9%</td>
</tr>
<tr>
<td>Value, Culture &amp; Motivation</td>
<td>27%</td>
</tr>
<tr>
<td>Workplace Wellness Programme</td>
<td>3%</td>
</tr>
</tbody>
</table>
THE VOICES OF KWAP YOUNG TALENTS

Abdul Afiq bin Abdul Rashid
KYT Batch 3 (2016/2017)
Loughborough University, United Kingdom

Q1 Tell us why KWAP is the best place to start your career?

Jumping from an engineering background into the investment world is not easy. Moving from one world where everything is filled with zeros and ones, into a very subjective world is almost impossible to do. The journey is full of obstacles, misunderstandings, mistakes, and criticisms. But for me, this is what makes it so exciting. It is a learning process at the end of the day, and the learning curve is highly exponential. This is why KWAP is the best place to start your career. The organisation will assist you to learn as much as possible within a very short period of time. Simply said, the company does not have the word ‘malas’ in the vocabulary, and will make sure to get rid of that word from yours as well!

Q2 What have you learned from this KYT programme?

Adaptability. Observant. Creative. Interactive. These are the key things that I have learned so far and moving forward, I can guarantee that I will learn even more. In a very short period of time, I need to adapt to a brand-new environment and in order to do that, I have to be highly interactive with my colleagues and being observant all the time (in a not creepy kinda way).

Q3 How will this opportunity propel you to achieve your career aspirations?

Even though I have only joined KWAP for several months, the exposure that I have been receiving is superb. As I progress through the programme, transitonally, my personality has also been moulded in order for me to advance even further towards my career aspiration. Simply said, your attitude, thinking ability, and working ethics are gradually being shaped in order to assist you to achieve your career aspiration.

Q4 Tell us what do you like the most about KWAP?

In short, they help you to achieve your goal by using the concept of, ‘tough-love’.
THE VOICES OF KWAP YOUNG TALENTS

Ahmad Afiz Danial bin Mohd Khairuddin
KYT Batch 3 (2016/2017)
University of Salford, Manchester, United Kingdom

Tell us why KWAP is the best place to start your career?

Based on my past experience as an intern in KWAP (between 2014 to 2015) and coming back here as one of the KYTs, it says alot. KWAP is a fantastic organisation that understands the value of its employees. They have phenomenal training, advancement opportunities in your career path, and the best benefits I have ever seen!

What have you learned from this KYT programme?

What I have gathered from this programme is that you will be faced with plenty of responsibilities as you go through your career path, and it is not just for your own actions, but involves your teammates as well. The team’s performance is very much dependent on teamwork, and not just doing your job right, in silos. Success is a concerted effort. Being effective as an individual and at the same time being a team player, having a good time, and people management, giving timely constructive feedback, and being open to feedback and to ideas are the key things I have learned in this KYT programme.

How will this opportunity propel you to achieve your career aspirations?

In the near future, I would like to develop myself to become the best KYT possible, learning as much as I can about the role and about how I can best serve the needs of the department and the company. For the longer-term, I would like to become a subject matter expert. I would like to develop to the point that I become that go-to person whom others rely upon for the most current information. Eventually I would like to develop to the point that I become that go-to person whom others rely upon for the most current information. Eventually I would like to develop to the point that I become that

tell us what do you like the most about KWAP?

Great people to work with. Very intellectual scope of work and cooperative environment. The new office is nice too!
The Voices of KWAP Young Talents

Barbara Ting Zhen Zhen
KYT Batch 3 (2016/2017)
University of Exeter, United Kingdom

Tell us why KWAP is the best place to start your career?

KWAP is the best place to start my career as it gives a lot of flexibility in terms of tailoring the rotation programme to suit my needs. If you are keen to explore on the technical investment related field, KWAP will give you exposure and on-the-job training throughout the 6 months rotation period. Other than technical investment related field, you may consider to explore on the operational or support function that suit your career needs. Along the way, the professionals will guide you to accommodate your interest. Overall, KWAP allows flexibility for graduates under KYT programme to choose their own career path.

Tell us what do you like the most about KWAP?

As a fresh graduate, I need to familiarize myself with the working environment. KYT programme has helped me a lot during the transition period from being a university student to a working adult. Rotation across department has trained me to adapt with the nature of work, differences in work pace and people. I took this opportunity to learn and will apply it when it comes to different situations at work later.

How will this opportunity propel you to achieve your career aspirations?

The programme will give you an idea of what you would like to do (or perhaps, would like to explore more of) and what you wouldn’t want to do. From there I guess it gives a clearer view on how you could potentially chart your career path. Having a designated mentor to coach you in terms of your personal development also helps.

What have you learned from this KYT programme?

The programme will give you an idea of what you would like to do (or perhaps, would like to explore more of) and what you wouldn’t want to do. From there I guess it gives a clearer view on how you could potentially chart your career path. Having a designated mentor to coach you in terms of your personal development also helps.

KWAP is celebrating its 10th Anniversary in 2017. Being part of the team, I had the opportunity to learn, enhance my knowledge about the industry and explore more about the job. I have a strong feeling that I can grow together with KWAP and climb up my career ladder in this organisation.
Tell us why KWAP is the best place to start your career?

KWAP is an established organisation, yet has ample growth potential. Therefore, being in KWAP, you grow with the organisation. Also, KWAP’s focus is on nation building and the company has genuine intentions in developing their employees. The people of KWAP welcome you with open arms and the learning curve is unbelievable. Everyone is ever willing to share their knowledge. Therefore, there’s no other place you should start your career other than in KWAP.

What have you learned from this KYT programme?

This programme is the perfect transition from being a student to being a working adult. The trainings offered during the first month of the programme prepares you to be in a corporate environment, to be your most professional self at work. In KWAP, people take you very seriously and expect you to deliver accordingly. This automatically pushes you to improve and enhance your technical and analytical skills. Now 2 months in the KYT programme, and the learning curve is exponential. This programme has offered hands-on tasks and allows you to have a taste of the real world, of how crucial each decision made to you, your team, and the organisation.

How will this opportunity propel you to achieve your career aspirations?

Career prospects after being in the KYT programme is exciting. To begin with, the knowledge you gain from the rotation programme itself is incredible. I don’t know anywhere else that can offer you anything similar. Imagine how much you would have developed by the time you get deployed into your choice of department, and how far you would have gone after 2 or 3 years being in the programme. This is really a fast-track programme. KWAP prepares you, molds you to propel forward to achieve your career aspirations.

Tell us what do you like the most about KWAP?

The first thing would (definitely!) be the people. Everyone exudes positivity, they perform at their most optimal level, which creates that environment for you to do likewise. You don’t need to scout outside the office to find a good example, because everyone here will inspire you to be the best. And what’s even better is that we just moved into a new office, which is awesome. Coming to work is never a hassle. But if it is one more important thing to point out, is the opportunities offered here. It is the best way to start your career. There’s nothing to not like.
## Section

### FINANCIAL STATEMENTS

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<th>Page</th>
<th>Description</th>
</tr>
</thead>
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<td>Notes to the Financial Statements</td>
</tr>
</tbody>
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AUDITOR GENERAL CERTIFICATION

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)
FOR THE YEAR ENDED 31 DECEMBER 2016

Report on the Financial Statements

I have audited the accompanying financial statements of Kumpulan Wang Persaraan (Diperbadankan) and Group, which comprise the Statements of Financial Position as at 31 December 2016 and Statements of Comprehensive Income, Statements of Changes In Equity and Statements of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board’s Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with the approved financial reporting standards in Malaysia and the Retirement Fund Act 2007 (Act 662). The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been carried out in accordance with the Audit Act 1957 and in conformity with the approved standards on auditing in Malaysia. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance, whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of
the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements that give a true and fair view 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Kumpulan Wang Persaraan (Diperbadankan) and Group as at 31 December 2016 and of their financial performance and cash flows for the year then ended in accordance with the approved financial reporting standards in Malaysia.

I have considered the financial statements and the auditors’ reports of the subsidiary companies of which I have not acted as auditor as indicated in the notes to the financial statements. I am satisfied that these financial statements have been consolidated with Kumpulan Wang Persaraan (Diperbadankan)’s financial statements in appropriate form and content, proper for the purposes of the preparation of the financial statements of the Group. I have received satisfactory information and explanations required by me for those purposes. The auditors’ reports on the financial statements of the subsidiary companies were not subjected to any observations that could affect the financial statements.

(TAN SRI DR. MADINAH BINTI MOHAMAD)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
25 APRIL 2017
STATEMENT BY THE CHAIRMAN 
AND A MEMBER OF THE BOARD OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN)

We, Tan Sri Dr. Mohd Irwan Serigar bin Abdullah and Dato’ Azmi bin Abdullah being the Chairman and a member of the Board of Kumpulan Wang Persaraan (Diperbadankan) respectively, do hereby state that, in the opinion of the Board of Kumpulan Wang Persaraan (Diperbadankan), the Financial Statements, consisting of the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with the Notes to Financial Statements therein, are prepared in accordance with the Retirement Fund Act 2007 (Act 662) and the Malaysian Financial Reporting Standards (MFRS) as to give a true and fair view of the state of affairs of Kumpulan Wang Persaraan (Diperbadankan) as at 31 December 2016 and of its operating results and the cash flows of Kumpulan Wang Persaraan (Diperbadankan) for the year ended on that date.

Signed on behalf of the Board,

Name : Tan Sri Dr. Mohd Irwan Serigar bin Abdullah
Title : Chairman of the Board
Date : 25 APRIL 2017
Venue : Kuala Lumpur

Signed on behalf of the Board,

Name : Dato’ Azmi bin Abdullah
Title : Member of the Board
Date : 25 APRIL 2017
Venue : Kuala Lumpur
I, Wan Kamaruzaman bin Wan Ahmad, being the officer primarily responsible for the financial management of Kumpulan Wang Persaraan (Diperbadankan), do solemnly and sincerely declare that the accompanying Financial Statements which includes the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes In Equity and the Statement of Cash Flows, in the following financial position together with the Notes To The Financial Statements to the best of my knowledge and belief, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  )
by the above named  )
At Kuala Lumpur Wilayah Persekutuan  )
On 25 APRIL 2017  )

Before me,

STATUTORY DECLARATION
BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF
KUMPULAN WANG PERSARAAN (DIPERBADANKAN) 2016

Commissioner for Oaths
# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Group</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
<th>KWAP</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2016</td>
<td>2015</td>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,610,547</td>
<td>6,574,606</td>
<td>6,361,482</td>
<td>6,425,315</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gross Investment Income</td>
<td>1,300,466</td>
<td>47,747</td>
<td>1,279,609</td>
<td>60,296</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operating Expenses</td>
<td>(468,464)</td>
<td>(388,658)</td>
<td>(271,625)</td>
<td>(193,616)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Impairment Loss On Available-For-Sale Financial Assets</td>
<td>49,046</td>
<td>(5,405)</td>
<td>2,983</td>
<td>72,046</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profit Before Taxation</td>
<td>4,903,005</td>
<td>4,328,923</td>
<td>4,829,922</td>
<td>4,362,125</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finance Cost</td>
<td>(116,213)</td>
<td>(65,050)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Share Of Result From Associates</td>
<td>49,046</td>
<td>(5,405)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Share Of Result From Joint Ventures</td>
<td>2,983</td>
<td>72,046</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Taxation</td>
<td>(852)</td>
<td>(1,522)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profit After Taxation</td>
<td>4,837,969</td>
<td>4,328,992</td>
<td>4,829,922</td>
<td>4,362,125</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Attributable To:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contributors Of KWAP</td>
<td>4,837,969</td>
<td>4,328,992</td>
<td>4,829,922</td>
<td>4,362,125</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other Comprehensive (Loss)/Income For The Year</td>
<td>(170,233)</td>
<td>(961,207)</td>
<td>127,221</td>
<td>(1,381,181)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Comprehensive Income</td>
<td>4,667,736</td>
<td>3,367,785</td>
<td>4,957,143</td>
<td>2,980,944</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Attributable To:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contributors Of KWAP</td>
<td>4,667,736</td>
<td>3,367,785</td>
<td>4,957,143</td>
<td>2,980,944</td>
</tr>
</tbody>
</table>

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.
### Financial Statements

#### Statements of Financial Position

**As at 31 December 2016**

<table>
<thead>
<tr>
<th>Note</th>
<th>Group</th>
<th>KWAP</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
<th>1 January 2016</th>
<th>1 January 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000 (Restated)</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property And Equipment</td>
<td>8</td>
<td>50,299</td>
<td>4,349</td>
<td>4,994</td>
<td>48,457</td>
<td>4,021</td>
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<tr>
<td>Computer Softwares</td>
<td>9</td>
<td>4,031</td>
<td>1,714</td>
<td>2,560</td>
<td>4,031</td>
<td>1,688</td>
</tr>
<tr>
<td>Investment Properties</td>
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<td>5,552,499</td>
<td>5,128,330</td>
<td>4,499,126</td>
<td>4,759,224</td>
<td>1,185,757</td>
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<tr>
<td>Investment In Subsidiaries</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,342,294</td>
<td>3,405,123</td>
</tr>
<tr>
<td>Investment In Associates</td>
<td>12</td>
<td>615,224</td>
<td>376,405</td>
<td>2,560</td>
<td>614,314</td>
<td>353,126</td>
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<tr>
<td>Investment In Joint Ventures</td>
<td>13</td>
<td>393,418</td>
<td>484,267</td>
<td>962,841</td>
<td>10,000</td>
<td>10,000</td>
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<tr>
<td>Loans And Receivables</td>
<td>14</td>
<td>14,742,802</td>
<td>14,210,408</td>
<td>12,993,455</td>
<td>15,134,697</td>
<td>14,904,702</td>
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<tr>
<td>Available-For-Sale Investments</td>
<td>15</td>
<td>95,204,535</td>
<td>90,126,004</td>
<td>85,873,251</td>
<td>95,204,535</td>
<td>90,126,004</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
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</tr>
<tr>
<td>Assets Held For Sale</td>
<td>-</td>
<td>1,258,867</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Loans And Receivables</td>
<td>14</td>
<td>395,000</td>
<td>461,412</td>
<td>500,000</td>
<td>395,000</td>
<td>461,412</td>
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<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
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<td>1,746,400</td>
<td>502,915</td>
<td>1,694,906</td>
<td>1,746,400</td>
<td>502,915</td>
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<tr>
<td>Derivatives Financial Assets</td>
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<td>7,412</td>
<td>3,476</td>
<td>4,156</td>
<td>7,412</td>
<td>3,476</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>18</td>
<td>124,659</td>
<td>107,611</td>
<td>88,955</td>
<td>114,913</td>
<td>91,358</td>
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<tr>
<td>Trade Receivables</td>
<td>19</td>
<td>1,587,887</td>
<td>879,482</td>
<td>867,255</td>
<td>1,585,073</td>
<td>904,276</td>
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<tr>
<td>Cash And Bank Balances</td>
<td>20</td>
<td>1,046,824</td>
<td>1,631,369</td>
<td>658,584</td>
<td>829,056</td>
<td>729,184</td>
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<td><strong>Total Current Assets</strong></td>
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<td></td>
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</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>17</td>
<td>787,848</td>
<td>1,137,820</td>
<td>339,688</td>
<td>748,990</td>
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<tr>
<td>Trade Payables</td>
<td>21</td>
<td>479,956</td>
<td>473,314</td>
<td>554,069</td>
<td>461,993</td>
<td>466,806</td>
</tr>
<tr>
<td>Other Payables And Accruals</td>
<td>22</td>
<td>156,309</td>
<td>125,992</td>
<td>121,194</td>
<td>74,280</td>
<td>57,142</td>
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<tr>
<td>Borrowings</td>
<td>23</td>
<td>-</td>
<td>802,344</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Net Current Assets</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financed By:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Allocation Of Statutory Funds</td>
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<td>25,001,944</td>
<td>24,601,944</td>
<td>24,101,944</td>
<td>25,001,944</td>
<td>24,601,944</td>
</tr>
<tr>
<td>Pension Contributions</td>
<td>25</td>
<td>46,387,634</td>
<td>43,447,835</td>
<td>40,671,410</td>
<td>46,387,634</td>
<td>43,447,835</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>26</td>
<td>52,642,539</td>
<td>47,804,570</td>
<td>43,475,578</td>
<td>52,888,148</td>
<td>48,058,226</td>
</tr>
<tr>
<td>Other Reserves</td>
<td>27</td>
<td>(67,485)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign Exchange Reserves</td>
<td>27</td>
<td>190,005</td>
<td>419,974</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Available-For-Sale Reserves</td>
<td>27</td>
<td>724,187</td>
<td>596,966</td>
<td>1,978,147</td>
<td>724,187</td>
<td>596,966</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Worth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.
## STATESMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>Allocation of Statutory Funds (Note 24) RM’000</th>
<th>Pension Contributions (Note 25) RM’000</th>
<th>Other Reserves (Note 27) RM’000</th>
<th>Foreign Exchange Reserves (Note 27) RM’000</th>
<th>Available-For-Sale Reserves (Note 27) RM’000</th>
<th>Distributable Retained Earnings (Note 26) RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>At 1 January 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As Previously Stated</td>
<td>24,101,944</td>
<td>40,671,410</td>
<td>1,686</td>
<td>779,377</td>
<td>-</td>
<td>43,598,398</td>
</tr>
<tr>
<td>Effects Of MFRS Adoption</td>
<td>-</td>
<td>-</td>
<td>(1,686)</td>
<td>(779,377)</td>
<td>1,978,147</td>
<td>(122,820)</td>
</tr>
<tr>
<td>As Restated</td>
<td>24,101,944</td>
<td>40,671,410</td>
<td>-</td>
<td>-</td>
<td>1,978,147</td>
<td>43,475,578</td>
</tr>
<tr>
<td>Profit For The Year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,328,992</td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>419,974</td>
<td>(1,381,181)</td>
<td>-</td>
</tr>
<tr>
<td>Receipts From Statutory Funds</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Pension Contribution And Claims Received</td>
<td>-</td>
<td>2,776,425</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 December 2015</strong></td>
<td>24,601,944</td>
<td>43,447,835</td>
<td>-</td>
<td>419,974</td>
<td>596,966</td>
<td>48,058,226</td>
</tr>
<tr>
<td><strong>At 1 January 2016</strong></td>
<td>24,601,944</td>
<td>43,447,835</td>
<td>-</td>
<td>419,974</td>
<td>596,966</td>
<td>48,058,226</td>
</tr>
<tr>
<td>Profit For The Year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,829,222</td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(127,221)</td>
<td>-</td>
</tr>
<tr>
<td>Receipts From Statutory Funds</td>
<td>400,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Pension Contribution And Claims Received</td>
<td>-</td>
<td>2,939,799</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 December 2016</strong></td>
<td>25,001,944</td>
<td>46,387,634</td>
<td>(67,485)</td>
<td>190,005</td>
<td>724,187</td>
<td>52,642,539</td>
</tr>
</tbody>
</table>

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.
# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Cash Flows From Operating Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit Before Taxation</td>
<td>4,903,005</td>
<td>4,328,923</td>
<td>4,829,922</td>
<td>4,362,125</td>
</tr>
<tr>
<td>Adjustments For:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation Of Property And Equipment And Investment Properties</td>
<td>128,012</td>
<td>131,786</td>
<td>30,721</td>
<td>21,028</td>
</tr>
<tr>
<td>Adjustments Of Property And Equipment And Investment Properties</td>
<td>19</td>
<td>644</td>
<td>19</td>
<td>644</td>
</tr>
<tr>
<td>Amortisation Of Computer Softwares</td>
<td>1,106</td>
<td>1,551</td>
<td>1,106</td>
<td>1,527</td>
</tr>
<tr>
<td>Net Unrealised Loss On Financial Assets Designated At Fair Value Through Profit And Loss</td>
<td>62,943</td>
<td>4,778</td>
<td>62,943</td>
<td>4,778</td>
</tr>
<tr>
<td>Net Unrealised (Gain)/Loss On Fair Value Of Derivates</td>
<td>(332,880)</td>
<td>1,467,030</td>
<td>(311,926)</td>
<td>1,467,030</td>
</tr>
<tr>
<td>Gain On Divestment</td>
<td>(1,692,071)</td>
<td>(2,039,129)</td>
<td>(1,340,490)</td>
<td>(1,321,746)</td>
</tr>
<tr>
<td>Interest Income</td>
<td>(3,038,143)</td>
<td>(2,716,524)</td>
<td>(3,054,865)</td>
<td>(2,743,844)</td>
</tr>
<tr>
<td>Dividend Income</td>
<td>(1,058,969)</td>
<td>(1,165,847)</td>
<td>(1,466,260)</td>
<td>(1,561,204)</td>
</tr>
<tr>
<td>Unrealised Gain On Foreign Exchange</td>
<td>(929,884)</td>
<td>(1,412,569)</td>
<td>(929,896)</td>
<td>(1,401,232)</td>
</tr>
<tr>
<td>Impairment Of Investment</td>
<td>2,476,601</td>
<td>1,804,500</td>
<td>2,476,601</td>
<td>1,804,500</td>
</tr>
<tr>
<td></td>
<td>519,739</td>
<td>405,143</td>
<td>297,875</td>
<td>633,606</td>
</tr>
<tr>
<td>Changes In Working Capital:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase In Trade Receivables</td>
<td>(512,192)</td>
<td>(1,975,474)</td>
<td>(813,196)</td>
<td>(2,247,488)</td>
</tr>
<tr>
<td>Increase In Sundry Debtors And Deposits</td>
<td>(17,048)</td>
<td>(18,656)</td>
<td>(23,555)</td>
<td>(13,659)</td>
</tr>
<tr>
<td>Increase/(Decrease) In Trade Payables</td>
<td>6,642</td>
<td>(80,755)</td>
<td>(4,813)</td>
<td>15,503</td>
</tr>
<tr>
<td>(Decrease)/Increase In Borrowings</td>
<td>(526,266)</td>
<td>348,562</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase In Other Payables And Accruals</td>
<td>30,404</td>
<td>4,800</td>
<td>17,138</td>
<td>18,754</td>
</tr>
<tr>
<td>Net Cash Used In Operating Activities</td>
<td>(498,721)</td>
<td>(1,316,380)</td>
<td>(526,551)</td>
<td>(1,593,284)</td>
</tr>
</tbody>
</table>
# Statements of Cash Flows

For the Year Ended 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Group RM'000 2016</th>
<th>2015 RM'000</th>
<th>KWAP RM'000 2016</th>
<th>2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Investing Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds From Sale Of Available-For-Sale Investments</td>
<td>44,167,816</td>
<td>33,965,163</td>
<td>43,816,234</td>
<td>33,965,163</td>
</tr>
<tr>
<td>Proceeds From Sale Of Financial Assets Designated At Fair Value Through Profit And Loss</td>
<td>6,099,427</td>
<td>8,916,756</td>
<td>6,099,427</td>
<td>8,916,756</td>
</tr>
<tr>
<td>Proceeds From Sale Of Assets Held For Sale</td>
<td>775,801</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchase Of Property And Equipment</td>
<td>(48,413)</td>
<td>(1,216)</td>
<td>(46,672)</td>
<td>(1,216)</td>
</tr>
<tr>
<td>Purchase Of Investment Properties</td>
<td>(549,737)</td>
<td>(2,001,143)</td>
<td>(601,971)</td>
<td>(1,206,740)</td>
</tr>
<tr>
<td>Purchase Of Computer Softwares</td>
<td>(3,423)</td>
<td>(705)</td>
<td>(3,449)</td>
<td>(655)</td>
</tr>
<tr>
<td>Purchase From Sale Of Available-For-Sale Investments</td>
<td>(49,100,993)</td>
<td>(37,299,438)</td>
<td>(49,100,980)</td>
<td>(37,299,438)</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institutions</td>
<td>337,689</td>
<td>(1,160,411)</td>
<td>337,689</td>
<td>(1,170,447)</td>
</tr>
<tr>
<td>Purchase From Sale Of Financial Assets Designated At Fair Value Through Profit And Loss</td>
<td>(7,405,855)</td>
<td>(7,729,543)</td>
<td>(7,405,855)</td>
<td>(7,729,543)</td>
</tr>
<tr>
<td>Increase In Derivatives</td>
<td>(21,028)</td>
<td>(720,900)</td>
<td>(14,951)</td>
<td>(720,900)</td>
</tr>
<tr>
<td>Interest Received</td>
<td>2,387,384</td>
<td>2,799,860</td>
<td>2,382,528</td>
<td>2,142,755</td>
</tr>
<tr>
<td>Dividend Received</td>
<td>1,032,309</td>
<td>1,125,356</td>
<td>1,429,245</td>
<td>1,475,284</td>
</tr>
<tr>
<td>Increase/(Decrease) In Investments In Subsidiaries, Associates and JV</td>
<td>(147,970)</td>
<td>542,241</td>
<td>801,641</td>
<td>(160,741)</td>
</tr>
<tr>
<td>Repayment Of Loans From Corporate Institution</td>
<td>492,990</td>
<td>90,771</td>
<td>492,990</td>
<td>90,771</td>
</tr>
<tr>
<td>Repayment Of Loans From Subsidiaries</td>
<td>-</td>
<td>-</td>
<td>312,399</td>
<td>216,389</td>
</tr>
<tr>
<td><strong>Net Cash Used In Investing Activities</strong></td>
<td>(1,984,003)</td>
<td>(1,473,209)</td>
<td>(1,501,725)</td>
<td>(1,481,562)</td>
</tr>
</tbody>
</table>

| **Cash Flows From Financing Activities** |                  |             |                  |             |
| Allocation Of Statutory Funds | 400,000 | 500,000 | 400,000 | 500,000 |
| Receipts Of Pension Contribution | 2,947,785 | 2,784,494 | 2,947,785 | 2,784,494 |
| Repayment Of Pension Contribution | (7,986) | (8,069) | (7,986) | (8,069) |
| Proceeds From Borrowings | - | 4,071 | - | - |
| **Net Cash Generated From Financing Activities** | 3,339,799 | 3,280,496 | 3,339,799 | 3,276,425 |

| **Net Increase In Cash And Cash Equivalents** |                  |             |                  |             |
| **Net Cash Generated From Financing Activities** | 857,075 | 490,907 | 1,311,523 | 201,579 |
| **Effect Of Changes In Foreign Currency** | (229,969) | 419,974 | - | - |
| **Cash And Cash Equivalents As At 1 January** | 4,332,384 | 3,421,503 | 3,430,199 | 3,228,620 |
| **Cash And Cash Equivalents As At 31 December** | 4,959,490 | 4,332,384 | 4,741,722 | 3,430,199 |

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.
1. CORPORATE INFORMATION

Retirement Fund (Incorporated) [KWAP] was established on 1 March 2007 under the Retirement Fund Act 2007 (Act 662) with a launching grant of RM27.0 million from the Federal Government of Malaysia.

The principal responsibility of KWAP is to manage the Retirement Fund (“the Fund”) established under section 13 of Retirement Fund Act 2007 (Act 662) towards achieving optimum returns on its investments. Sources of Fund are primarily annual contributions from Statutory Bodies, Local Government and Agencies, receipts of the Government’s portion of the Employee Provident Fund, Armed Forces Fund Board and others as well as investment income. The Fund is invested in Asset Classes in accordance with the Strategic Asset Allocation and Investment Policies and Guidelines upon the recommendation of KWAP’s Investment Panel and approval of the Board. The Fund shall be applied towards assisting the Federal Government in financing the government’s pension liability.

Effective from 1 November 2015, KWAP was officially appointed as an agent to the Government for the overall pension management and payment operation.

The principal activities of KWAP’s subsidiaries and associates are set out in Note 11 and Note 12, respectively. There were no significant changes in the nature of the principal activities of the subsidiaries and associates during the financial year.

KWAP is a statutory body, incorporated and domiciled in Malaysia. The registered office and principal place of business of KWAP is located at Level 36, Integra Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur.

The Financial Statements for the financial year ended 31 December 2016 were accepted and approved by the Board of KWAP on 25 April 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis Of Preparation


The Financial Statements of the Group and of KWAP for the year ended 31 December 2016 are the first set of Financial Statements prepared in accordance with the MFRS including MFRS 1 - First-time adoption of MFRS. The comparative figures for the financial year ended 31 December 2015 in the Financial Statements were restated to reflect the conversion to MFRS. Note 4 disclosed the said comparison and the impact of the conversion to the financial position of the Group and of KWAP.

The Financial Statements of the Group and of KWAP were prepared under the historical cost convention unless stated otherwise.

The preparation of the Financial Statements were presented in Ringgit Malaysia (“RM”) being the functional currency of the Group and of KWAP whereby all values are rounded to the nearest thousand Ringgit Malaysia unless stated otherwise.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes In Accounting Policies

Effective from 1 January 2015, the Group and KWAP officially adopted the following amendments to the MFRS as well as the mandatory annual improvements for the annual financial periods beginning on or after 1 January 2015:

<table>
<thead>
<tr>
<th>Description</th>
<th>Effective for annual periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to MFRS 119 – Defined Benefit Plans: Employee Contributions</td>
<td>1 July 2014</td>
</tr>
<tr>
<td>Annual Improvements to the MFRS 2010 – 2012 Cycle</td>
<td>1 July 2014</td>
</tr>
<tr>
<td>Annual Improvements to the MFRS 2011 – 2013 Cycle</td>
<td>1 July 2014</td>
</tr>
</tbody>
</table>

The nature and impact of the new and amended MFRS are as follows:

**Amendments to MFRS 119 – Defined Benefit Plans: Employee Contributions**

The amendments to MFRS 119 clarified the accounting for the contributions by employees or third parties to the defined benefit plans based on the individual dependency on the number of years of service provided by the said employees or third parties. In the event the contributions are dependent on the number of years of service, the requirement is to attribute such contributions to the employees’ period of service. If the contributions are independent of the number of years of service, it is permissible to recognise such contributions as a reduction of service cost in the period in which the service is rendered, instead of the allocation to the periods of service.

These amendments were retrospectively applied to the Financial Statements. There was no material impact to the amounts recognised in the Financial Statements as well as the disclosures in the Notes to the Financial Statements.

**Annual Improvements to the MFRS 2010–2012 Cycle**

The Annual Improvements to the MFRS 2010-2012 Cycle included a number of amendments to various MFRS which are summarised as follows:

(a) **MFRS 2 – Share-based Payment**

This improvement is effective for share-based payment transactions whereby the grant date is on or after 1 July 2014. There was no impact of the amendment to the Group and KWAP as there were no share-based payments by the Group or KWAP.

(b) **MFRS 3 – Business Combinations**

The amendments to MFRS 3 clarified that contingent consideration classified as liabilities (or assets) should be measured at Fair Value Through Profit Or Loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014. There was no impact of the amendment to the Group and KWAP as there were no business combination transactions by the Group or KWAP.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes In Accounting Policies (continued)

Annual Improvements to the MFRS 2010-2012 Cycle (continued)

(c) MFRS 8 – Operating Segments

The amendments are to be applied retrospectively and clarified that:

- An entity must disclose the judgements made by management in the appreciation of the aggregation criteria in MFRS 8, including a brief description of operating segments that were aggregated and the economic characteristics used to assess whether the segments are similar; and

- Reconciliation of the segment assets to the total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

There was no application of the above-mentioned aggregation criteria by the Group or KWAP.

(d) MFRS 116 – Property, Plant and Equipment and MFRS 138 – Intangible Assets

The amendments removed inconsistencies in the accounting for the accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarified that assets may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. There was no impact of the amendments to the Group or KWAP.

(e) MFRS 124 – Related Party Disclosures

The amendments clarified that a management entity providing key management personnel services to a reporting entity is deemed as a related party to the reporting entity. The reporting entity shall disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. The amendments are not applicable to the Group or KWAP as there were no receipt of management personnel services from other entities.

Annual Improvements to the MFRS 2011-2013 Cycle

The Annual Improvements to the MFRS 2011-2013 Cycle included a number of amendments to various MFRS which are summarised as follows:

(a) MFRS 3 – Business Combinations

The amendments to MFRS 3 clarified that the standard does not apply to the accounting for the formation of all types of joint arrangement in the Financial Statements of the joint arrangement itself. These amendments are to be applied prospectively. The amendments are not applicable to the Group or KWAP as both entities are not under any joint arrangements.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes In Accounting Policies (continued)

Annual Improvements to the MFRS 2010-2012 Cycle (continued)

(b) MFRS 13 – Fair Value Measurement

The amendments to MFRS 13 clarified that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable). The amendments are not applicable to the Group or KWAP as there were no application of the portfolio exception by the Group or KWAP.

(c) MFRS 140 – Investment Property

The amendments to MFRS 140 clarified the determination of the following criterias upon the acquisition of an investment property:

• The property fulfils the definition of investment property in accordance with MFRS 140; and
• The transaction fulfils the definition of business combination under MFRS 3, to determine if the transaction is either an acquisition of an asset or a business combination.

In previous financial years, the Group and KWAP applied MFRS 140 instead of MFRS 3 in the determination whether an acquisition is of an asset or is a business combination. Accordingly, there was no impact of the amendments to the Group or KWAP.

Standards Issued But Not Yet Effective

The standards and interpretations that were issued but not yet effective up to the date of issuance of the Group’s and of KWAP’s Financial Statements are disclosed below. The Group and KWAP intend to adopt these standards, if applicable, when they become effective.

<table>
<thead>
<tr>
<th>Description</th>
<th>Effective for annual periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFRS 15 – Revenue from Contracts with Customers</td>
<td>1 January 2018</td>
</tr>
<tr>
<td>MFRS 9 – Financial Instruments</td>
<td>1 January 2018</td>
</tr>
</tbody>
</table>

It is expected that the adoption of the standards and interpretations above will have no material impact to the Financial Statements of the period of initial application, except as described below.

MFRS 9 – Financial Instruments

MASB issued the final version of the MFRS 9 – Financial Instruments (“MFRS 9”) in November 2014, which reflects all phases of the financial instruments project as well as replaces the MFRS 139 – Financial Instruments: Recognition and Measurement (“MFRS 139”) and all previous versions of MFRS 9. The standard introduces new requirements for the classification and measurement, impairment and hedge accounting. MFRS 9 is effective for the annual periods beginning on or after 1 January 2018, whereby early adoption is permissible. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an impact on the classification, measurement as well as impairment of the Group’s and of KWAP’s financial assets and financial liabilities. The Group and KWAP have undertaken the initial impact assessment of the standard to the Financial Statements with the scheduled adoption of the standard on 1 January 2018.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.3 **Subsidiaries And Basis Of Consolidation**

(a) **Subsidiaries**

Subsidiaries are entities over which the Group has all of the following criterias:

- Power to exercise control over the financial and operating policies to direct the relevant activities of the entity;
- Exposure, or rights, to the variable returns from its investment with the entity; and
- The ability to use its power over the entity to affect its returns.

Subsidiaries are consolidated from the date of which control is transferred to the Group and are de-consolidated from the date that control ceases. Investments of unquoted shares in subsidiaries are recognised at cost whereby the amount is reconciled to the recoverable value including impairment losses for the year, if any. The policy in relation to the recognition and measurement of impairment losses is as set out in Note 2.19.

Acquisition cost is measured at fair value of the assets received, equity instruments issued and existing outstanding liabilities or liabilities assumed at the date of exchange, plus direct costs attributable to the acquisition.

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the Non-Controlling Interests, if any.

Upon disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in profit or loss.

(b) **Basis of consolidation**

The consolidated Financial Statements comprise the Financial Statements of KWAP and its subsidiaries. The individual Financial Statements of KWAP and its subsidiaries used in the preparation of the consolidated Financial Statements are prepared for the same reporting date. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the event where KWAP has less than the majority of the voting rights in an entity, consideration of the following is required in the assessment on the sufficiency of the voting rights in relation to KWAP’s power over the entity:

- The size of KWAP’s holding of voting rights relative to the size and dispersion of the holdings of other vote holders;
- Potential voting rights held by KWAP, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts or circumstances which indicate KWAP’s current ability to direct the relevant activities at the time of the decision making including the voting patterns at previous shareholders’ meetings.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries And Basis Of Consolidation (continued)

(b) Basis of consolidation (continued)

Intra group transactions, balances and unrealised gains or losses on transactions between KWAP and its subsidiaries are eliminated. Inclusive are the unrealised losses which are also considered as an impairment indicator on the assets transferred. The consolidated Financial Statements reflect only the external transactions of KWAP.

Losses within subsidiaries are attributed to the Non-Controlling Interests even if the attribution results in a deficit balance.

(c) Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred, measured at fair value on the acquisition date and the amount of Non-Controlling Interest in an entity, if any. The Group elects on a transaction-by-transaction basis, whether to measure the Non-Controlling Interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are recognised as administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration deemed to be an asset or liability, will be recognised in the Statement of Comprehensive Income, in accordance with MFRS 139 - Financial Instruments: Recognition and Measurement ("MFRS 139") either in profit or loss or as changes to Other Comprehensive Income. Re-measurement is not required in the event the contingent consideration is classified as equity.

Subsequent settlement is accounted for within equity.

In instances where the contingent consideration is outside the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Upon the acquisition of a business by the Group, assessment on the financial assets and liabilities is required for the appropriate designation and classification in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Inclusive is the separation of embedded derivatives in host contracts by the acquiree.

In the event the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to the fair value at the subsequent acquisition date through profit or loss.

Goodwill, being the excess of the aggregate of consideration transferred and the amount recognised for Non-Controlling Interests over the net identifiable assets acquired and liabilities assumed, is initially recognised at cost. In the event the said consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in profit or loss.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.4 **Investments In Associates And Joint Ventures**

Associates are entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but not the control or joint control over those policies.

Joint ventures are joint arrangements in structure and legal form whereby the parties establish joint control with rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions of relevant activities require the unanimous consent of the parties sharing the control.

On the acquisition of an investment in associates or joint ventures, any excess of the cost of investment over the Group’s share of the net fair value of identifiable assets and liabilities of the entity is recognised as goodwill and subsequently included in the carrying amount of the investment. Any excess of the Group’s share of the net fair value of identifiable assets and liabilities of the entity over the cost of investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the Group’s share of the associate’s or joint venture’s profit or loss for the period in which the investment is acquired.

Associates or joint ventures are accounted for using the equity method from the date the entity is recognised as an associate or a joint venture.

Under the equity method, the initial recognition of the investment in associates or joint ventures is recognised at cost, with the increase or decrease in the carrying amount recognised in the Group’s share of profit or loss and Other Comprehensive Income of the associate or joint venture after the acquisition date. In the event the Group’s share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, further recognition of losses is not required by the Group with the exception of legal or constructive obligations or payments made on behalf of the associate or joint venture, if any.

Any gains or losses arising from the upstream and downstream transactions between the Group and its associates or joint ventures are recognised in the consolidated Financial Statements only to the extent of unrelated investors’ interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The preparation of the Financial Statements of the associates and joint ventures is of the same reporting date as the Group. Adjustments are made for the standardisation of the accounting policies in line with the policies of the Group, where necessary.

Subsequent to the application of the equity method, the Group applies MFRS 136 - Impairment of Assets (“MFRS 136”) to determine the necessity of the recognition of additional impairment losses with respect to its net investment in associates or joint ventures, if any. The entire carrying amount of the investment is tested as a single asset for impairment in accordance with MFRS 136, using the comparison between the recoverable amount (higher of value in use and fair value less costs to sell) and the carrying amount, where necessary. Impairment losses are recognised in profit or loss, if any. Reversal of impairment losses is recognised to the extent that the recoverable amount of the investment subsequently increases.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment upon indication that the intangible asset may be impaired, when necessary. The amortisation period and amortisation method for intangible assets with finite useful lives are reviewed at each reporting date.

Changes in the expected useful lives or the expected pattern of consumption of the future economic benefits embodied in the asset are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense of intangible assets with finite useful lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently upon indication that the carrying value may be impaired either individually or at the Cash-Generating Unit (“CGU”) level. Amortisation of the said intangible assets is not required. The useful lives of intangible assets with indefinite useful lives are reviewed annually to determine the feasibility of the useful life assessment. In the event it is no longer feasible to support the useful life, the change in the useful life from indefinite to finite is executed on a prospective basis.

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss upon derecognition.

Depreciation of intangible asset is provided for on a straight-line basis where the cost of the asset is written off to its residual value based on the following rate:

| Computer software and licenses | 33.33% |

2.6 Property And Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Group and KWAP and the cost of the item can be reliably measured.

Subsequent to the initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

In the event of a requirement for the replacement of significant parts of the property and equipment in intervals, such parts are recognised as individual assets with specific useful lives and depreciation, respectively. Likewise, in the event of a major inspection, the replacement cost is recognised in the carrying amount of the property and equipment subject to the fulfilment of the recognition criteria. All other costs of repair and maintenance are recognised in profit or loss as incurred.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property And Equipment (continued)

Depreciation of property and equipment is provided for on a straight-line basis where the cost of each asset is written off to its residual value based on the following rates:

- Computers: 20.00%
- Office Furniture and Equipment: 20.00%
- Gymnasium Equipment: 20.00%
- Paintings: 20.00%
- Vehicles: 20.00%
- Electrical Equipment: 33.33%

Capital work-in-progress consist of, amongst others, renovation work-in-progress and information system enhancement or upgrade-in-progress. Such capital work-in-progress and non-water colour based paintings are recognised at cost and are not depreciated until the respective assets are ready for their intended use.

The carrying values of property and equipment are reviewed for impairment upon occurrence of events or changes in circumstances which indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, where appropriate.

An item of property and equipment is derecognised upon disposal or when future economic benefits are no longer expected from its use or disposal. Gains or losses on the derecognition of assets are recognised in profit or loss in the year the asset is derecognised.

2.7 Financial Assets

Financial assets are recognised in the Statements Of Financial Position when, and only when, the Group and KWAP become a party to the contractual provisions of the financial instrument. Upon the initial recognition, financial assets are measured at fair value plus related transaction cost.

The classification of financial assets is determined at the initial recognition, whereby the categories include Financial Assets At Fair Value Through Profit Or Loss, Loans and Receivables and Available-For-Sale financial assets.

(a) Financial Assets at Fair Value Through Profit Or Loss

Financial Assets at Fair Value Through Profit Or Loss are Financial Assets Held-For-Trading, derivative financial assets or designated as such upon the initial recognition. Financial Assets Held-For-Trading are financial assets acquired for the purpose of trading, repurchase or sale in the near term. Other investment instruments classified as Financial Assets Held-for-Trading are fixed income investment instruments designated under the trading portfolio as well as derivatives instruments purchased directly or embedded in contracts that were entered into as at the date of the Statement of Financial Position.
NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets (continued)

(a) Financial Assets at Fair Value Through Profit Or Loss (continued)

Subsequent to the initial recognition, Financial Assets at Fair Value Through Profit Or Loss are measured at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss. Net gains or net losses on Financial Assets at Fair Value Through Profit Or Loss exclude exchange differences, interest and dividend income. Exchange differences, interest and dividend income on Financial Assets at Fair Value Through Profit Or Loss are separately recognised in profit or loss as part of other income or losses.

Derivatives embedded in host contracts are recognised as separate derivatives and recorded at fair value, if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not classified as Held-For-Trading or designated at Fair Value Though Profit Or Loss. Such embedded derivatives are measured at fair value whereby changes in the fair value are recognised in profit or loss. Reassessment is required in the event of changes in the terms of the contract with significant modification to the cash flows.

If embedded derivatives cannot be reliably measured separately either at the acquisition or at the end of the subsequent financial reporting period, the entire instrument is designated at Fair Value Through Profit Or Loss. However, if the entire instrument cannot be reliably measured, the entire instrument is then measured at cost less impairment.

Financial Assets at Fair Value Through Profit Or Loss are either presented as current or non-current assets. Financial assets held primarily for trading purposes are presented as current assets whereas financial assets not held primarily for trading purposes are presented as either current or non-current assets based on its settlement date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to the initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss upon the impairment of loans and receivables through the amortisation process.

Loans and receivables are classified as current assets with the exception of loans and receivables with maturity dates of more than 12 months after the reporting date, which are classified as non-current assets.

(c) Available-For-Sale Financial Assets

Available-For-Sale financial assets are non-derivative financial assets designated as Available-For-Sale or are not classified in any other categories of financial assets under MFRS 139.

Following the initial recognition, Available-For-Sale financial assets are measured at fair value. Gains or losses from changes in the fair value of financial assets are recognised in Other Comprehensive Income, with the exception of impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated under the effective interest method. Impairment losses, foreign exchange gains and losses on monetary instruments and interest are recognised in profit or loss. The cumulative gains or losses previously recognised in Other Comprehensive Income are reclassified from equity to profit or loss as reclassification adjustment upon the derecognition of the financial assets. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends from Available-For-Sale equity instruments are recognised in profit or loss upon the establishment of the rights to receive the payment.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.7 **Financial Assets (continued)**

(c) **Available-For-Sale Financial Assets (continued)**

Investments in equity instruments whereby the fair value cannot be reliably measured are recognised at cost less impairment losses.

Available-For-Sale financial assets are classified as non-current assets with the exception of Available-For-Sale financial assets which are expected to be realised within 12 months after the reporting date, which are classified as current assets.

Financial assets are derecognised upon the expiry of the contractual right to receive cash flows from the assets. On the derecognition of financial assets in its entirety, the difference between the carrying amount and the sum of consideration received including cumulative gains or losses previously recognised in Other Comprehensive Income, if any, is recognised in profit or loss.

Regular way purchases or sales of financial assets are purchases or sales with the required delivery of financial assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date the Group and KWAP commit to purchase or sell the assets.

2.8 **Other Assets**

Other assets are recognised at the anticipated realisable value. Bad debts are recognised and subsequently written off when identified. Estimation for doubtful debts is based on the review of all outstanding balances at reporting date.

2.9 **Cash And Cash Equivalents**

Cash and cash equivalents comprise cash on hand, cash at bank and deposits with financial institutions that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value, net of bank overdrafts. Cash equivalents include short term deposits placement with maturity not more than 90 days.

2.10 **Leases**

**As lessee**

Operating leases are leases where the substantial risk and reward of ownership of the assets are retained by the lessor. KWAP leases an office space in Cyberjaya for its Pension Services Department. Payments made under operating lease are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

**As lessor**

Operating leases are leases where the substantial risk and reward of ownership of the assets are retained by the lessor. Lease income is recognised over the term of the lease on a straight-line basis.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment Properties

Investment properties comprise land, completed properties and properties under construction ("IPUC") which are held for capital appreciation or rental purposes or both, and generally are not occupied for the use or in the operations of the Group. Investment properties are classified as long term investments with the initial recognition at cost including transaction costs.

Following initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any, with the exception of freehold land with unlimited useful life and IPUC, which are not depreciated. IPUC are not depreciated as they are not ready for their intended use. Other investment properties are depreciated over the estimated economic useful lives. The depreciation charged for the leasehold land is ninety nine (99 years) per annum on a straight line method. The policy for the recognition and measurement of impairment losses of investment properties are set out in Note 2.19.

The residual value, useful life and depreciation method of investment properties are reviewed at the end of each financial year, and adjusted prospectively, when appropriate.

Investment properties are derecognised upon disposal or permanent withdrawal from use whereby no future economic benefit is expected from the disposal or retirement. Gains or losses on the disposal or retirement of investment properties are recognised in profit or loss in the year of disposal or retirement.

Transfers are made to or from investment properties when, and only when, there is a change in use. In terms of a transfer from an investment property to owner-occupied property, the deemed cost for subsequent accounting purposes is the fair value at the date of change in use. For a transfer from an owner-occupied property to investment property, the property is subsequently accounted for in accordance with the accounting policy for property and equipment set out in Note 2.6 up to the date of change in use.

Freehold land with unlimited useful life is not depreciated and recognised at cost less impairment losses, if any.

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>2.50%</td>
</tr>
<tr>
<td>Office renovation</td>
<td>16.67%</td>
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<tr>
<td>Investment Property – low value pool</td>
<td>18.75%</td>
</tr>
</tbody>
</table>

2.12 Provisions

Provisions are recognised upon the present obligation (legal or constructive) resulting from past events where the outflow of economic resources to settle the obligation is probable and the amount of the obligation is reliably measured.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. Reversal of provisions is executed in the event where the outflow of economic resources required to settle the obligation is no longer probable. Provisions are discounted using the current pre-tax rate, where appropriate, in relation to the time value of money. Upon the discounting of provisions, the increase in provisions due to the passage of time is recognised as finance cost.

2.13 Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities, within the scope of MFRS 139, are recognised in the Statements Of Financial Position when, and only when, the Group and KWAP become a party to the contractual provisions of the financial instruments. Financial liabilities are classified as either Financial Liabilities at Fair Value Through Profit Or Loss or Other Financial Liabilities.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.13 **Financial Liabilities (continued)**

(a) **Financial Liabilities at Fair Value Through Profit or Loss**

Financial Liabilities at Fair Value Through Profit Or Loss include financial derivatives that do not fulfil the hedge accounting criterias. Financial derivatives are measured at fair value, whereby the gains or losses are recognised in profit or loss. Exchange differences are included in the net gains or losses on derivatives.

(b) **Other Financial Liabilities**

Other Financial Liabilities include trade and other payables as well as loans and borrowings.

Trade and other payables are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities with the exception of borrowings with the unconditional right to defer the settlement of the liability for a minimum of 12 months after the reporting date, which are classified as non-current liabilities.

Gains and losses of Other Financial Liabilities are recognised in profit or loss upon the derecognition of the liabilities via the amortisation process.

Financial liabilities are derecognised when the obligation under the liability is extinguished. In the event of a replacement of an existing financial liability from the same lender with substantially different terms, or substantial modification of the terms of an existing liability, the modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts of the liabilities is recognised in profit or loss.

2.14 **Borrowing Costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of the asset. Capitalisation of borrowing costs commences upon the execution of activities to prepare the asset for its intended use or the occurrence of expenditures and borrowing cost when the sale is in progress. Borrowing costs are capitalised until the substantial completion for the intended use or sale of the asset.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection to the borrowing of funds.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Revenue And Income Recognition

Revenue and income are recognised to the extent that the inflow of economic benefits is probable and can be reliably measured. Revenue and income are measured at the fair value of the consideration received or receivable.

(a) Dividend income

Dividend income is recognised upon the establishment of the right to receive payment.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Gains or losses on disposal of investment

Gains or losses on disposal of investments are recognised upon the satisfaction of all terms of the agreement leading to the sale of the investments.

(d) Rental income

Rental income is recognised on an accrual basis over the term of the lease.

2.16 Income Tax

(a) Current tax

Current tax assets and liabilities are measured at the expected recoverable amount from the taxation authorities. The tax rates and tax laws employed for the computation of the recoverable amount are the tax rates and laws enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss with the exception of tax related items which are recognised outside profit or loss, either in Other Comprehensive Income or directly in equity.

KWAP is exempted from income tax in accordance with Section 127[3A] of the Income Tax Act 1967 for all income from domestic sources. All income from international sources are subject to the income tax laws and rates of the respective country of origin.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income Tax (continued)

(b) Deferred tax

Deferred tax is a provision using the liability method based on the differences between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liabilities arise from the initial recognition of goodwill or of assets or liabilities in transactions that are not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in transactions that are not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 utilisation of the deferred tax assets. 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 utilisation of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year upon the realisation of the assets or settlement of the liabilities based on the tax rates and laws that were enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Such deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity. Deferred tax arising from a business combination is adjusted against the respective goodwill on acquisition.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off the current tax assets against the current tax liabilities, whereby the deferred taxes relate to the same taxable entity and taxation authority.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.17 **Foreign Currencies**

- **(a) Functional and presentation currency**

  The individual Financial Statements of each entity in the Group is 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 (“RM”) being the functional currency of the Group and of KWAP.

- **(b) Foreign currency transaction and balances**

  Transactions in foreign currencies are measured in the respective functional currencies of KWAP and its subsidiaries and are recorded on initial recognition in the functional currencies at the exchange rates prevailing on the transaction dates.

  Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot exchange rate at the reporting date.

  Exchange differences arising on the settlement of monetary items or on the translation of monetary items at the reporting date are recognised in the Statement of Comprehensive Income with the exception of the exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations. Such items are recognised initially in Other Comprehensive Income and accumulated under the foreign exchange reserves in Other Comprehensive Income.

  Non-monetary items denominated in foreign currencies measured at historical cost are translated using the spot exchange rates at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

  Exchange differences arising from the translation of non-monetary items carried at fair value are recognised in the Statement of Comprehensive Income for the financial year that it is incurred, with the exception of the exchange differences arising from the translation of non-monetary items whereby the respective gains and losses are recognised in Other Comprehensive Income.

- **(c) Foreign operations**

  The financial results and financial position of foreign operations with a different functional currency from the presentation currency of Ringgit Malaysia of the consolidated Financial Statements are translated into Ringgit Malaysia as follows:

  - Assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
  - Income and expenses for each Statement of Comprehensive Income are translated at the average exchange rates for the financial year; and
  - All resulting exchange differences are recognised directly to Other Comprehensive Income through the foreign exchange reserve.

  In the event of disposal of a foreign operation, the cumulative amount of exchange differences in relation to the foreign operation previously recognised in Other Comprehensive Income and accumulated in a separate component of equity, is reclassified from equity to the Statement of Comprehensive Income (as a reclassification adjustment) upon the recognition of gains or losses on disposal.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.17 **Foreign Currencies (continued)**

(c) **Foreign operations (continued)**

In relation to partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of exchange differences previously recognised in Other Comprehensive Income is reattributed to the Non-Controlling Interests in that foreign operation. For other partial disposal of a foreign operation, the proportionate share of the cumulative amount of exchange differences previously recognised in Other Comprehensive Income is reclassified to the Statement of Comprehensive Income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are recognised as assets and liabilities of the foreign operations and translated at the closing rate prevailing at the reporting date.

2.18 **Impairment Of Non-Financial Assets**

Impairment assessment is executed at each reporting date to identify the indication for impairment of assets. In the event of an indication for impairment or the requirement for an impairment assessment, the estimated recoverable amount of the asset is established.

Recoverable amount is the higher of fair value of the asset less costs to sell and value in use of the asset. For impairment assessment purposes, assets are grouped at the lowest levels where the cash flows are separately identifiable, i.e. cash-generating units (“CGU”).

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

Assessment is executed at each reporting date to determine the indication of previously recognised impairment losses that may no longer exist or may have decreased. Previously recognised impairment losses are only reversed in the event of changes in the estimates used to determine the asset’s recoverable amount from the previous recognition of impairment losses. In this case, the carrying amount of the asset is increased to its recoverable amount. However, such increase shall not exceed the previously determined carrying amount, net of depreciation, whereby there were no impairment losses previously recognised. Reversal of impairment losses is recognised in profit or loss. Impairment losses on goodwill are not reversed in the subsequent period.
NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment Of Financial Assets

(a) Trade and other receivables and other financial assets carried at amortised cost

Factors such as probability of insolvency or significant financial difficulties of the debtor as well as default or significant delay in payments are taken into consideration to determine the objective evidence for impairment losses of financial assets. Collective impairment assessment is executed based on similar risk characteristics of the assets. Objective evidence for impairment for a portfolio of receivables may include past experience of payment collections, increase in the number of delayed payments in the portfolio beyond the average credit period as well as observable changes in the national or local economic conditions that correlate with the default on receivables.

If any such evidence exists, the amount of impairment losses is measured as the difference between the carrying amount of financial assets and the present value of the estimated future cash flows discounted at the original effective interest rate of financial assets. Impairment losses are recognised in profit or loss.

The carrying amount of financial assets is directly reduced by the impairment losses of financial assets with the exception of trade receivables whereby the carrying amount is reduced through the use of an allowance account. If the trade receivables become uncollectible, such trade receivables are written off against the respective allowance account.

In the event of a decrease in the amount of impairment losses in the subsequent period which is objectively related to an event occurring after the recognition of the initial impairment, the previously recognised impairment losses are reversed to the extent where the carrying amount of assets do not exceed its amortised cost at its reversal date. The reversal of impairment is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

In the event of an objective evidence for impairment losses of financial assets carried at cost (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer), the amount of impairment losses is measured as the difference between the carrying amount of financial assets and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment losses shall not be reversed in subsequent periods.

(c) Available-For-Sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor as well as the disappearance of an active trading market are considerations to determine the objective evidence for impairment of investment securities classified as Available-For-Sale financial assets.

In the impairment of Available-For-Sale financial assets, the amount comprising the difference between the cost (net of principal payment and amortisation, if any) and the current fair value less impairment losses previously recognised in profit or loss of financial assets, if any, is transferred from equity to profit or loss.

Impairment losses on Available-For-Sale financial assets shall not be reversed in profit or loss in the subsequent periods. The increase in fair value, if any, subsequent to impairment losses is recognised in Other Comprehensive Income. If the increase in fair value of debt investment can be objectively related to an event occurring after the initial recognition of impairment losses in profit or loss, the impairment losses are subsequently reversed in profit or loss.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.20 **Employee Benefits**

(a) **Short term benefits**

Wages, salaries, bonuses, social security contributions (SOCSO), Employees Provident Fund (EPF) contribution or pension contribution and gratuity to contract employees are recognised as expenses in the year in which the associated services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when the services are rendered by the employees which subsequently increase the employees’ entitlement to future compensated absences. Meanwhile, short term non-accumulated compensated absences such as sick leave are recognised when the absences occur.

(b) **Long term benefits**

Payments of long term benefits post-retirement and/or after the expiry of the contracts are recognised as employee benefits expenses on an accrual basis in the current year of the Statement of Comprehensive Income. At the same time, such amounts are recognised as liabilities categorised as employee benefits in the Statement of Financial Position. Types of long term benefits recognised on an accrual basis are as follows:

- Medical benefit to retirees; and
- Cash award in lieu of annual leave.

2.21 **Fair Value Measurement**

Financial instruments, such as derivatives and financial investments, are measured at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are set out in Note 29 to the Financial Statements.

Fair value is the price that would be received upon the sale of assets or paid upon the transfer of liabilities in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions for the sale of assets or transfer of liabilities occur either:

- In the principal market for the assets or liabilities, or
- In the absence of the principal market, in the most advantageous market for the assets or liabilities.

The principal or the most advantageous market must be accessible by the Group and KWAP. The fair value of assets or liabilities are measured using the assumptions that the market participants would use when pricing the assets or liabilities, assuming that the market participants will behave in their economic best interest.

The fair value measurement of non-financial assets takes into consideration the market participant’s ability to generate the economic benefits by the utilisation of the assets in its highest and best use or by sale to another market participant that would utilise the assets in its highest and best use.

The Group and KWAP employ valuation techniques that are deemed appropriate in circumstances whereby sufficient data are available for the fair value measurement, with the maximisation of the use of relevant observable inputs and minimisation of the use of unobservable inputs.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Fair Value Measurement (continued)

Assets and liabilities for which the fair value is measured or disclosed in the Financial Statements are categorised in accordance with the following fair value hierarchy, based on the lowest level of input significant to the fair value measurement as a whole:

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

In relation to assets and liabilities recognised in the Financial Statements on a recurring basis, reassessment of the categorisation is conducted to determine the occurrence of transfers of assets between the levels in the hierarchy (based on the lowest level of input significant to the fair value measurement as a whole) at the reporting date.

2.22 Contingent Assets And Contingent Liabilities

Contingent Assets are possible assets that arise from past events whereby the existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and KWAP. There is no recognition of Contingent Assets, only disclosure of its existence where the inflow of economic benefits is probable but virtually uncertain.

Contingent Liabilities are possible obligations that arise from past events whereby the existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and KWAP, or present obligations that are not recognised because it is not probable that an outflow of resources will be required to settle the obligation. Contingent Liabilities may also arise in the extremely rare case where a liability is not recognised due to its inability to be measured reliably. There is no recognition of Contingent Liabilities, only its disclosure in the Financial Statements.

2.23 Allocation of Statutory Funds

KWAP receives an annual allocation from the Federal Government in accordance with section 13 of the Retirement Fund Act 2007 (ACT 662).

2.24 Pension Contribution

Pension contributions are recognised upon receipt of contributions from Statutory Bodies, Local Authorities and other Agencies as well as Government’s share, gratuities and other deductions in accordance with the Statutory and Local Authorities Pensions Act, 1980 (Act 239) and Service Circular No. 12/2008. Penalty for late contribution payments are recognised on cash basis.
3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities as well as the accompanying disclosures and the disclosure of Contingent Assets and Liabilities in accordance with the MFRS. Uncertainties in relation to the assumptions and estimates may result in outcomes with the requirement for material adjustments to the carrying amount of affected assets or liabilities in future periods.

Judgements applied by management in the application of accounting policies, key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date with significant risk of material adjustments to the carrying amount of affected assets and liabilities within the next financial year are discussed as follows:

**(a) Impairment of interest in subsidiaries and associates**

Assessment on the objective evidence for impairment of investments are conducted at each reporting date. Factors such as, amongst others, the prolonged shortfall between the indicative fair value and the carrying amount, significant changes with adverse effects on the investment as well as the deterioration of the financial performance of investment are taken into consideration to determine the objective evidence for impairment, if any.

Judgements are applied by management in the selection of a suitable method of valuation such as, amongst others, the discounted cash flow, realisable net asset value and sector average price-earning ratio depending on the nature as well as the industries in relation to the investment.

Upon the selection of a suitable method of valuation, certain assumptions are established to estimate the future recoverable amount of the investment. Such assumptions may include, amongst others, assumptions on the expected future cash flows, revenue growth, discount rate used for the purpose of discounting the future cash flows, which incorporates the relevant risks as well as the expected future outcome of certain past events relating to the specific individual investment.

**(b) Impairment of investments**

Impairment of investment is executed following certain indication for impairment such as, amongst others, the prolonged shortfall between the market value and the carrying amount, significant changes with adverse effects on the investment as well as the deterioration of the financial performance of the investment.

Judgement is required upon the determination of the definition of “significant” or “prolonged”. Formulation of the judgement requires the evaluation of other factors, such as, the historical fair value movements as well as the duration and extent to which the fair value of an investment is less than its cost. The Group and KWAP considers the “significant” decline in fair value of investment as more than twenty percent (20%) decline whereas the “prolonged” period as a period greater than twelve (12) months.

Judgements are applied in the selection of a suitable method of valuation for investments such as, amongst others, the discounted cash flow, realisable net asset value and sector average price-earning ratio depending on the nature and the industries relating to the investment.
3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of non-financial assets

Impairment of non-financial assets is executed when the carrying value of assets or cash generating unit (“CGU”) exceeds the recoverable amount of assets or CGU, which is the higher of the fair value less costs to sell and value in use. The calculation of the fair value less costs to sell is based on the available data from binding sales transactions, conducted at arm’s length for similar assets or the observable market prices less the incremental costs for the disposal of assets. The calculation of the value in use is based on the discounted cash flow model whereby the cash flows are derived from the next five-year budget excluding the restructuring activities yet to be committed by the Group or KWAP, or significant future investments that will enhance the asset performance of the tested CGU. The recoverable amount is most sensitive to the discount rate employed for the discounted cash flow model and the expected future cash inflows as well as the growth rate used for extrapolation purposes.

(d) Fair value of financial instruments

Fair value is the price that would be received upon the sale of assets or paid upon the transfer of liabilities in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions for the sale of the assets or transfer of liabilities occur either in the principal market for the assets or liabilities, or in the absence of the principal market, in the most advantageous market for the assets or liabilities.

The fair value of assets or liabilities is measured using the assumptions that the market participants would use when pricing the assets or liabilities, assuming that the market participants behave in their economic best interest.

In the absence of an active market, the fair value of financial instruments is determined using the valuation techniques that are deemed appropriate in circumstances whereby sufficient data are available for the fair value measurement with the maximisation of the use of relevant observable inputs and the minimisation of the use of unobservable inputs.
4. **FINANCIAL EFFECTS ARISING FROM THE ADOPTION OF THE MFRS FRAMEWORK AND CHANGES IN ACCOUNTING POLICIES**

Reconciliation of the Statements of Financial Position as at 1 January 2015

<table>
<thead>
<tr>
<th>Group</th>
<th>PERS as at 01.01.2015 RM’000</th>
<th>Adjustments RM’000</th>
<th>MFRS as at 01.01.2015 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property And Equipment</td>
<td>7,339</td>
<td>(2,345)</td>
<td>4,994</td>
</tr>
<tr>
<td>Computer Softwares</td>
<td>-</td>
<td>2,560</td>
<td>2,560</td>
</tr>
<tr>
<td>Investments</td>
<td>100,678,668</td>
<td>(100,678,668)</td>
<td>-</td>
</tr>
<tr>
<td>Investment Properties</td>
<td>4,969,955</td>
<td>(500,829)</td>
<td>4,469,126</td>
</tr>
<tr>
<td>Investment In Associates</td>
<td>114,931</td>
<td>325,141</td>
<td>440,072</td>
</tr>
<tr>
<td>Investment In Joint Ventures</td>
<td>-</td>
<td>962,841</td>
<td>962,841</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>-</td>
<td>12,993,455</td>
<td>12,993,455</td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>-</td>
<td>85,873,251</td>
<td>85,873,251</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>105,770,893</td>
<td>(1,024,594)</td>
<td>104,746,299</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans To Subsidiaries And Associates</td>
<td>10,000</td>
<td>(10,000)</td>
<td>-</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>-</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Fair Value Through Profit And Loss Investments</td>
<td>-</td>
<td>1,694,906</td>
<td>1,694,906</td>
</tr>
<tr>
<td>Derivatives Financial Assets</td>
<td>-</td>
<td>4,156</td>
<td>4,156</td>
</tr>
<tr>
<td>Other Debtors</td>
<td>78,682</td>
<td>(78,682)</td>
<td>-</td>
</tr>
<tr>
<td>Deposits And Prepayments</td>
<td>28,141</td>
<td>(28,141)</td>
<td>-</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>-</td>
<td>88,955</td>
<td>88,955</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>1,296,564</td>
<td>(429,309)</td>
<td>867,255</td>
</tr>
<tr>
<td>Deposit And Placements With Financial Institution</td>
<td>-</td>
<td>4,519,301</td>
<td>4,519,301</td>
</tr>
<tr>
<td>Cash And Cash Equivalents</td>
<td>4,412,942</td>
<td>(4,412,942)</td>
<td>-</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>-</td>
<td>658,584</td>
<td>658,584</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,826,329</td>
<td>2,506,828</td>
<td>8,333,157</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>-</td>
<td>339,688</td>
<td>339,688</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>472,699</td>
<td>81,370</td>
<td>554,069</td>
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<tr>
<td>Other Payables And Accruals</td>
<td>64,503</td>
<td>56,691</td>
<td>121,194</td>
</tr>
<tr>
<td>Accrued Expenditure</td>
<td>56,573</td>
<td>(56,573)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>593,775</td>
<td>421,176</td>
<td>1,014,951</td>
</tr>
<tr>
<td><strong>Net Current Liabilities</strong></td>
<td>5,232,554</td>
<td>2,085,652</td>
<td>7,318,206</td>
</tr>
<tr>
<td></td>
<td>111,003,447</td>
<td>1,061,058</td>
<td>112,064,505</td>
</tr>
</tbody>
</table>

**Financed By:**

<table>
<thead>
<tr>
<th></th>
<th>PERS as at 01.01.2015 RM’000</th>
<th>Adjustments RM’000</th>
<th>MFRS as at 01.01.2015 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation Of Statutory Funds</td>
<td>24,101,944</td>
<td>-</td>
<td>24,101,944</td>
</tr>
<tr>
<td>Pension Contributions</td>
<td>40,671,410</td>
<td>-</td>
<td>40,671,410</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>43,598,398</td>
<td>(122,820)</td>
<td>43,475,578</td>
</tr>
<tr>
<td>Foreign Exchange Reserves</td>
<td>779,377</td>
<td>(779,377)</td>
<td>-</td>
</tr>
<tr>
<td>Non-Controlling Interest</td>
<td>1,686</td>
<td>(1,686)</td>
<td>-</td>
</tr>
<tr>
<td>Available-For-Sale Reserves</td>
<td>44,379,461</td>
<td>(903,883)</td>
<td>43,475,578</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>109,152,815</td>
<td>1,074,264</td>
<td>110,227,079</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,850,632</td>
<td>(13,206)</td>
<td>1,837,426</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>111,003,447</td>
<td>1,061,058</td>
<td>112,064,505</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4.  FINANCIAL EFFECTS ARISING FROM THE ADOPTION OF THE MFRS FRAMEWORK AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Reconciliation of Statements of Financial Position as at 1 January 2015 (continued)

<table>
<thead>
<tr>
<th>Non-Current Assets</th>
<th>PERS as at 01.01.2015</th>
<th>Adjustments</th>
<th>MFRS as at 01.01.2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property And Equipment</td>
<td>7,054</td>
<td>(2,560)</td>
<td>4,494</td>
</tr>
<tr>
<td>Computer Softwares</td>
<td>2,560</td>
<td></td>
<td>2,560</td>
</tr>
<tr>
<td>Investments</td>
<td>100,678,668</td>
<td>(100,678,668)</td>
<td>-</td>
</tr>
<tr>
<td>Investment In Subsidiaries</td>
<td>2,681,131</td>
<td>506,571</td>
<td>3,187,702</td>
</tr>
<tr>
<td>Investment In Associates</td>
<td>86,670</td>
<td>323,136</td>
<td>409,806</td>
</tr>
<tr>
<td>Investment In Joint Ventures</td>
<td>-</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>-</td>
<td>13,626,708</td>
<td>13,626,708</td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>-</td>
<td>85,873,251</td>
<td>85,873,251</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>103,453,523</td>
<td>(339,002)</td>
<td>103,114,521</td>
</tr>
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<table>
<thead>
<tr>
<th>Current Assets</th>
<th>PERS as at 01.01.2015</th>
<th>Adjustments</th>
<th>MFRS as at 01.01.2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans To Subsidiaries And Associates</td>
<td>643,253</td>
<td>(643,253)</td>
<td>-</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>-</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Fair Value Through Profit And Loss Investments</td>
<td>-</td>
<td>1,694,906</td>
<td>1,694,906</td>
</tr>
<tr>
<td>Derivatives Financial Assets</td>
<td>-</td>
<td>4,156</td>
<td>4,156</td>
</tr>
<tr>
<td>Other Debtors</td>
<td>75,438</td>
<td>(75,438)</td>
<td>-</td>
</tr>
<tr>
<td>Deposits And Prepayments</td>
<td>22,559</td>
<td>(22,559)</td>
<td>-</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>-</td>
<td>77,699</td>
<td>77,699</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>1,326,836</td>
<td>(429,310)</td>
<td>897,526</td>
</tr>
<tr>
<td>Deposit And Placements With Financial Institution</td>
<td>-</td>
<td>4,509,265</td>
<td>4,509,265</td>
</tr>
<tr>
<td>Cash And Cash Equivalents</td>
<td>4,320,266</td>
<td>(4,320,266)</td>
<td>-</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>-</td>
<td>465,701</td>
<td>465,701</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,388,352</td>
<td>1,760,901</td>
<td>8,149,253</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Liabilities</th>
<th>PERS as at 01.01.2015</th>
<th>Adjustments</th>
<th>MFRS as at 01.01.2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>-</td>
<td>326,481</td>
<td>326,481</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>371,347</td>
<td>79,956</td>
<td>451,303</td>
</tr>
<tr>
<td>Other Payables And Accruals</td>
<td>4,695</td>
<td>33,693</td>
<td>38,388</td>
</tr>
<tr>
<td>Accrued Expenditure</td>
<td>33,693</td>
<td>(33,693)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>409,735</td>
<td>406,437</td>
<td>816,172</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Current Liabilities</th>
<th>PERS as at 01.01.2015</th>
<th>Adjustments</th>
<th>MFRS as at 01.01.2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,978,617</td>
<td>1,354,464</td>
<td>7,333,081</td>
<td></td>
</tr>
<tr>
<td>109,432,140</td>
<td>1,354,464</td>
<td>110,447,602</td>
<td></td>
</tr>
</tbody>
</table>

Financed By:

| Allocation Of Statutory Funds | 24,101,944 | - | 24,101,944 |
| Pension Contributions | 40,671,410 | - | 40,671,410 |
| Retained Earnings | 43,897,381 | (201,280) | 43,696,101 |
| Foreign Exchange Reserves | 761,405 | (761,405) | - |
| Available-For-Sale Reserves | 44,658,786 | (962,685) | 43,696,101 |
| **Total** | 109,432,140 | 1,015,462 | 110,447,602 |

Non-Current Liabilities

| Borrowings | - | - | - |
| **Total** | 109,432,140 | 1,015,462 | 110,447,602 |
5. **INCOME**

Revenue of the Group and of KWAP consist of the following:

<table>
<thead>
<tr>
<th>Gross Investment Income</th>
<th>Group</th>
<th>31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
<th>KWAP</th>
<th>31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend Income</td>
<td>1,058,969</td>
<td>1,165,847</td>
<td>1,466,260</td>
<td>1,318,331</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains From Divestment</td>
<td>1,692,071</td>
<td>2,039,129</td>
<td>2,039,129</td>
<td>2,039,129</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>3,038,143</td>
<td>2,716,524</td>
<td>3,054,865</td>
<td>2,746,644</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental Income</td>
<td>376,834</td>
<td>431,916</td>
<td>56,125</td>
<td>86,796</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Investment Income</td>
<td>444,530</td>
<td>221,190</td>
<td>443,742</td>
<td>234,415</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,610,547</td>
<td>6,574,606</td>
<td>6,361,482</td>
<td>6,425,315</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Non-Investment Income</th>
<th>Group</th>
<th>31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
<th>KWAP</th>
<th>31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Operating Income</td>
<td>37,243</td>
<td>23,710</td>
<td>37,327</td>
<td>5,502</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Gains/(Losses) Arising From</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>332,880</td>
<td>(1,484,026)</td>
<td>311,926</td>
<td>(1,467,030)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Gains From Foreign Currency Exchange</td>
<td>930,343</td>
<td>1,412,569</td>
<td>930,356</td>
<td>1,401,232</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,300,466</td>
<td>(47,747)</td>
<td>1,279,609</td>
<td>(60,296)</td>
<td></td>
<td></td>
</tr>
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</table>
6. OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016</th>
<th>Group 31 December 2015</th>
<th>KWAP 31 December 2016</th>
<th>KWAP 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Employee Costs A</td>
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<td>66,340</td>
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Note A – Employee Costs:

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<th>KWAP 31 December 2015</th>
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<td>62,798</td>
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No. of employees as at 31 December 2016 is 592. (2015: 529)
## 7. TAXATION

### Current Taxation

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A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate of the Group and of KWAP are as follows:

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<th>KWAP 31 December 2016</th>
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<td>(290)</td>
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<td>(1,080,419)</td>
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* Different tax rates in other countries refer to the corporate tax rate of United Kingdom of 21%. (2015: 21%)
8. PROPERTY AND EQUIPMENT

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<th>Computers</th>
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<th>Gymnasium Equipment</th>
<th>Vehicles</th>
<th>Work In Progress</th>
<th>Electrical Equipment</th>
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### 8. PROPERTY AND EQUIPMENT (CONTINUED)

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<td></td>
</tr>
<tr>
<td>Charge for the year</td>
<td>1,106</td>
<td>1,551</td>
<td>1,106</td>
<td>1,527</td>
<td></td>
</tr>
<tr>
<td>Foreign Exchange Reserves</td>
<td>(24)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td>5,756</td>
<td>4,674</td>
<td>5,756</td>
<td>4,650</td>
<td></td>
</tr>
<tr>
<td><strong>Net Carrying Amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December</td>
<td>4,031</td>
<td>1,714</td>
<td>4,031</td>
<td>1,688</td>
<td></td>
</tr>
</tbody>
</table>

Computer software relates to the licence fees, other directly attributable costs in the preparation of the assets for its intended use as well as the professional fees arising directly from the bringing of the assets to its working condition.
10. **INVESTMENT PROPERTIES**

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016 RM'000</th>
<th>Group 31 December 2015 RM'000</th>
<th>KWAP 31 December 2016 RM'000</th>
<th>KWAP 31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land And Building</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>5,375,551</td>
<td>4,714,490</td>
<td>1,205,740</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>636,619</td>
<td>2,001,143</td>
<td>601,971</td>
<td>1,205,740</td>
</tr>
<tr>
<td>Reclassification to Assets Held For Sale</td>
<td>-</td>
<td>(1,340,082)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td>6,012,170</td>
<td>5,375,551</td>
<td>1,807,711</td>
<td>1,205,740</td>
</tr>
<tr>
<td><strong>Accumulated Depreciation And Impairment Losses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>247,221</td>
<td>245,364</td>
<td>19,983</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation Charge</td>
<td>125,568</td>
<td>130,547</td>
<td>28,504</td>
<td>19,983</td>
</tr>
<tr>
<td>Reclassification to Assets Held For Sale</td>
<td>-</td>
<td>(81,215)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign Exchange Reserves</td>
<td>86,882</td>
<td>(47,475)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td>459,671</td>
<td>247,221</td>
<td>48,487</td>
<td>19,983</td>
</tr>
<tr>
<td><strong>Carrying Amount As At 31 December</strong></td>
<td>5,552,499</td>
<td>5,128,330</td>
<td>1,759,224</td>
<td>1,185,757</td>
</tr>
<tr>
<td><strong>Fair Value</strong></td>
<td>6,453,939</td>
<td>5,696,263</td>
<td>1,849,540</td>
<td>1,322,540</td>
</tr>
</tbody>
</table>

There is no restriction on the realisation of the investment properties as well as no contractual obligation to either purchase, construct or develop investment properties or for the repairs, maintenance and enhancements of the properties by the Group and KWAP.

Realisation of investment properties is expected through capital appreciation on its future sale. There is no formal arrangement to sell any of the investment properties as at 31 December 2016.

As at 1 March 2017, KWAP decided to transfer its ownership of Integra Tower to Harta Integra Berkat Sdn Bhd (HIBSB); a subsidiary wholly owned by KWAP. However, there is no impact on the financial figures as the transfer is only an internal transfer between companies within the Group.
## 11. INVESTMENT IN SUBSIDIARIES

<table>
<thead>
<tr>
<th>Name</th>
<th>Country Of Incorporation/Principal Place Of Business</th>
<th>31 December 2016 RM’000</th>
<th>31 December 2015 RM’000</th>
<th>1 January 2015 RM’000 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>KWAP</td>
<td>KWAP</td>
<td></td>
</tr>
<tr>
<td>Shares At Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted Shares Outside Malaysia</td>
<td></td>
<td>2,342,294</td>
<td>3,405,123</td>
<td>3,187,702</td>
</tr>
</tbody>
</table>

Details of the subsidiaries, with the country of incorporation are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Country Of Incorporation/Principal Place Of Business</th>
<th>2016 %</th>
<th>2015 %</th>
<th>2016 %</th>
<th>2015 %</th>
<th>Principal Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>KWAP Managed Investment Trust</td>
<td>Australia</td>
<td>100.0</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>Management of investment trust</td>
</tr>
<tr>
<td>KWAP Managed Investment Trust 2</td>
<td>Australia</td>
<td>100.0</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>Management of investment trust</td>
</tr>
<tr>
<td>KWAP Managed Investment Trust 3</td>
<td>Australia</td>
<td>100.0</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>Management of investment trust</td>
</tr>
<tr>
<td>KWAP Managed Investment Trust 4</td>
<td>Australia</td>
<td>100.0</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>Management of investment trust</td>
</tr>
<tr>
<td>Prima Ekuiti (UK) Limited</td>
<td>United Kingdom</td>
<td>100.0</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>Fund management services</td>
</tr>
<tr>
<td>Prima Harta (Jersey) Unit Trust</td>
<td>Jersey</td>
<td>100.0</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>Management of investment trust</td>
</tr>
<tr>
<td>Prima Harta 2 (Jersey) Unit Trust</td>
<td>Jersey</td>
<td>100.0</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>Management of investment trust</td>
</tr>
<tr>
<td>Harta Integra Berkat Sdn Bhd</td>
<td>Malaysia</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Management of property</td>
</tr>
</tbody>
</table>

* All subsidiaries are not audited by Jabatan Audit Negara Malaysia.
### 12. INVESTMENT IN ASSOCIATES

<table>
<thead>
<tr>
<th>Shares At Cost</th>
<th>Group 31 December 2016 RM'000</th>
<th>Group 31 December 2015 RM'000 (Restated)</th>
<th>1 January 2015 RM'000</th>
<th>Group 31 December 2016 RM'000</th>
<th>Group 31 December 2015 RM'000 (Restated)</th>
<th>1 January 2015 RM'000</th>
<th>Group 31 December 2016 RM'000</th>
<th>Group 31 December 2015 RM'000 (Restated)</th>
<th>1 January 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted Shares In Malaysia</td>
<td>586,443</td>
<td>336,456</td>
<td>-</td>
<td>597,644</td>
<td>336,456</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted Shares In Malaysia</td>
<td>16,670</td>
<td>16,670</td>
<td>409,806</td>
<td>16,670</td>
<td>16,670</td>
<td>409,806</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Of Post Acquisition Reserves</td>
<td>12,111</td>
<td>23,279</td>
<td>30,266</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Allowance For Impairment Losses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>615,224</td>
<td>376,405</td>
<td>440,072</td>
<td>614,314</td>
<td>353,126</td>
<td>409,806</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Market Value Of Quoted Shares In Malaysia**

<table>
<thead>
<tr>
<th>Name</th>
<th>Quoted Shares In Malaysia</th>
<th>Unquoted Shares In Malaysia</th>
<th>Share Of Post Acquisition Reserves</th>
<th>Less: Allowance For Impairment Losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malakoff Corporation Bhd</td>
<td>547,823</td>
<td>532,377</td>
<td>-</td>
<td>547,823</td>
<td>532,377</td>
</tr>
<tr>
<td>Prestariang Bhd</td>
<td>117,257</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>117,257</td>
</tr>
</tbody>
</table>

Details of the associates, all incorporated in Malaysia, are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Country Of Incorporation/Principal Place Of Business</th>
<th>Effective Ownership Interest</th>
<th>Accounting Model Applied</th>
<th>Principal Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>ValueCap Sdn Bhd</td>
<td>Malaysia</td>
<td>33.3</td>
<td>Equity method</td>
<td>Investment in quoted securities</td>
</tr>
<tr>
<td>Malakoff Corporation Bhd</td>
<td>Malaysia</td>
<td>8.05</td>
<td>Equity method</td>
<td>Independent power producer company</td>
</tr>
<tr>
<td>Prestariang Bhd</td>
<td>Malaysia</td>
<td>11.66</td>
<td>Equity method</td>
<td>ICT service provider</td>
</tr>
</tbody>
</table>

Malakoff Corporation Bhd and Prestariang Bhd are associate of the Group based on the existence of significant influence in the entity.
12. INVESTMENT IN ASSOCIATES (CONTINUED)

Summary of the financial information in relation to each of the aggregated material associate of the Group is set out below. The summarised financial information represents the amounts in the Financial Statements of the associates and not the Group’s share of those amounts.

<table>
<thead>
<tr>
<th></th>
<th>ValueCap Sdn Bhd RM’000</th>
<th>Malakoff Corporation Bhd RM’000</th>
<th>Prestariang Bhd RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Summarised Consolidated Statement Of Comprehensive Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>242,647</td>
<td>6,098,420</td>
<td>132,072</td>
</tr>
<tr>
<td>Profit For The Year</td>
<td>46,433</td>
<td>406,042</td>
<td>9,048</td>
</tr>
<tr>
<td><strong>Summarised Consolidated Statement Of Financial Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td>49,471</td>
<td>22,967,511</td>
<td>21,355</td>
</tr>
<tr>
<td>Current Assets</td>
<td>5,436,495</td>
<td>7,296,025</td>
<td>176,120</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>5,485,966</td>
<td>30,263,536</td>
<td>197,475</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>5,003,751</td>
<td>20,967,243</td>
<td>1,482</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>409,181</td>
<td>3,164,598</td>
<td>34,493</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>5,412,932</td>
<td>24,131,841</td>
<td>35,975</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>ValueCap Sdn Bhd RM’000</th>
<th>Malakoff Corporation Bhd RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Summarised Consolidated Statement Of Comprehensive Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>29,851</td>
<td>5,301,987</td>
</tr>
<tr>
<td>Profit For The Year</td>
<td>-</td>
<td>495,047</td>
</tr>
<tr>
<td><strong>Summarised Consolidated Statement Of Financial Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td>19,532</td>
<td>23,412,551</td>
</tr>
<tr>
<td>Current Assets</td>
<td>3,192,635</td>
<td>6,175,358</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>3,212,167</td>
<td>29,587,909</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>3,001,406</td>
<td>21,878,063</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>32,311</td>
<td>1,729,728</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>3,033,717</td>
<td>23,607,791</td>
</tr>
</tbody>
</table>

* Prestariang Bhd was deemed as an associate of the Group in the financial year 2016
### 13. INVESTMENT IN JOINT VENTURES

<table>
<thead>
<tr>
<th>Shares At Cost</th>
<th>Group</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
<th>1 January 2015 (Restated)</th>
<th>KWAP 31 December 2015</th>
<th>1 January 2015 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unquoted Shares In Malaysia</td>
<td>RM'000</td>
<td>373,269</td>
<td>443,136</td>
<td>936,543</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unquoted Shares In Malaysia</td>
<td>RM'000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Share Of Post Acquisition Reserves</td>
<td>RM'000</td>
<td>10,149</td>
<td>31,131</td>
<td>16,298</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>RM'000</td>
<td>393,418</td>
<td>484,267</td>
<td>962,841</td>
<td>10,000</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Details of the joint ventures, all incorporated in Malaysia, are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Country Of Incorporation</th>
<th>Effective Ownership Interest</th>
<th>Principal Place Of Business</th>
<th>Accounting Model Applied</th>
<th>Principal Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tap Crunch International Sdn Bhd</td>
<td>Malaysia</td>
<td>50.0</td>
<td>50.0</td>
<td>50.0</td>
<td>Investment holding entity</td>
</tr>
<tr>
<td>Tap Crunch Sdn Bhd</td>
<td>Malaysia</td>
<td>50.0</td>
<td>50.0</td>
<td>50.0</td>
<td>Investment holding entity</td>
</tr>
</tbody>
</table>
13. INVESTMENT IN JOINT VENTURES (CONTINUED)

Summary of the financial information in relation to each of the aggregated material joint venture of the Group is set out below. The summarised financial information represents the amounts in the Financial Statements of the joint ventures and not the Group’s share of those amounts.

<table>
<thead>
<tr>
<th>2016</th>
<th>Tap Crunch International Sdn Bhd RM’000</th>
<th>Tap Crunch Sdn Bhd RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Summarised Consolidated Statement Of Comprehensive Income</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Revenue</strong></td>
<td>4,568</td>
</tr>
<tr>
<td></td>
<td><strong>Profit For The Year</strong></td>
<td>(4) 20,303</td>
</tr>
<tr>
<td></td>
<td><strong>Summarised Consolidated Statement Of Financial Position</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Non-Current Assets</strong></td>
<td>187,573</td>
</tr>
<tr>
<td></td>
<td><strong>Current Assets</strong></td>
<td>33</td>
</tr>
<tr>
<td></td>
<td><strong>Total Assets</strong></td>
<td>187,606</td>
</tr>
<tr>
<td></td>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Liabilities</strong></td>
<td>20,013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2015</th>
<th>Tap Crunch International Sdn Bhd RM’000</th>
<th>Tap Crunch Sdn Bhd RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Summarised Consolidated Statement Of Comprehensive Income</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Revenue</strong></td>
<td>8,420</td>
</tr>
<tr>
<td></td>
<td><strong>Profit For The Year</strong></td>
<td>(5) 90,230</td>
</tr>
<tr>
<td></td>
<td><strong>Summarised Consolidated Statement Of Financial Position</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Non-Current Assets</strong></td>
<td>171,824</td>
</tr>
<tr>
<td></td>
<td><strong>Current Assets</strong></td>
<td>21</td>
</tr>
<tr>
<td></td>
<td><strong>Total Assets</strong></td>
<td>171,845</td>
</tr>
<tr>
<td></td>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Liabilities</strong></td>
<td>20,014</td>
</tr>
</tbody>
</table>
## 14. LOANS AND RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016</th>
<th>31 December 2015</th>
<th>KWAP 31 December 2016</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>Non-Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate Institutions</td>
<td>14,707,802</td>
<td>14,175,408</td>
<td>14,707,802</td>
<td>14,175,408</td>
</tr>
<tr>
<td>- Related Parties</td>
<td>35,000</td>
<td>35,000</td>
<td>426,895</td>
<td>729,294</td>
</tr>
<tr>
<td><strong>Total Non-Current</strong></td>
<td>14,742,802</td>
<td>14,210,408</td>
<td>15,134,697</td>
<td>14,904,702</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate Institutions</td>
<td>395,000</td>
<td>461,412</td>
<td>395,000</td>
<td>461,412</td>
</tr>
<tr>
<td><strong>Total Current</strong></td>
<td>395,000</td>
<td>461,412</td>
<td>395,000</td>
<td>461,412</td>
</tr>
</tbody>
</table>

Loans and receivables to corporate institutions are subject to an interest rate ranging from 3.99% to 5.98% per annum as well as annual review.

Loans and receivables to related parties are unsecured, subject to an interest rate ranging from 0.00% to 8.00% (2015: 0.00% - 8.00%) per annum, as well as annual review.
15. AVAILABLE-FOR-SALE INVESTMENTS

<table>
<thead>
<tr>
<th>Available-for-Sale Investments</th>
<th>Group 31 December 2016 RM'000</th>
<th>Group 31 December 2015 RM'000</th>
<th>KWAP 31 December 2016 RM'000</th>
<th>KWAP 31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted Shares In Malaysia</td>
<td>39,154,091</td>
<td>35,023,868</td>
<td>39,154,091</td>
<td>35,023,868</td>
</tr>
<tr>
<td>Quoted Shares Outside Malaysia</td>
<td>6,571,521</td>
<td>5,228,502</td>
<td>6,571,521</td>
<td>5,228,502</td>
</tr>
<tr>
<td>Unquoted Equity Funds In Malaysia</td>
<td>1,518</td>
<td>30,829</td>
<td>1,518</td>
<td>30,829</td>
</tr>
<tr>
<td>Unquoted Equity Funds Outside Malaysia</td>
<td>2,033,740</td>
<td>1,245,514</td>
<td>2,033,740</td>
<td>1,245,514</td>
</tr>
<tr>
<td>Quoted Bonds In Malaysia</td>
<td>44,215,996</td>
<td>45,026,608</td>
<td>44,215,996</td>
<td>45,026,608</td>
</tr>
<tr>
<td>Quoted Bonds Outside Malaysia</td>
<td>3,227,669</td>
<td>3,570,683</td>
<td>3,227,669</td>
<td>3,570,683</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95,204,535</strong></td>
<td><strong>90,126,004</strong></td>
<td><strong>95,204,535</strong></td>
<td><strong>90,126,004</strong></td>
</tr>
</tbody>
</table>

Available-For-Sale Investments - Quoted Investments

Quoted investments are Available-For-Sale investments in listed equity and debt securities. The fair values of equity shares and quoted debt securities are determined by the reference to the published price quotations in active markets.

Available-For-Sale Investments - Unquoted Investments

Unquoted investments are Available-For-Sale investments in equity funds of an unlisted entity whereby valuations are based on non-market observable information. The fair value of unquoted equity funds were estimated using the Net Asset Value ("NAV").

Impairment Of Available-For-Sale Investments

Impairment assessment of Available-For-Sale investments is conducted at each reporting date to determine the objective evidence for impairment, if any. For equity investments classified as Available-For-Sale investments, the objective evidence include the significant or prolonged decline in the fair value of investments below its cost. Judgement is required on the definition of “significant” and “prolonged”. Evaluation of factors, such as, the historical share price movements and the duration or extent whereby the fair value of investments is less than its cost, is taken into consideration in the formulation of the judgement.

Based on the above criterias, the Group and KWAP identified the total impairment of Available-For-Sale Investments of RM2.47 billion (2015: RM1.80 billion), which was recognised in profit or loss.
16. **FAIR VALUE THROUGH PROFIT OR LOSS INVESTMENTS**

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016</th>
<th>Group 31 December 2015</th>
<th>KWAP 31 December 2016</th>
<th>KWAP 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted Equity Funds In Malaysia</td>
<td>35,000</td>
<td>35,000</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Quoted Bonds In Malaysia</td>
<td>1,711,400</td>
<td>467,915</td>
<td>1,711,400</td>
<td>467,915</td>
</tr>
<tr>
<td></td>
<td><strong>1,746,400</strong></td>
<td><strong>502,915</strong></td>
<td><strong>1,746,400</strong></td>
<td><strong>502,915</strong></td>
</tr>
</tbody>
</table>

17. **DERIVATIVES FINANCIAL ASSETS AND LIABILITIES**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal Value</td>
<td>Assets/ (Liabilities)</td>
<td>Nominal Value</td>
<td>Assets/ (Liabilities)</td>
</tr>
<tr>
<td>Derivatives Designated As Hedges:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warrants</td>
<td>7,412</td>
<td>7,412</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward Exchange Rate Contracts</td>
<td>9,360,619</td>
<td>(417,542)</td>
<td>9,110,619</td>
<td>(405,640)</td>
</tr>
<tr>
<td>Cross Currency Swaps</td>
<td>680,515</td>
<td>(370,306)</td>
<td>(787,848)</td>
<td>590,515</td>
</tr>
</tbody>
</table>

| Derivatives Designated As Hedges: |            |            |            |            |
| Financial Assets: |            |            |            |            |
| Warrants | 3,476 | 3,476 |
| Financial Liabilities: |            |            |            |            |
| Forward Exchange Rate Contracts | 10,405,931 | (805,182) | 9,685,931 | (748,094) |
| Cross Currency Swaps | 767,505 | (332,638) | (1,137,820) | 747,505 | (323,837) | (1,071,931) |

Cross currency swaps and forward exchange rate contracts outstanding at 31 December 2016 are designated as hedges of firm commitments with highly probable future payments and net revenue denominated in foreign currencies.

The terms of the cross currency swaps and forward exchange rate contracts were negotiated to match the terms of the commitments. There were neither previous application nor expectation of occurrence of hedge accounting in relation to those highly probable future transactions.
### 18. Sundry Debtors and Deposits

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>RWAP</th>
<th></th>
<th>Group</th>
<th>RWAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December</td>
<td>31 December</td>
<td>31 December</td>
<td>31 December</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td></td>
</tr>
<tr>
<td>Other Receivables</td>
<td>13,551</td>
<td>22,307</td>
<td>3,586</td>
<td>7,263</td>
<td></td>
</tr>
<tr>
<td>Tax Recoverable</td>
<td>75,374</td>
<td>71,762</td>
<td>75,374</td>
<td>71,762</td>
<td></td>
</tr>
<tr>
<td>GST Control Account</td>
<td>27,563</td>
<td>(932)</td>
<td>27,563</td>
<td>(932)</td>
<td></td>
</tr>
<tr>
<td>Deposits Received</td>
<td>1,507</td>
<td>11,983</td>
<td>1,507</td>
<td>11,983</td>
<td></td>
</tr>
<tr>
<td>Prepayment And Advances</td>
<td>6,664</td>
<td>2,491</td>
<td>6,883</td>
<td>1,282</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>124,659</td>
<td>107,611</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>114,913</td>
<td>91,358</td>
<td></td>
</tr>
</tbody>
</table>

### 19. Trade Receivables

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>RWAP</th>
<th></th>
<th>Group</th>
<th>RWAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December</td>
<td>31 December</td>
<td>31 December</td>
<td>31 December</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td></td>
</tr>
<tr>
<td>Sale Of Shares</td>
<td>27,879</td>
<td>60,206</td>
<td>27,879</td>
<td>60,206</td>
<td></td>
</tr>
<tr>
<td>Dividend Income</td>
<td>26,660</td>
<td>85,920</td>
<td>37,015</td>
<td>85,920</td>
<td></td>
</tr>
<tr>
<td>Interest Income Receivables</td>
<td>650,759</td>
<td>589,708</td>
<td>672,337</td>
<td>601,089</td>
<td></td>
</tr>
<tr>
<td>Rental Income</td>
<td>590</td>
<td>1,628</td>
<td>590</td>
<td>1,628</td>
<td></td>
</tr>
<tr>
<td>Receivables From Brokers</td>
<td>875,709</td>
<td>139,220</td>
<td>840,962</td>
<td>152,633</td>
<td></td>
</tr>
<tr>
<td>Other Trade Receivables</td>
<td>6,290</td>
<td>2,800</td>
<td>6,290</td>
<td>2,800</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,587,887</td>
<td>879,482</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,585,073</td>
<td>904,276</td>
<td></td>
</tr>
</tbody>
</table>

### 20. Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>RWAP</th>
<th></th>
<th>Group</th>
<th>RWAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December</td>
<td>31 December</td>
<td>31 December</td>
<td>31 December</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td></td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With Maturity Less Than 3 Months</td>
<td>3,912,666</td>
<td>2,701,015</td>
<td>3,912,666</td>
<td>2,701,015</td>
<td></td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>1,046,824</td>
<td>1,631,369</td>
<td>829,056</td>
<td>729,184</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4,959,490</td>
<td>4,332,384</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4,741,722</td>
<td>3,430,199</td>
<td></td>
</tr>
</tbody>
</table>
20. **CASH AND CASH EQUIVALENTS (CONTINUED)**

**DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016</th>
<th>Group 31 December 2015</th>
<th>KWAP 31 December 2016</th>
<th>KWAP 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Maturity More Than 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Months</td>
<td>2,579,104</td>
<td>2,916,793</td>
<td>2,579,104</td>
<td>2,916,793</td>
</tr>
</tbody>
</table>

Cash at bank earns interest at floating rates based on the daily bank deposit rates. Short term deposits are made for varying short periods between one (1) day and three (3) months, based on the immediate cash requirements of the Group and of KWAP, whereby interest is earned at the respective short term deposit rates.

21. **TRADE PAYABLES**

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016</th>
<th>Group 31 December 2015</th>
<th>KWAP 31 December 2016</th>
<th>KWAP 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Fund Managers</td>
<td>433,082</td>
<td>435,988</td>
<td>433,082</td>
<td>435,988</td>
</tr>
<tr>
<td>Deposits On Integra</td>
<td>15,778</td>
<td>15,778</td>
<td>15,778</td>
<td>15,778</td>
</tr>
<tr>
<td>Tower</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount Due To Private</td>
<td>13,133</td>
<td>15,040</td>
<td>13,133</td>
<td>15,040</td>
</tr>
<tr>
<td>Equity Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Creditors</td>
<td>17,963</td>
<td>6,508</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Trade payables are interest free with the normal trade credit terms ranging from thirty (30) to ninety (90) days granted to the Group and KWAP.

22. **OTHER PAYABLES AND ACCRUALS**

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016</th>
<th>Group 31 December 2015</th>
<th>KWAP 31 December 2016</th>
<th>KWAP 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Goods And Services Tax</td>
<td>(436)</td>
<td>1,733</td>
<td>(436)</td>
<td>1,733</td>
</tr>
<tr>
<td>Payable (“GST”)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount Due To Subsidiary</td>
<td>-</td>
<td>-</td>
<td>3,019</td>
<td>6,344</td>
</tr>
<tr>
<td>Provision For Bonus</td>
<td>30,550</td>
<td>21,225</td>
<td>30,550</td>
<td>21,225</td>
</tr>
<tr>
<td>Provision For Services</td>
<td>31,061</td>
<td>18,267</td>
<td>14,610</td>
<td>3,818</td>
</tr>
<tr>
<td>Provision For External</td>
<td>19,807</td>
<td>18,332</td>
<td>19,807</td>
<td>18,332</td>
</tr>
<tr>
<td>Fund Managers Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision For Custodian</td>
<td>1,912</td>
<td>2,291</td>
<td>1,912</td>
<td>2,291</td>
</tr>
<tr>
<td>Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision For Tax</td>
<td>1,742</td>
<td>1,026</td>
<td>1,742</td>
<td>1,026</td>
</tr>
<tr>
<td>Other Payables And</td>
<td>71,673</td>
<td>63,118</td>
<td>3,076</td>
<td>2,373</td>
</tr>
<tr>
<td>Accruals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                          | 156,309                | 125,992                | 74,280                | 57,142                 |
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

23. BORROWINGS

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
<th>KWAP 31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,602,904</td>
<td>1,318,003</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>802,344</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Existing Borrowings**
(a) Loan amounting to AUD180.00 million (KWAP MIT) scheduled to mature in February 2018 and are secured over the assets of the Group, bearing an interest rate of 3.11% (31 December 2015: 3.62%).

(b) Facility Agreement on 9 June 2014 amounting to GBP120.00 million (Prima Harta), with a syndicate of banks namely, Australia and New Zealand Banking Group Limited (“ANZ”), DBS Bank Ltd, Scotia Bank Europe Plc, Mizuho Bank Ltd and United Overseas Bank Limited (“the syndicate”), with an interest bearing at LIBOR +1.35%.

**Approved Borrowings During Financial Year**
(a) Islamic Murabaha loan amounting to AUD113.4 million (KWAP MIT 3) is at floating rates of interest. It bears interest at AUD-BBR-BBY(BID) +1. Per annum, matures on 4 February 2021.

24. ALLOCATION OF STATUTORY FUNDS

<table>
<thead>
<tr>
<th></th>
<th>Group and KWAP 31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>24,601,944</td>
<td>24,101,944</td>
</tr>
<tr>
<td>Add: Allocation For Current Year</td>
<td>400,000</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td>25,001,944</td>
<td>24,601,944</td>
</tr>
</tbody>
</table>

25. PENSION CONTRIBUTIONS

<table>
<thead>
<tr>
<th>Contribution From Statutory Bodies, Local Authorities And Other Agencies</th>
<th>Group and KWAP 31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note A</td>
<td>12,192,207</td>
<td>11,075,303</td>
</tr>
<tr>
<td>Contribution From Government’s Share, Gratutities And Other Deductions</td>
<td>B</td>
<td>34,195,427</td>
</tr>
<tr>
<td>Note B</td>
<td></td>
<td>32,372,532</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Group and KWAP 31 December 2016 RM'000</th>
<th>31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46,387,634</td>
<td>43,447,835</td>
</tr>
</tbody>
</table>
### PENSION CONTRIBUTIONS (CONTINUED)

**Note A – Contribution From Statutory Bodies, Local Authorities And Other Agencies**

The Group and KWAP receive monthly contributions for permanent employees with pensionable status from the respective employers such as Statutory Bodies, Local Authorities and Other Agencies. Contributions are based on 17.5% of the basic monthly salary of the employees.

<table>
<thead>
<tr>
<th></th>
<th>Group and KWAP</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accumulated Contributions</td>
<td>Receipts</td>
<td>Balance</td>
</tr>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>Statutory Bodies</strong></td>
<td>8,784,831</td>
<td>898,278</td>
<td>9,683,109</td>
</tr>
<tr>
<td><strong>Local Authorities</strong></td>
<td>2,194,108</td>
<td>210,280</td>
<td>2,404,388</td>
</tr>
<tr>
<td><strong>Other Agencies</strong></td>
<td>100,202</td>
<td>8,476</td>
<td>108,678</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Repayment Of Claims</strong></td>
<td>(3,838)</td>
<td>(130)</td>
<td>(3,968)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,079,141</td>
<td>1,117,034</td>
<td>12,196,175</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Group and KWAP</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accumulated Contributions</td>
<td>Receipts</td>
<td>Balance</td>
</tr>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>Statutory Bodies</strong></td>
<td>7,925,439</td>
<td>859,392</td>
<td>8,784,831</td>
</tr>
<tr>
<td><strong>Local Authorities</strong></td>
<td>1,994,268</td>
<td>199,840</td>
<td>2,194,108</td>
</tr>
<tr>
<td><strong>Other Agencies</strong></td>
<td>94,927</td>
<td>5,275</td>
<td>100,202</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Repayment Of Claims</strong></td>
<td>(3,688)</td>
<td>(150)</td>
<td>(3,838)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,014,634</td>
<td>1,064,507</td>
<td>11,079,141</td>
</tr>
</tbody>
</table>
25. **PENSION CONTRIBUTIONS (CONTINUED)**

**Note B – Contribution From Government’s Share, Gratuities And Other Deductions**

Contributions from the Government’s portion, gratuities and other deductions remitted to the Group and KWAP upon any withdrawals made by public officers under the Pensionable Employees Withdrawal Scheme were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Accumulated Contributions</th>
<th>Receipts</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KWSP</td>
<td>25,049,793</td>
<td>1,133,840</td>
<td>26,183,633</td>
</tr>
<tr>
<td>KWSG</td>
<td>146,682</td>
<td>27</td>
<td>146,709</td>
</tr>
<tr>
<td>KWSG - Sabah</td>
<td>12,479</td>
<td>-</td>
<td>12,479</td>
</tr>
<tr>
<td>LTAT</td>
<td>6,232,903</td>
<td>616,934</td>
<td>6,849,837</td>
</tr>
<tr>
<td>SESCO</td>
<td>45,309</td>
<td>-</td>
<td>45,309</td>
</tr>
<tr>
<td>JPA</td>
<td>980,137</td>
<td>78,988</td>
<td>1,059,125</td>
</tr>
<tr>
<td>Others</td>
<td>39,391</td>
<td>962</td>
<td>40,353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32,506,694</td>
<td>1,830,751</td>
<td>34,337,445</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment Of Claims</td>
<td>(134,162)</td>
<td>(7,856)</td>
<td>(142,018)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32,372,532</td>
<td>1,822,895</td>
<td>34,195,427</td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KWSP</td>
<td>23,963,862</td>
<td>1,085,931</td>
<td>25,049,793</td>
</tr>
<tr>
<td>KWSG</td>
<td>146,664</td>
<td>18</td>
<td>146,682</td>
</tr>
<tr>
<td>KWSG - Sabah</td>
<td>12,479</td>
<td>-</td>
<td>12,479</td>
</tr>
<tr>
<td>LTAT</td>
<td>5,651,739</td>
<td>581,164</td>
<td>6,232,903</td>
</tr>
<tr>
<td>SESCO</td>
<td>45,309</td>
<td>-</td>
<td>45,309</td>
</tr>
<tr>
<td>JPA</td>
<td>928,252</td>
<td>51,885</td>
<td>980,137</td>
</tr>
<tr>
<td>Others</td>
<td>38,401</td>
<td>990</td>
<td>39,391</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,786,706</td>
<td>1,719,988</td>
<td>32,506,694</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment Of Claims</td>
<td>(126,242)</td>
<td>(7,920)</td>
<td>(134,162)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,660,464</td>
<td>1,712,068</td>
<td>32,372,532</td>
</tr>
</tbody>
</table>
26. **RETAINED EARNINGS**

The Group’s Retained Earnings amounting to RM52.64 billion is the balance of revenue reserve as at 31 December 2016 (2015: RM47.80 billion). KWAP’s Retained Earnings amounting to RM52.89 billion is the balance of revenue reserves as at 31 December 2016 (2015: RM48.06 billion).

27. **RESERVES**

<table>
<thead>
<tr>
<th>Note</th>
<th>Group 31 December 2016</th>
<th>Group 31 December 2015</th>
<th>KWAP 31 December 2016</th>
<th>KWAP 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Other Reserves</td>
<td>(67,485)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign Exchange Reserves</td>
<td>A</td>
<td>190,005</td>
<td>419,974</td>
<td>-</td>
</tr>
<tr>
<td>Available-For-Sale Reserves</td>
<td>B</td>
<td>724,187</td>
<td>596,966</td>
<td>724,187</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>846,707</td>
</tr>
</tbody>
</table>

Note A: Relates to exchange differences arising from foreign operations with a different functional currency to the presentation currency of Ringgit Malaysia (“RM”) by KWAP.

Note B: Represents the movement of net accumulated unrealised fair value gains/(losses) which was recognised from Available-For-Sale financial assets.

28. **FINANCIAL RISK**

The Group and KWAP are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, equity price risk, credit risk and liquidity risk.

The Group and KWAP have an approved set of guidelines and policies as well as internal controls which set out the overall business strategies for the management of the risks. The overall financial risk management objective is to enhance the shareholders’ value through the effective management of the risks.

The policies and procedures of risk management are reviewed and approved by the Board. The following sections provide details regarding the Group’s and KWAP’s exposure to the above-mentioned financial risks as well as the objectives, policies and processes for the management of these risks.

(a) **Interest rate risk**

Interest rate risk is the risk of the fluctuation of fair value or future cash flows of financial instruments due to changes in the market interest rates. The Group’s and KWAP’s exposure to the risk of changes in the market interest rates relate primarily to term loans with floating interest rates.

The Group and KWAP actively manages the interest rate risk with the maintenance of an interest rate cover ratio of a minimum of one and a half times (1.5).
28. **FINANCIAL RISK (CONTINUED)**

    (a) **Interest rate risk (continued)**

    **Interest rate sensitivity**

    The following table demonstrates the sensitivity to the reasonable possible change in interest rates on the portion of borrowings. With all other variables held constant, the table summarises the Group’s and KWAP’s exposure to interest rate risk on the borrowings with floating interest rates and fixed income securities.

    |                      | Group  | KWAP  | Group  | KWAP  |
    |----------------------|--------|-------|--------|-------|
    |                      | Effect On Equity | Effect On Equity | Effect On Profit Before Tax | Effect On Profit Before Tax |
    |                      | RM’000  | RM’000  | RM’000  | RM’000  |
    | 2016                 |        |       |        |       |
    | Increase In 100 Basis Points | 489,437 | 489,437 | 169,566 | 15,740 |
    | Decrease In 100 Basis Points | (489,437) | (489,437) | (169,566) | (15,740) |
    | 2015                 |        |       |        |       |
    | Increase In 100 Basis Points | 485,973 | 485,973 | 173,257 | 158,340 |
    | Decrease In 100 Basis Points | (485,973) | (485,973) | (173,257) | (158,340) |

The Group and KWAP are exposed to various risks associated with the fluctuations in the prevailing levels of interest rate on its Statements of Financial Position and Statements of Cash Flows. The following table indicates KWAP’s financial assets at their effective interest rate and carrying amount analysed by the maturity date.
28. **FINANCIAL RISK (CONTINUED)**

(a) **Interest rate risk (continued)**

<table>
<thead>
<tr>
<th>GROUP</th>
<th>0-12 Months</th>
<th>&gt;1-5 Years</th>
<th>Over 5 Years</th>
<th>Non-Interest Sensitive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td></td>
<td>Non-Interest Sensitive Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment In Subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>615,224</td>
<td>615,224</td>
</tr>
<tr>
<td>Investment In Associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>393,418</td>
<td>393,418</td>
</tr>
<tr>
<td>Investment In Joint Ventures</td>
<td>-</td>
<td>15,452,541</td>
<td>31,991,124</td>
<td>47,760,870</td>
<td>95,204,535</td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,412</td>
<td>7,412</td>
</tr>
<tr>
<td>Fair Value Through Profit Or Loss Investments</td>
<td>1,746,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,746,400</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>395,000</td>
<td>8,099,373</td>
<td>6,643,429</td>
<td>-</td>
<td>15,137,802</td>
</tr>
<tr>
<td>Derivatives Financial Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,412</td>
<td>7,412</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institution</td>
<td>6,491,770</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,491,770</td>
</tr>
<tr>
<td>Other Non-Interest Sensitivity Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,366,199</td>
<td>8,366,199</td>
</tr>
<tr>
<td><strong>TOTAL ASSET</strong></td>
<td>8,633,170</td>
<td>23,551,914</td>
<td>38,634,553</td>
<td>57,143,123</td>
<td>127,962,760</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KWAP</th>
<th>0-12 Months</th>
<th>&gt;1-5 Years</th>
<th>Over 5 Years</th>
<th>Non-Interest Sensitive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td></td>
<td>Non-Interest Sensitive Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment In Subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,342,294</td>
<td>2,342,294</td>
</tr>
<tr>
<td>Investment In Associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>614,314</td>
<td>614,314</td>
</tr>
<tr>
<td>Investment In Joint Ventures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>-</td>
<td>15,452,541</td>
<td>31,991,124</td>
<td>47,760,870</td>
<td>95,204,535</td>
</tr>
<tr>
<td>Financial Asset At Fair Value Through Profit Or Loss</td>
<td>1,746,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,746,400</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>395,000</td>
<td>8,456,268</td>
<td>6,678,429</td>
<td>-</td>
<td>15,529,697</td>
</tr>
<tr>
<td>Derivatives Financial Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,412</td>
<td>7,412</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institution</td>
<td>6,491,770</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,491,770</td>
</tr>
<tr>
<td>Other Non-Interest Sensitivity Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,340,754</td>
<td>4,340,754</td>
</tr>
<tr>
<td><strong>TOTAL ASSET</strong></td>
<td>8,633,170</td>
<td>23,908,809</td>
<td>38,669,553</td>
<td>55,075,644</td>
<td>126,287,176</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

<table>
<thead>
<tr>
<th>GROUP</th>
<th>0-12 Months RM’000</th>
<th>&gt;1-5 Year RM’000</th>
<th>Over 5 Years RM’000</th>
<th>Non-Interest Sensitive RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GROUP**

<table>
<thead>
<tr>
<th>GROUP</th>
<th>0-12 Months RM’000</th>
<th>&gt;1-5 Year RM’000</th>
<th>Over 5 Years RM’000</th>
<th>Non-Interest Sensitive RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**KWAP**

<table>
<thead>
<tr>
<th>GROUP</th>
<th>0-12 Months RM’000</th>
<th>&gt;1-5 Year RM’000</th>
<th>Over 5 Years RM’000</th>
<th>Non-Interest Sensitive RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Investment In Subsidiaries
Investment In Associates
Investment In Joint Ventures
Available-For-Sale Investments
Fair Value Through Profit Or Loss Investments
Loans And Receivables
Derivatives Financial Assets
Deposits And Placements With
Financial Institution
Other Non-Interest Sensitivity Assets

**TOTAL ASSET**

6,582,135 21,067,798 41,739,901 51,404,583 120,794,417
28. **FINANCIAL RISK (CONTINUED)**

(b) **Equity price risk**

The Group’s and KWAP’s quoted equity securities are susceptible to market price risk arising from uncertainties in relation to the future values of investment securities. The Group and KWAP manage the equity price risk through diversification as well as placements of limits on the individual and total equity instruments. Reports on the equity portfolio are regularly submitted to the Group’s and KWAP’s senior management. Equity investment decisions are reviewed and approved by the Board of the Group and of KWAP.

**Equity price sensitivity**

The following table demonstrates the sensitivity to the reasonable possible change in equity price of the Group’s and KWAP’s equity investments, due to changes in fair value of Available-For-Sale investments, with all other variables held constant.

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>Increase Of 5% In Equity Price</th>
<th>Decrease Of 5% In Equity Price</th>
<th>Increase Of 10% In Equity Price</th>
<th>Decrease Of 10% In Equity Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td></td>
<td>KWAP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>FBM KLCI</td>
<td>1,963,370</td>
<td>1,963,370</td>
<td>371</td>
<td>371</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1,963,370)</td>
<td>(1,963,370)</td>
<td>(371)</td>
<td>(371)</td>
</tr>
<tr>
<td></td>
<td>MSCI World</td>
<td>657,152</td>
<td>657,152</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(657,152)</td>
<td>(657,152)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>FBM KLCI</td>
<td>1,751,193</td>
<td>1,751,193</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1,751,193)</td>
<td>(1,751,193)</td>
<td>(129)</td>
<td>(129)</td>
</tr>
<tr>
<td></td>
<td>MSCI World</td>
<td>522,850</td>
<td>522,850</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(522,850)</td>
<td>(522,850)</td>
<td>(90)</td>
<td>(90)</td>
</tr>
</tbody>
</table>
28. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in the foreign exchange rates.

The Group’s and KWAP’s exposure to foreign exchange risk includes international equity, fixed income and alternative investments such as private equity funds and properties.

The following table summarises the fair value of international investments of the Group and of KWAP by currencies:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>5,219,077</td>
<td>4,310,343</td>
</tr>
<tr>
<td>GBP</td>
<td>2,194,571</td>
<td>1,536,191</td>
</tr>
<tr>
<td>HKD</td>
<td>1,379,225</td>
<td>1,382,002</td>
</tr>
<tr>
<td>EUR</td>
<td>1,199,652</td>
<td>991,246</td>
</tr>
<tr>
<td>AUD</td>
<td>824,654</td>
<td>490,703</td>
</tr>
</tbody>
</table>
### 28. FINANCIAL RISK (CONTINUED)

#### (c) Foreign exchange risk (continued)

The following table demonstrates the sensitivity to a reasonable change in the currencies of the Group’s and of KWAP’s international investments:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Group And KWAP Effect On Profit Before Tax RM’000</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+3%</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>156,572</td>
<td>(156,572)</td>
</tr>
<tr>
<td>GBP</td>
<td>65,837</td>
<td>(65,837)</td>
</tr>
<tr>
<td>HKD</td>
<td>41,377</td>
<td>(41,377)</td>
</tr>
<tr>
<td>EUR</td>
<td>35,990</td>
<td>(35,990)</td>
</tr>
<tr>
<td>AUD</td>
<td>24,740</td>
<td>(24,740)</td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>129,310</td>
<td>(129,310)</td>
</tr>
<tr>
<td>GBP</td>
<td>46,086</td>
<td>(46,086)</td>
</tr>
<tr>
<td>HKD</td>
<td>41,460</td>
<td>(41,460)</td>
</tr>
<tr>
<td>EUR</td>
<td>29,737</td>
<td>(29,737)</td>
</tr>
<tr>
<td>AUD</td>
<td>14,721</td>
<td>(14,721)</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK (CONTINUED)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments in the event of defaults on the obligations of the counterparty. The Group’s and KWAP’s exposure to credit risk arise primarily from loan receivables. For other financial assets (including investments in bonds, money market instruments and deposits with banks), the Group and KWAP minimise the credit risk via exclusive transactions with high credit rating counterparties.

As at the reporting date, the Group’s and KWAP’s maximum exposure to credit risk are represented by the carrying amount of each class of financial assets recognised in the Statement of Financial Position, including derivatives with positive fair value.

(i) Credit Quality

Various tools are utilised for the measurement of credit risk including third party solutions employed to compute the Credit Value-at-Risk (VaR) as well as internal credit rating scoring model for the provision of internal rating for corporate and financial institutions.

KWAP may invest in domestic bonds with the minimum rating of A3 (RAM), A- (MARC) as well as in international bonds with the minimum rating of BBB- (S&P or Fitch), Baa3 (Moody’s) or the equivalent rating from other recognised international rating agencies. In relation to the private debt securities portfolio, the weighted average credit quality of the private debt securities portfolio is AA.

The internal credit rating scoring model is utilised as a tool to complement the existing credit evaluation process as well as to assist in the monitoring of the credit development. The methodology for the scoring model is based on the approach of rating agencies whereby the implementation is based on a set of scoring methodology for domestic and international credits. The model provides an internal rating for unrated bonds or loans, as well as identification of the discrepancy between KWAP’s internal rating and the external ratings of the rating agencies for the rated bonds, if any.
28. **FINANCIAL RISK (CONTINUED)**

(d) **Credit risk (continued)**

(i) **Credit Quality (continued)**

Debt securities are classified into an internal rating scale which is consistent with the rating agencies. The credit quality classification is as follows:

i. **Long Term Rating For Payment Of Long Term Financial Obligations**

<table>
<thead>
<tr>
<th>Domestic</th>
<th>Credit Rating</th>
<th>Definition Of Quality Classifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign</td>
<td>Sovereign</td>
<td>Issued/guaranteed by the government</td>
</tr>
<tr>
<td>Strong</td>
<td>AAA and AA</td>
<td>Superior/strong ability to meet financial obligations</td>
</tr>
<tr>
<td>Moderate</td>
<td>A</td>
<td>Adequate ability to meet financial obligations</td>
</tr>
<tr>
<td>Weak</td>
<td>BBB and below</td>
<td>Moderate/weak ability to meet financial obligations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International</th>
<th>Credit Rating</th>
<th>Definition Of Quality Classifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign</td>
<td>Sovereign</td>
<td>Issued/guaranteed by the government</td>
</tr>
<tr>
<td>Strong</td>
<td>AAA and AA</td>
<td>Superior/strong ability to meet financial obligations</td>
</tr>
<tr>
<td>Moderate</td>
<td>A</td>
<td>Adequate ability to meet financial obligations</td>
</tr>
<tr>
<td>Weak</td>
<td>BBB and below</td>
<td>Moderate/weak ability to meet financial obligations</td>
</tr>
</tbody>
</table>

ii. **Short Term Rating For Payment Of Short Term Financial Obligations**

<table>
<thead>
<tr>
<th>Domestic</th>
<th>Credit Rating</th>
<th>Definition Of Quality Classifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>P1/MARC₁</td>
<td>Strong ability to meet financial obligations</td>
</tr>
<tr>
<td>Moderate</td>
<td>P2/MARC₂</td>
<td>Adequate ability to meet financial obligations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International</th>
<th>Credit Rating</th>
<th>Definition Of Quality Classifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>A1/P1/F1</td>
<td>Strong ability to meet financial obligations</td>
</tr>
<tr>
<td>Moderate</td>
<td>A2/P2/F2</td>
<td>Adequate ability to meet financial obligations</td>
</tr>
</tbody>
</table>

iii. **Non-Rated Financial Assets**

Financial assets without external credit rating.

iv. **Impaired**

Impaired exposure which is assessed individually based on KWAP’s investment policies.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(i) Credit Quality (continued)

<table>
<thead>
<tr>
<th>31 December 2016</th>
<th>Sovereign</th>
<th>Strong</th>
<th>Moderate</th>
<th>Weak</th>
<th>Non-rated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assets (RM’000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>30,444,757</td>
<td>13,383,313</td>
<td>2,771,253</td>
<td>844,342</td>
<td>2,035,258</td>
<td>49,478,923</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>1,711,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35,000</td>
<td>1,746,400</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td></td>
<td>-14,987,802</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>15,137,802</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,587,887</td>
<td>1,587,887</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>124,659</td>
<td>124,659</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institutions</td>
<td>- 4,565,091</td>
<td>-</td>
<td>806,027</td>
<td>1,120,652</td>
<td>6,491,770</td>
<td></td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>101</td>
<td>195,927</td>
<td>342,702</td>
<td>287,706</td>
<td>220,388</td>
<td>1,046,824</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32,156,258</td>
<td>33,132,133</td>
<td>3,263,955</td>
<td>1,938,075</td>
<td>5,123,844</td>
<td>75,614,265</td>
</tr>
</tbody>
</table>

**KWAP**

<table>
<thead>
<tr>
<th>31 December 2016</th>
<th>Sovereign</th>
<th>Strong</th>
<th>Moderate</th>
<th>Weak</th>
<th>Non-rated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assets (RM’000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>28,944,757</td>
<td>14,883,313</td>
<td>2,771,253</td>
<td>844,342</td>
<td>2,035,258</td>
<td>49,478,923</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>1,711,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35,000</td>
<td>1,746,400</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td></td>
<td>-15,379,697</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>15,529,697</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,585,073</td>
<td>1,585,073</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>114,913</td>
<td>114,913</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institutions</td>
<td>- 4,565,091</td>
<td>-</td>
<td>806,027</td>
<td>1,120,652</td>
<td>6,491,770</td>
<td></td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>101</td>
<td>198,540</td>
<td>342,702</td>
<td>287,706</td>
<td>7</td>
<td>829,056</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,656,258</td>
<td>35,026,641</td>
<td>3,263,955</td>
<td>1,938,075</td>
<td>4,890,903</td>
<td>75,775,832</td>
</tr>
</tbody>
</table>
### 28. FINANCIAL RISK (CONTINUED)

#### (d) Credit risk (continued)

#### (i) Credit Quality (continued)

<table>
<thead>
<tr>
<th>31 December 2015</th>
<th>Sovereign</th>
<th>Strong</th>
<th>Moderate</th>
<th>Weak</th>
<th>Non-rated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Assets (RM'000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>29,784,676</td>
<td>14,560,623</td>
<td>2,711,169</td>
<td>1,540,823</td>
<td>1,276,343</td>
<td>49,873,634</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>-</td>
<td>467,915</td>
<td>-</td>
<td>-</td>
<td>35,000</td>
<td>502,915</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>-</td>
<td>14,521,820</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>14,671,820</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>879,482</td>
<td>879,482</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>107,611</td>
<td>107,611</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institutions</td>
<td>-</td>
<td>4,370,756</td>
<td>-</td>
<td>857,033</td>
<td>390,019</td>
<td>5,617,808</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>108</td>
<td>141,556</td>
<td>299,480</td>
<td>288,036</td>
<td>4</td>
<td>729,184</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>29,784,784</td>
<td>34,062,670</td>
<td>3,160,649</td>
<td>2,685,892</td>
<td>2,697,000</td>
<td>73,085,289</td>
</tr>
</tbody>
</table>

| **KWAP**         |           |        |          |      |           |       |
| Available-For-Sale Investments | 29,784,676 | 14,560,623 | 2,711,169 | 1,540,823 | 1,276,343 | 49,873,634 |
| Financial Assets At Fair Value Through Profit Or Loss | - | 467,915 | - | - | 35,000 | 502,915 |
| Loans And Receivables | - | 15,216,114 | 150,000 | - | - | 15,366,114 |
| Trade Receivables | - | - | - | - | 904,276 | 904,276 |
| Sundry Debtors And Deposits | - | - | - | - | 91,358 | 91,358 |
| Deposits And Placements With Financial Institutions | - | 4,370,756 | - | 857,033 | 390,019 | 5,617,808 |
| Cash And Bank Balances | 108 | 141,556 | 299,480 | 288,036 | 4 | 729,184 |
| **Total**        | 29,784,784 | 34,756,964 | 3,160,649 | 2,685,892 | 2,697,000 | 73,085,289 |
28. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(ii) Maximum Exposure to Credit Risk

The assessment of the credit risk of counterparties determines the required amount and type of collaterals. The treatment of collateral is established encompassing the acceptability and valuation of each type of collateral.

The main types of collaterals are as follows:

- Guarantees from the Government of Malaysia in relation to government-related loans;
- Charges over collaterals as well as guarantees from parent companies for loans to their respective subsidiaries in relation to corporate loans; and
- Cash and securities for securities in relation to repurchase transitions.

Management monitors the market value of collaterals including the possible request for additional collaterals in accordance with the underlying agreement.

Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements

The following table illustrates the maximum exposure to credit risk by classes of financial assets as well as the total fair value of collaterals, the surplus collateral (to the extent whereby the fair value of the collateral held is greater than the exposure to which it relates), if any, as well as the net exposure to credit risk.
28. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Analysis of the maximum exposure to credit risk and collateral and other credit enhancements (continued)

Types of collateral or credit enhancements

<table>
<thead>
<tr>
<th>Group</th>
<th>31 December 2016</th>
<th>Maximum Exposure To Credit Risk</th>
<th>Fair Value Of Collateral And Credit Enhancements</th>
<th>Properties, Shares</th>
<th>Aircraft, Other Fixed Assets</th>
<th>Net Collateral</th>
<th>Net Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Assets (RM'000)</td>
<td>Available-For-Sale Investments</td>
<td>49,478,923</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,478,923</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>1,746,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,746,400</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loans And Receivables</td>
<td>15,137,802</td>
<td>264,288</td>
<td>229,726</td>
<td>494,014</td>
<td>14,643,788</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade Receivables</td>
<td>1,587,887</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,587,887</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sundry Debtors And Deposits</td>
<td>124,659</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>124,659</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deposits And Placements With Financial Institutions</td>
<td>6,491,770</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,491,770</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash And Bank Balances</td>
<td>1,046,824</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,046,824</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>75,614,265</strong></td>
<td><strong>264,288</strong></td>
<td><strong>229,726</strong></td>
<td><strong>494,014</strong></td>
<td><strong>75,120,251</strong></td>
<td></td>
</tr>
</tbody>
</table>
### 28. FINANCIAL RISK (CONTINUED)

#### (d) Credit risk (continued)

**Analysis of the maximum exposure to credit risk and collateral and other credit enhancements (continued)**

**Types of collateral or credit enhancements (continued)**

<table>
<thead>
<tr>
<th>Financial Assets (RM’000)</th>
<th>Maximum Exposure To Credit Risk</th>
<th>Fair Value Of Collateral And Credit Enhancements Held</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Properties, Aircraft, Other</td>
<td></td>
</tr>
<tr>
<td>31 December 2016</td>
<td></td>
<td>Shares, Fixed Assets, Net Collateral, Net Exposure</td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>49,478,923</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>1,746,400</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>15,529,697</td>
<td>264,288</td>
<td>229,726</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>1,585,073</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>114,913</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institutions</td>
<td>6,491,770</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>829,056</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>75,775,832</td>
<td>264,288</td>
<td>229,726</td>
</tr>
</tbody>
</table>

**Note:**

For Malakoff shares, the basis is the IPO price (RM1.37) x units holding (192,911,190 units).
For aircraft, the basis used is the half-life values x USD/MYR4.49 x RM100/250 million.
For other collaterals, the basis used is the fair value of the properties and other fixed assets.
28. **FINANCIAL RISK (CONTINUED)**

(d) **Credit risk (continued)**

Analysis of the maximum exposure to credit risk and collateral and other credit enhancements (continued)

<table>
<thead>
<tr>
<th>Financial Assets (RM'000)</th>
<th>Maximum Exposure To Credit Risk</th>
<th>Fair Value Of Collateral And Credit Enhancements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December 2015</td>
<td>Properties, Shares</td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>49,873,634</td>
<td>-</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>502,915</td>
<td>-</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>14,671,820</td>
<td>377,840</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>879,482</td>
<td>-</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits With Financial Institutions</td>
<td>107,611</td>
<td>-</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>5,617,808</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,631,369</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>73,284,639</td>
<td>377,840</td>
</tr>
</tbody>
</table>
28. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Analysis of the maximum exposure to credit risk and collateral and other credit enhancements (continued)

<table>
<thead>
<tr>
<th>Financial Assets (RM’000)</th>
<th>Maximum Exposure To Credit Risk</th>
<th>Fair Value Of Collateral And Credit Enhancements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Properties, Aircraft, Other</td>
<td>Shares</td>
</tr>
<tr>
<td>31 December 2015</td>
<td>Net Collateral</td>
<td>Net Exposure</td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>49,873,634</td>
<td>-</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>502,915</td>
<td>-</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>15,366,114</td>
<td>377,840</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>904,276</td>
<td>-</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits And Placements With Financial Institutions</td>
<td>91,358</td>
<td>-</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>729,184</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>73,085,289</td>
<td>377,840</td>
</tr>
</tbody>
</table>

Note:

For Malakoff shares, the basis is the IPO price (RM1.80) x units holding (209,911,190 units).
For aircraft, the basis used is the half-life values x USD/MYR3.75 x RM100/250 million.
For other collaterals, the basis used is the fair value of the properties and other fixed assets.
28. **FINANCIAL RISK (CONTINUED)**

**(d) Credit risk (continued)**

Financial assets that are neither past due nor impaired

Aging analysis below illustrates the information regarding financial assets that are neither past due nor impaired. Investments in money market instruments and deposits with licensed banks that are neither past due nor impaired are placed with or entered with reputable financial institutions with high credit ratings as well as no history of default.

Financial assets that are either past due or impaired

Aging analysis below illustrates the information regarding financial assets that are either past due or impaired.

**Aging analysis for past due but not impaired**

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired.

<table>
<thead>
<tr>
<th>Financial Assets (RM'000)</th>
<th>Neither Past Due Nor Impaired</th>
<th>Past Due Up To 1 Month</th>
<th>Past Due 1 to 3 Months</th>
<th>Past Due &gt; 3 Months</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>49,478,923</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,478,923</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>1,746,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,746,400</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>15,125,586</td>
<td>-</td>
<td>-</td>
<td>12,216</td>
<td>-</td>
<td>15,137,802</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>1,587,887</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,587,887</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>124,659</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>124,659</td>
</tr>
<tr>
<td>Deposits And Placements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With Financial Institutions</td>
<td>6,491,770</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,491,770</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>1,046,824</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,046,824</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>75,602,049</td>
<td>-</td>
<td>12,216</td>
<td>-</td>
<td>-</td>
<td>75,614,265</td>
</tr>
</tbody>
</table>
28. **FINANCIAL RISK (CONTINUED)**

(d) **Credit risk (continued)**

**Aging analysis for past due but not impaired (continued)**

<table>
<thead>
<tr>
<th>31 December 2016</th>
<th>Neither Nor Impaired</th>
<th>Past Due Up To 1 Month</th>
<th>Past Due 1 to 3 Months</th>
<th>Past Due &gt; 3 Months</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KWAP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>49,478,923</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,478,923</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>1,746,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,746,400</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>15,517,481</td>
<td>-</td>
<td>-</td>
<td>12,216</td>
<td>-</td>
<td>15,529,697</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>1,585,073</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,585,073</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>114,913</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>114,913</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institutions</td>
<td>6,491,770</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,491,770</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>829,056</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>829,056</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>75,763,616</td>
<td>-</td>
<td>-</td>
<td>12,216</td>
<td>-</td>
<td>75,775,832</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2015</th>
<th>Neither Nor Impaired</th>
<th>Past Due Up To 1 Month</th>
<th>Past Due 1 to 3 Months</th>
<th>Past Due &gt; 3 Months</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>49,873,634</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,873,634</td>
</tr>
<tr>
<td>Financial Assets At Fair Value Through Profit Or Loss</td>
<td>502,915</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>502,915</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>14,671,820</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,671,820</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>879,482</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>879,482</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>107,611</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>107,611</td>
</tr>
<tr>
<td>Deposits And Placements With Financial Institutions</td>
<td>5,617,808</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,617,808</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>1,631,369</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,631,369</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>73,284,639</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>73,284,639</td>
</tr>
</tbody>
</table>
### 28. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Aging analysis for past due but not impaired (continued)

<table>
<thead>
<tr>
<th>Financial Assets (RM’000)</th>
<th>Neither Past Due Nor Impaired</th>
<th>Past Due Up To 1 Month</th>
<th>Past Due 1 to 3 Months</th>
<th>Past Due &gt; 3 Months</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KWAP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>49,873,634</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,873,634</td>
</tr>
<tr>
<td>Financial Assets At Fair Value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Through Profit Or Loss</td>
<td>502,915</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>502,915</td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>15,366,114</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,366,114</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>904,276</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>904,276</td>
</tr>
<tr>
<td>Sundry Debtors And Deposits</td>
<td>91,358</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>91,358</td>
</tr>
<tr>
<td>Deposits And Placements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With Financial Institutions</td>
<td>5,617,808</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,617,808</td>
</tr>
<tr>
<td>Cash And Bank Balances</td>
<td>729,184</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>729,184</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>77,085,289</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>73,085,289</td>
</tr>
</tbody>
</table>

Note: There was no investment that was past due or impaired as at 31 December 2015.
Financial assets exposed to credit risk individually assessed as impaired

An analysis of financial assets individually assessed as impaired as well as the movements on the impairment allowance during the year are as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>As At 1 January 2015</th>
<th>Allowances Made During The Year 2015</th>
<th>As At 1 January 2016</th>
<th>Allowances Made During The Year 2016</th>
<th>As At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Available-For-Sale</td>
<td>2,750,623</td>
<td>1,804,500</td>
<td>4,555,123</td>
<td>2,476,601</td>
<td>7,031,724</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KWAP</th>
<th>As At 1 January 2016</th>
<th>Allowances Made During The Year 2016</th>
<th>As At 1 January 2017</th>
<th>Allowances Made During The Year 2017</th>
<th>As At 1 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Available-For-Sale</td>
<td>2,750,623</td>
<td>1,804,500</td>
<td>4,555,123</td>
<td>2,476,601</td>
<td>7,031,724</td>
</tr>
</tbody>
</table>
28. **FINANCIAL RISK (CONTINUED)**

**(e) Liquidity risk**

Liquidity risk is the risk of difficulty to fulfil the financial obligations of the Group and KWAP due to the shortage of funds. Exposure to liquidity risk arises from the mismatch of maturities of financial assets and liabilities.

The Group and KWAP actively manage its debt maturity profile, operating cash flows and the availability of funding to ensure the fulfilment of all refinancing, repayment and funding requirements. As part of its overall prudent liquidity management, the Group and KWAP maintains a portfolio of highly liquid assets to meet its working capital and investment requirements.

In addition, the Group and KWAP maintain a balanced and flexible funding structure through the use of credit facilities, short as well as long term borrowings. Short term flexibility is achieved through credit facilities and short term borrowings.

The table below summarises the maturity profile of the Group’s and of KWAP’s financial liabilities based on contractual undiscounted repayment obligations.

<table>
<thead>
<tr>
<th>Group</th>
<th>On Demand</th>
<th>Less Than 3 Months</th>
<th>3 to 12 Months</th>
<th>1 to 5 Years</th>
<th>More Than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>-</td>
<td>-</td>
<td>787,848</td>
<td>-</td>
<td>-</td>
<td>787,848</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>479,956</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>479,956</td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,602,904</td>
<td>-</td>
<td>1,602,904</td>
</tr>
<tr>
<td>Other Payables And Accruals</td>
<td>156,309</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>156,309</td>
</tr>
<tr>
<td><strong>Total Undiscounted Financial Liabilities</strong></td>
<td>636,265</td>
<td>-</td>
<td>787,848</td>
<td>1,602,904</td>
<td>-</td>
<td>3,027,017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KWAP</th>
<th>On Demand</th>
<th>Less Than 3 Months</th>
<th>3 to 12 Months</th>
<th>1 to 5 Years</th>
<th>More Than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>-</td>
<td>-</td>
<td>748,990</td>
<td>-</td>
<td>-</td>
<td>748,990</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>461,993</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>461,993</td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Payables And Accruals</td>
<td>74,280</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>74,280</td>
</tr>
<tr>
<td><strong>Total Undiscounted Financial Liabilities</strong></td>
<td>536,273</td>
<td>-</td>
<td>748,990</td>
<td>-</td>
<td>-</td>
<td>1,285,263</td>
</tr>
</tbody>
</table>
28. **FINANCIAL RISK (CONTINUED)**

(e) Liquidity risk (continued)

<table>
<thead>
<tr>
<th>Group</th>
<th>On Demand RM'000</th>
<th>Less Than 3 Months RM'000</th>
<th>3 to 12 Months RM'000</th>
<th>1 to 5 Years RM'000</th>
<th>More Than 5 years RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>-</td>
<td>-</td>
<td>1,137,820</td>
<td>-</td>
<td>-</td>
<td>1,137,820</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>473,314</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>473,314</td>
</tr>
<tr>
<td>Borrowings</td>
<td>802,344</td>
<td>-</td>
<td>-</td>
<td>1,318,003</td>
<td>-</td>
<td>2,120,347</td>
</tr>
<tr>
<td>Other Payables And Accruals</td>
<td>125,992</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>125,992</td>
</tr>
<tr>
<td><strong>Total Undiscounted Financial Liabilities</strong></td>
<td>1,401,650</td>
<td>-</td>
<td>1,137,820</td>
<td>1,318,003</td>
<td>-</td>
<td>3,857,473</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KWAP</th>
<th>On Demand RM'000</th>
<th>Less Than 3 Months RM'000</th>
<th>3 to 12 Months RM'000</th>
<th>1 to 5 Years RM'000</th>
<th>More Than 5 years RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>-</td>
<td>-</td>
<td>1,071,931</td>
<td>-</td>
<td>-</td>
<td>1,071,931</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>466,806</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>466,806</td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Payables And Accruals</td>
<td>57,142</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>57,142</td>
</tr>
<tr>
<td><strong>Total Undiscounted Financial Liabilities</strong></td>
<td>523,948</td>
<td>-</td>
<td>1,071,931</td>
<td>-</td>
<td>-</td>
<td>1,595,879</td>
</tr>
</tbody>
</table>
29. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

(a) Fair value of financial instruments by classes that are not carried at fair value whereby the carrying amounts are not the reasonable approximation of fair value

<table>
<thead>
<tr>
<th>Group</th>
<th>2016 Carrying Amount RM'000</th>
<th>2016 Fair Value RM'000</th>
<th>2015 Carrying Amount RM'000</th>
<th>2015 Fair Value RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans And Receivables</td>
<td>15,137,802</td>
<td>15,137,802</td>
<td>14,671,820</td>
<td>14,671,820</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,602,904</td>
<td>1,602,904</td>
<td>2,120,347</td>
<td>2,120,347</td>
</tr>
</tbody>
</table>

(b) Determination of fair value

(i) **Cash and cash equivalents, receivables and payables**

The carrying amounts of the above financial assets and liabilities are determined based on the reasonable approximation of fair value due either to the short term nature or being repayable on demand.

(ii) **Quoted shares**

The fair value of quoted shares is directly determined by reference to the published market bid prices at the reporting date.

(iii) **Available-For-Sale investments**

The fair value of Available-For-Sale investments is estimated using the discounted cash flow model based on various assumptions, including the current and expected credit losses, market rates of interest and assumptions in relation to market liquidity.

(iv) **Loans receivable**

The fair value of loans receivables is estimated by the discounting of the estimated future cash flows using the current interest rates for financial assets with similar risk profile.
29. **FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

   (b) Determination of fair value (continued)

   (v) Other loans and borrowings

   The carrying amount of the current portion of other loans and borrowings is based on the reasonable approximations of fair value due to the significant impact of discounting.

   The carrying amount of certain other loans and borrowings is based on the reasonable approximations of fair value due to their nature being floating rate instruments re-priced to the market interest rates near the reporting date.

   The fair value of non-current other loans and borrowings, other than the floating rate instruments, is estimated by the discounting of the expected future cash flows at the market incremental lending rate for similar types of borrowings at the reporting date.

   (c) Fair value hierarchy

   The Group and KWAP employ the following hierarchy for the determination and disclosure of the fair value of financial instruments by valuation techniques:

   - **Level 1**: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
   - **Level 2**: Techniques whereby all inputs with significant effect on the recorded fair value are either directly or indirectly observable; and
   - **Level 3**: Techniques whereby inputs with significant effect on the recorded fair value are not based on observable market data.
## 29. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value hierarchy (continued)

As at 31 December 2016, the Group and KWAP held the following financial instruments carried at fair value in the Statement of Financial Position:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2016</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>95,204,535</td>
<td>75,420,288</td>
<td>17,748,989</td>
<td>2,035,258</td>
</tr>
<tr>
<td>Fair Value Through Profit Or Loss Investments</td>
<td>1,746,400</td>
<td>1,711,400</td>
<td>-</td>
<td>35,000</td>
</tr>
<tr>
<td>Derivatives Financial Assets</td>
<td>7,412</td>
<td>-</td>
<td>7,412</td>
<td>-</td>
</tr>
<tr>
<td>Deposits With Licensed Banks</td>
<td>6,491,770</td>
<td>-</td>
<td>-</td>
<td>6,491,770</td>
</tr>
<tr>
<td>Receivables, Deposits And Prepayments</td>
<td>1,712,546</td>
<td>-</td>
<td>-</td>
<td>1,712,546</td>
</tr>
<tr>
<td>Cash And Bank</td>
<td>1,046,824</td>
<td>-</td>
<td>-</td>
<td>1,046,824</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>106,209,487</td>
<td>77,131,688</td>
<td>17,756,401</td>
<td>11,321,398</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables And Accruals</td>
<td>636,265</td>
<td>-</td>
<td>-</td>
<td>636,265</td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>787,848</td>
<td>-</td>
<td>787,848</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,424,113</td>
<td>-</td>
<td>787,848</td>
<td>636,265</td>
</tr>
<tr>
<td><strong>KWAP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>95,204,535</td>
<td>75,420,288</td>
<td>17,748,989</td>
<td>2,035,258</td>
</tr>
<tr>
<td>Fair Value Through Profit Or Loss Investments</td>
<td>1,746,400</td>
<td>1,711,400</td>
<td>-</td>
<td>35,000</td>
</tr>
<tr>
<td>Derivatives Financial Assets</td>
<td>7,412</td>
<td>-</td>
<td>7,412</td>
<td>-</td>
</tr>
<tr>
<td>Deposits With Licensed Banks</td>
<td>6,491,770</td>
<td>-</td>
<td>-</td>
<td>6,491,770</td>
</tr>
<tr>
<td>Receivables, Deposits And Prepayments</td>
<td>1,699,986</td>
<td>-</td>
<td>-</td>
<td>1,699,986</td>
</tr>
<tr>
<td>Cash And Bank</td>
<td>829,056</td>
<td>-</td>
<td>-</td>
<td>829,056</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>105,979,159</td>
<td>77,131,688</td>
<td>17,756,401</td>
<td>11,091,070</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables And Accruals</td>
<td>536,273</td>
<td>-</td>
<td>-</td>
<td>536,273</td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>748,990</td>
<td>-</td>
<td>748,990</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,285,263</td>
<td>-</td>
<td>748,990</td>
<td>536,273</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

29.  FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

<table>
<thead>
<tr>
<th>31 December</th>
<th>2015</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>90,126,004</td>
<td>69,141,229</td>
<td>19,708,432</td>
<td>1,276,343</td>
</tr>
<tr>
<td>Fair Value Through Profit Or Loss Investments</td>
<td>502,915</td>
<td>303,170</td>
<td>164,745</td>
<td>35,000</td>
</tr>
<tr>
<td>Derivatives Financial Assets</td>
<td>3,476</td>
<td>-</td>
<td>3,476</td>
<td>-</td>
</tr>
<tr>
<td>Deposits With Licensed Banks</td>
<td>5,617,808</td>
<td>-</td>
<td>-</td>
<td>5,617,808</td>
</tr>
<tr>
<td>Receivables, Deposits And Prepayments</td>
<td>987,093</td>
<td>-</td>
<td>-</td>
<td>987,093</td>
</tr>
<tr>
<td>Cash And Bank</td>
<td>1,631,369</td>
<td>-</td>
<td>-</td>
<td>1,631,369</td>
</tr>
<tr>
<td>****</td>
<td><strong>98,868,665</strong></td>
<td><strong>69,444,399</strong></td>
<td><strong>19,876,653</strong></td>
<td><strong>9,547,613</strong></td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables And Accruals</td>
<td>599,306</td>
<td>-</td>
<td>-</td>
<td>599,306</td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>1,137,820</td>
<td>-</td>
<td>1,137,820</td>
<td>-</td>
</tr>
<tr>
<td>****</td>
<td><strong>1,737,126</strong></td>
<td><strong>-</strong></td>
<td><strong>1,137,820</strong></td>
<td><strong>599,306</strong></td>
</tr>
<tr>
<td><strong>KWAP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td>90,126,004</td>
<td>69,141,229</td>
<td>19,708,432</td>
<td>1,276,343</td>
</tr>
<tr>
<td>Fair Value Through Profit Or Loss Investments</td>
<td>502,915</td>
<td>303,170</td>
<td>164,745</td>
<td>35,000</td>
</tr>
<tr>
<td>Derivatives Financial Assets</td>
<td>3,476</td>
<td>-</td>
<td>3,476</td>
<td>-</td>
</tr>
<tr>
<td>Deposits With Licensed Banks</td>
<td>5,617,808</td>
<td>-</td>
<td>-</td>
<td>5,617,808</td>
</tr>
<tr>
<td>Receivables, Deposits And Prepayments</td>
<td>995,634</td>
<td>-</td>
<td>-</td>
<td>995,634</td>
</tr>
<tr>
<td>Cash And Bank</td>
<td>729,184</td>
<td>-</td>
<td>-</td>
<td>729,184</td>
</tr>
<tr>
<td>****</td>
<td><strong>97,975,021</strong></td>
<td><strong>69,444,399</strong></td>
<td><strong>19,876,653</strong></td>
<td><strong>8,653,969</strong></td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables And Accruals</td>
<td>523,948</td>
<td>-</td>
<td>-</td>
<td>523,948</td>
</tr>
<tr>
<td>Derivatives Financial Liabilities</td>
<td>1,071,931</td>
<td>-</td>
<td>1,071,931</td>
<td>-</td>
</tr>
<tr>
<td>****</td>
<td><strong>1,595,879</strong></td>
<td><strong>-</strong></td>
<td><strong>1,071,931</strong></td>
<td><strong>523,948</strong></td>
</tr>
</tbody>
</table>
29. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Reconciliation of Level 3 fair valuation

There were no transfers between the Level 1 and Level 2 fair value measurements during the financial year.

A reconciliation of the opening and closing balances of the Level 3 financial instruments, including movements is summarised below:

<table>
<thead>
<tr>
<th>Available-For-Sale Investments</th>
<th>Unquoted Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2016</td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td>1,276,343</td>
</tr>
<tr>
<td>Impairment</td>
<td>257,593</td>
</tr>
<tr>
<td>Net Fair Value Loss Recognised In Other Comprehensive Income</td>
<td>(114,464)</td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>2,035,258</td>
</tr>
</tbody>
</table>

(e) Sensitivity analysis

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>KWAP</th>
<th>Group</th>
<th>KWAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Effect On Equity</td>
<td>Effect On Equity</td>
<td>Effect On Profit Before Tax</td>
<td>Effect On Profit Before Tax</td>
</tr>
<tr>
<td>2016</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Available-For-Sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase Of 5% In Equity Price</td>
<td>101,763</td>
<td>101,763</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Decrease Of 5% In Equity Price</td>
<td>(101,763)</td>
<td>(101,763)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fair Value Through Profit Or Loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase Of 5% In Equity Price</td>
<td>-</td>
<td>-</td>
<td>1,750</td>
<td>1,750</td>
</tr>
<tr>
<td>Decrease Of 5% In Equity Price</td>
<td>-</td>
<td>-</td>
<td>(1,750)</td>
<td>(1,750)</td>
</tr>
</tbody>
</table>

2015

Available-For-Sale

Increase Of 5% In Equity Price  63,817  63,817  -  -
Decrease Of 5% In Equity Price  (63,817) (63,817)  -  -

Fair Value Through Profit Or Loss

Increase Of 5% In Equity Price  -  -  1,750  1,750
Decrease Of 5% In Equity Price  -  -  (1,750) (1,750)
30. RELATED PARTY TRANSACTIONS

The related parties and their relationship with the Group and KWAP are as follows:

<table>
<thead>
<tr>
<th>Related Parties</th>
<th>Relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>KWAP Managed Investment Trust</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>KWAP Managed Investment Trust 2</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>KWAP Managed Investment Trust 3</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>KWAP Managed Investment Trust 4</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>Prima Ekuiti (UK) Limited</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>Prima Harta (Jersey) Unit Trust</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>Prima Harta 2 (Jersey) Unit Trust</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>Harta Integra Berkat Sdn Bhd</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>ValueCap Sdn Bhd</td>
<td>Associate</td>
</tr>
<tr>
<td>Malakoff Corporation Bhd</td>
<td>Associate</td>
</tr>
<tr>
<td>Prestariang Bhd</td>
<td>Associate</td>
</tr>
<tr>
<td>Tap Crunch International Sdn Bhd</td>
<td>Joint venture</td>
</tr>
<tr>
<td>Tap Crunch Sdn Bhd</td>
<td>Joint venture</td>
</tr>
</tbody>
</table>

**Subsidiaries, associates and joint ventures**

The information above is consistent with the list of subsidiaries, associates and joint ventures of the Group and KWAP as set out in Note 11, Note 12 and Note 13, respectively.
30. RELATED PARTY TRANSACTIONS (CONTINUED)

Significant Related Party Balances and Transactions

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>KWAP</th>
<th>Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December 2016</td>
<td>31 December 2015</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>Subsidiaries</strong></td>
<td><strong>KWAP</strong></td>
</tr>
<tr>
<td>Interest Income</td>
<td>21,554</td>
<td>32,823</td>
</tr>
<tr>
<td>Management Fee</td>
<td>10,562</td>
<td>13,227</td>
</tr>
<tr>
<td>Administrative Fee</td>
<td>93</td>
<td>107</td>
</tr>
<tr>
<td>Dividend on Income</td>
<td>407,291</td>
<td>152,484</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>439,500</td>
<td>198,641</td>
</tr>
</tbody>
</table>

| **Amount Due From** | **Subsidiaries** | **KWAP** | **Associates** |
| Trade Receivables | 14,467 | 22,555 | - | - |
| **Total** | 14,467 | 22,555 | - | - |

| **Amount Due To** | **Subsidiaries** | **KWAP** | **Associates** |
| Other Payables and Accruals | 3,019 | 6,344 | - | - |
| **Total** | 3,019 | 6,344 | - | - |

Between KWAP and The Government of Malaysia And Entities Related to The Government Of Malaysia

KWAP is an agency under the Ministry of Finance that reports directly to the Federal Government of Malaysia.

The significant transactions between KWAP and the Government of Malaysia and other entities controlled by the Government are as follows:

<table>
<thead>
<tr>
<th>KWAP</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income and Profit on Investments</td>
<td>1,475,098</td>
<td>1,360,433</td>
</tr>
<tr>
<td>Purchase of Malaysian Government Securities and Bonds</td>
<td>18,419,899</td>
<td>16,335,036</td>
</tr>
<tr>
<td>Sale of Malaysian Government Securities and Bonds</td>
<td>14,966,827</td>
<td>15,699,564</td>
</tr>
<tr>
<td>Repayment of Loans</td>
<td>49,000</td>
<td>113,600</td>
</tr>
</tbody>
</table>
30. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel

Key management personnel are defined as the Board and senior management of KWAP whereby their remuneration are included as part of staff costs.

<table>
<thead>
<tr>
<th></th>
<th>Group 31 December 2016 RM'000</th>
<th>Group 31 December 2015 RM'000</th>
<th>KWAP 31 December 2016 RM'000</th>
<th>KWAP 31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages, Salaries, Honorarium And Remuneration For Key Management Personnels</td>
<td>7,682</td>
<td>6,752</td>
<td>7,433</td>
<td>6,545</td>
</tr>
<tr>
<td>Statutory Contribution To Employees Provident Fund</td>
<td>1,940</td>
<td>1,890</td>
<td>1,868</td>
<td>1,822</td>
</tr>
<tr>
<td>Long Term Incentive Plan</td>
<td>3,946</td>
<td>4,423</td>
<td>3,793</td>
<td>4,250</td>
</tr>
<tr>
<td></td>
<td><strong>13,568</strong></td>
<td><strong>13,065</strong></td>
<td><strong>13,094</strong></td>
<td><strong>12,617</strong></td>
</tr>
</tbody>
</table>

31. OPERATING LEASES

Group and KWAP as lessee

The Group and KWAP lease office spaces in Cyberview Tower 12A for its Pension Services operations. The lease is for a 3 year period commencing from 1 April 2016 at a fixed rate. Future minimum operating lease rentals payable are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group and KWAP 31 December 2016 RM'000</th>
<th>Group and KWAP 31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than One Year</td>
<td>3,537</td>
<td>1,768</td>
</tr>
<tr>
<td>More Than Year</td>
<td>4,421</td>
<td>7,958</td>
</tr>
<tr>
<td></td>
<td><strong>7,958</strong></td>
<td><strong>9,726</strong></td>
</tr>
</tbody>
</table>

32. CAPITAL COMMITMENT

<table>
<thead>
<tr>
<th></th>
<th>Group and KWAP 31 December 2016 RM'000</th>
<th>Group and KWAP 31 December 2015 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Software</td>
<td>28,495</td>
<td>79,123</td>
</tr>
<tr>
<td>Office Renovation</td>
<td>189</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>28,684</strong></td>
<td><strong>79,123</strong></td>
</tr>
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GLOSSARY OF TERMS

BNM
Bank Negara Malaysia
Bank Negara Malaysia or BNM is the Malaysian central bank. Established on 26 January 1959 as the Central Bank of Malaya (Malay: Bank Negara Tanah Melayu), its main purpose was to issue currency, act as banker and adviser to the Government of Malaysia and regulate the country’s credit situation.

BREXIT
British Exit
Abbreviation of “British Exit”, which refers to the possibility that Britain will withdraw from the European Union.

BCP
Business Continuity Plan
Business Continuity Planning is the outcome of a BCM process and defines how the organisation will react in the aftermath of a crisis or disaster.

BCM
Business Continuity Management
Business Continuity Management is a management process that identifies potential event that threaten an operation and provides a framework for building resilience and the capability for an effective response which safeguards the interests of its key stakeholders, and ensure business continuity in the aftermath of expected disaster.

CCS
Cross Currency Swap
An agreement between two parties to exchange interest payments and principal on loan denominated in two different currencies.

CRP
Corporate Risk Profile
Corporate Risk Profile is a reporting tool that summarises the key risk faced by a corporation or enterprise in order of severity of impact and probability of occurrence.

CSR
Corporate Social Responsibility
Corporate Social Responsibility is a form of corporate self-regulation integrated into a business model. The goal of CSR is to embrace responsibility for the company’s actions and encourage a positive impact through its activities on the environment, employees, communities, stakeholders, and all other members of the public sphere.

DR
Disaster Recovery
Disaster Recovery is the process, policies, and procedures related to preparing for recovery or continuation of technology infrastructure critical to an organisation after a natural or human-induced disaster. Disaster recovery is a subset of business continuity. While business continuity involves planning for keeping all aspects of a business functioning in the midst of disruptive events, disaster recovery focuses on the IT or technology systems that support business functions.

EM
Emerging Market
Emerging Markets are nations with social or business activity in the process of rapid growth and industrialisation. As at 2010, more than 40 emerging markets in the world, with the economies of China and India considered to be the largest.

EPF
Employees Provident Fund
Employees Provident Fund or EPF, known as Kumpulan Wang Simpanan Pekerja. The Malaysian EPF was formally founded after the enactment of the Employees Provident Fund Act 1991 (Act 452), which grants employees retirement benefits via a body that is intended to manage their savings.

ERM
Enterprise Risk Management
Enterprise Risk Management (ERM) in business includes the methods and processes used by organisations to identify, assess, and manage risks related to the organisation and its goals.

ESG
Environment, Social, and Corporate Governance
Environmental, social, and governance (ESG) refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business. Within these areas are a broad set of concerns increasingly included in the non-financial factors that figure in the valuation of equity, real-estate, corporate, and fixed-income investments. ESG is the catch-all term for the criteria used in what has become known as socially responsible investing. Socially responsible investing is among several related concepts and approaches that influence and, in some cases govern, how asset managers invest portfolios.
GCSP
Global Custodial Service Provider
A Global Custodial Service Provider, usually a bank or non-bank financial institution, processes cross-border securities trades, keeps financial assets safe and services the associated portfolios.

GDP
Gross Domestic Product
Gross Domestic Product (GDP) refers to the market value of all goods and services produced within a country in a given period. It is often considered an indicator of a country’s standard of living.

GDS
Government Debt Securities

GII
Government Investment Issue

GST
Government Service Tax
Government Service Tax is a multi-stage consumption tax on goods and services. It is levied on the supply of goods and services at each stage of supply chain from the supplier up to the retail stage of the distribution.

Hedge
A hedge is an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offset position in a related security.

HR
Human Resource
Human Resource is also the name of the function within an organisation charged with the overall responsibility for implementing strategies and policies relating to the management of staff.

ICP
Incident Communication Plan
Incident Communication Plan is crafted to provide a structured communications plan for an organisation when faced with a crisis or an incident where time and resources are limited. It functions as a guide to follow through during a crisis or an incident to ensure that crucial or critical information is communicated to relevant parties, efficiently and effectively in a timely manner.

ICT
Information and Communication Technology
Information and Communication Technology consists of all technical means used to handle information and aid communication, including computer and network hardware, communication middleware as well as necessary software.

IFIMS
Integrated Fund Investment Management System

IMP
Incident Management Plan

IPG
Investment Policy and Guidelines
Investment Policy and Guidelines to clearly communicate to all relevant parties the procedures, investment philosophy, guidelines and constraints to be adhered to by the parties.

IRS
Interest Rate Swap
An exchange of one set of cash flows (based on internet rate specifications) for another. It is often an exchange of a fixed payment for a floating payment that is linked to interest rate.

IT
Information Technology
Information technology is the acquisition, processing, storage, and dissemination of vocal, pictorial, textual, and numerical information by a microelectronics-based combination of computing and telecommunications.

KWAP
Kumpulan Wang Persaraan (Diperbadankan)
Kumpulan Wang Persaraan (Diperbadankan) was formed on 1 March 2007 to replace the Pension Trust Fund.

KWSG
Kumpulan Wang Simpanan Guru

LTAT
Armed Forces Fund Board
Armed Forces Fund Board or Lembaga Tabung Angkatan Tentera, better known as LTAT, was established in August 1972 by an Act of Parliament.

LEED Certification
Leadership in Energy and Environmental Design Certification
Leadership in Energy and Environmental Design (LEED) is one of the most popular green building certification programs used worldwide.

MOF
Ministry of Finance

MPC
Monetary Policy Committee
GLOSSARY OF TERMS

OPEC
The Organisation of Petroleum Exporting Countries consisting of Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela.

OPR
Overnight Policy Rates
Overnight Policy Rates is an overnight interest rate set by BNM used for monetary policy direction. It is the target rate for the day-to-day liquidity operations of the BNM.

ORE
Operational Risk Event
Operational Risk Event are event that arises from a failure of the people, systems and processes in an organisation.

PDS
Private Debt Securities

PSD
Public Service Department

RENTAS
Real Time Electronic Transfer of Funds and Securities

RMC
Risk Management Committee
Risk Management Committee is a Board level committee consisting of Board members that carries out the risk oversight role in an organisation.

RMCD
Risk Management and Compliance Department
Risk Management and Compliance Department is a department entrusted to manage the risk of organisation and ensure compliance within the organisation.

ROI
Return On Investment
Return On Investment is the ratio of realized income gained or lost against the average fund size (at cost) for the year.

SAA
Strategic Asset Allocation
The primary goal of a strategic asset allocation is to create an asset mix that will provide the optimal balance between expected risk and return for a long-term investment horizon.

SDL
Single Depositor Limit
Limit as to the maximum an organisation is allowed to place a deposit with a single deposit taking institution e.g: banks.

SOCSEO
Social Security Organisation
SOCSEO’s function includes registration of employer and employee, collecting contribution, processing benefit claims, and makes payment to the injured worker and their dependents. SOCSEO also provide vocational and physical rehabilitation benefits and enhance occupational safety and health awareness of workers.

Sukuk
Islamic bonds, structured in a way to generate returns without infringing Islamic law which prohibits interest or riba. Sukuk represents undivided shares in the ownership of tangible assets relating to particular projects or investment activity.

The Study
Pension Liability Study
A joint study conducted between KWAP, MOF, and PSD to identify options available for KWAP to assist the Federal Government of Malaysia in funding its future pension liability.

TAA
Tactical Asset Allocation
It is a method in which an investor takes a more active approach that tries to position a portfolio into those assets, sectors, or individual stocks that show the most potential for gains.

TE
Tracking Error
Tracking Error measures the deviation of excess return of a portfolio over the benchmark.

TWRR
Time Weighted Rate of Return
Time Weighted Rate of Return is a measure of return based on changes in values of investments over a specific time period.

Total Return
Total return, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realized over a given period of time.

VaR
Value at Risk
A risk metric used to estimate the quantum of loss to a portfolio over a given probability value with a pre-defined period.
www.kwap.gov.my