

FINANCIAL OVERVIEW AND ANALYSIS

FINANCIAL RESULTS

Gross Investment Income

The EPF recorded gross investment income of RM53.14 billion, which represents an increase of RM6.58 billion or 14.14 per cent from RM46.56 billion posted in 2016. Out of this amount, Capital Gain from Trading of Investment contributed RM21.74 billion or 40.91 per cent, an increase of RM6.53 billion or 42.95 per cent compared to the amount recorded in 2016. The amount recorded by External Fund Managers is RM7.54 billion, a 126.90 per cent increase from the amount recorded in 2016, while internally managed portfolio recorded a 19.48 per cent increase to RM14.20 billion for the year 2017. The increase in capital gain realised is mainly contributed by listed equity instruments, which is in line with the positive growth across domestic and global equity markets.

Dividend on Investments, meanwhile, showed a healthy year-on-year growth, increasing by 15.60 per cent or RM1.39 billion to RM10.33 billion in 2017. Both Internal and External Managers showed double digit increase of 16.62 per cent and 10.79 per cent respectively, with RM8.60 billion generated by Internal Managers and RM1.73 billion generated by External Managers. In total, Dividend on Investments contributed 19.44 per cent to total Gross Investment Income.

As a retirement savings fund that focuses on capital preservation of members' savings, the EPF relies on the consistent and steady stream of Interest and Profit from its investments, which in 2017 amounted to RM13.93 billion, an increase of RM1.30 billion or 10.33 per cent compared to the amount recorded in 2016. This growth is in line with the EPF's growth in asset size and contributed 26.22 per cent to total Gross Investment Income.

During the year under review, the Malaysian Ringgit strengthened against major foreign currencies, particularly the US Dollar and this had a significant impact on Gross Investment Income through the Net Gain on Foreign Exchange, both realised and unrealised. Realised Gain on Foreign Exchange dropped by 43.75 per cent or RM3.31 billion to RM4.26 billion from RM7.57 billion previously. Unrealised Gain on Foreign Exchange dropped by 244.61 per cent or RM3.90 billion to record on Unrealised Loss on Foreign Exchange of RM2.431 billion in 2017. Combined, the Net Gain on Foreign Exchange is RM1.95 billion, representing 3.67 per cent of total Gross Investment Income recorded in 2017, as compared to RM9.17 billion in 2016.

In terms of breakdown between Simpanan Konvensional and Simpanan Syariah for Gross Investment Income, RM48.54 billion is attributed to Simpanan Konvensional, while the balance of RM4.60 billion is attributed to Simpanan Syariah.

Other Income

Other Income decreased by 14 per cent to RM171.82 million from RM196.31 million in 2016. The decrease was mainly due to higher Gain on Disposal recorded on the EPF's properties in 2016 compared to the current year, and the drop in Dividend/Interest collected from employers for late contribution payment by RM7.34 million. The decrease was partially offset by an increase in service fees charged to Fund Manager Institutions by RM7.04 million, in line with the growth of RM7.54 billion on the investment size managed by Fund Manager Institutions.

Operating Expenditure

In 2017, the EPF's Operating Expenditure increased by 13 per cent to RM1,348.52 million as compared to RM1,189.89 million in 2016. The increase was primarily contributed by Salaries, Allowances and Staff Costs which rose by RM136.96 million, mainly due to salary adjustment totaling RM52.44 million. Depreciation cost also rose by RM25.42 million mainly due to newly acquired assets and WIP clearance from completed projects.

Salaries, Allowances and Staff Costs

Staff costs increased by 15 per cent to RM1,022.42 million, as compared with RM885.47 million in 2016 due to salary adjustment in 2017 of RM52.44 million. Additional provision for cash award in lieu of annual leave of RM39.37 million was also recognised in 2017.

Depreciation and Amortisation Charges

Depreciation and amortisation charges comprises depreciation on property, plant and equipment, investment properties as well as amortisation of intangible assets and prepaid land lease. For the financial year ended 31 December 2017, depreciation and amortisation charges increased by 22.10 per cent to RM84.90 million, as compared with RM64.97 million in the preceding year. This was due to addition in investment properties amounting to RM348.46 million that contributed to the increase in depreciation this year.

Maintenance Costs

Maintenance costs include maintenance of computer equipment, buildings, cleaning costs as well as utility charges. For the financial year ended 31 December 2017, maintenance costs increased by 8 per cent to RM86.04 million, as compared with RM79.69 million in the preceding year. The increase was primarily due to higher maintenance cost on computer equipment by RM10.19 million, which was partially offset by the drop in maintenance on building and utility charges by RM3.54 million and RM1.28 million respectively.

FINANCIAL OVERVIEW AND ANALYSIS

Statutory Charges

Statutory charges consist of payment of Death Benefits and Incapacitation Benefits to beneficiaries and members under Sections 58(1) and 58(2) respectively as well as Invocation Cost under Section 50(3) of the EPF Act, 1991, which were recognised during the year.

Net Profit

The EPF recorded a net profit of RM47.99 billion in 2017. The allocation to Conventional Savings and Shariah Savings were RM43.99 billion and RM4.00 billion respectively. The allocation of the net profit both year was decreased by applying ratios as below:

Members' Saving Ratio (MSR)	8.86%
Shariah Income Ratio (SIR)	23.30%
Opt-In Ratio (OIR)	8.86%

FINANCIAL POSITION

Investment Assets

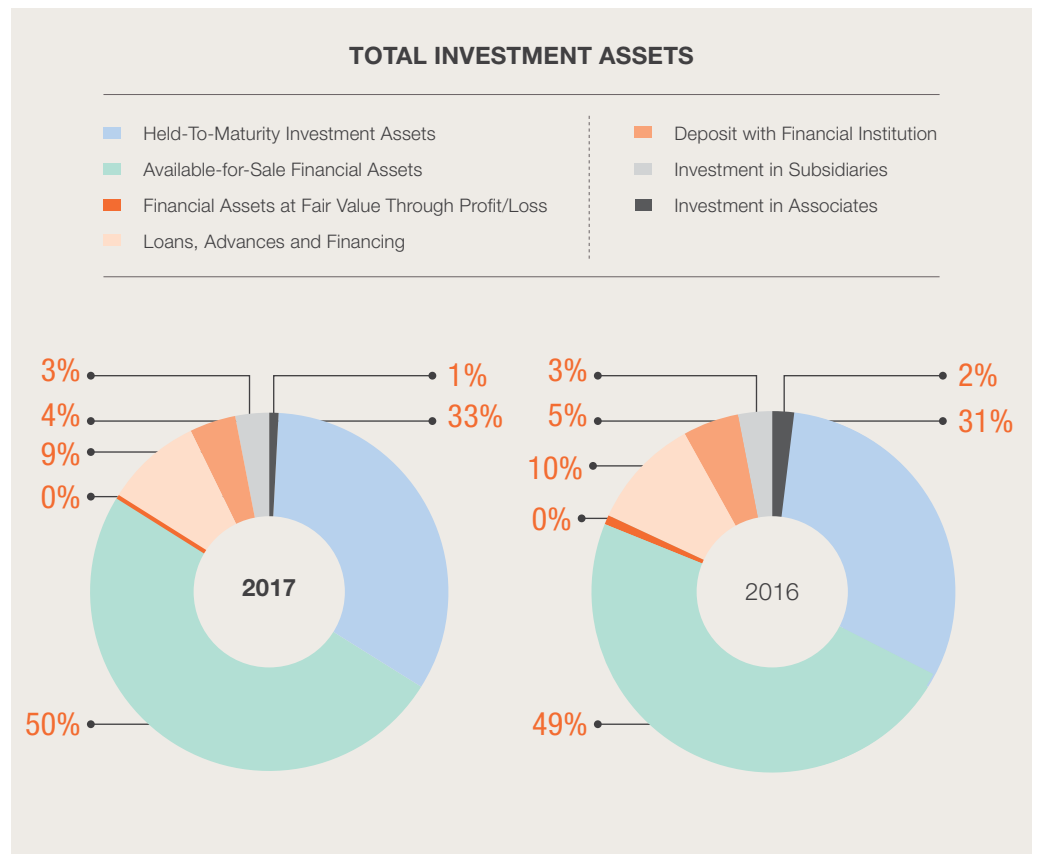
Total investment assets grew by RM60.36 billion or 8.3 per cent from RM731.11 billion as at end 2016 to RM791.48 billion in 2017, in line with the net contribution and income received for the year. Total investment assets constitute Non-Shariah Assets amounting to RM415.45 billion and Shariah Assets amounting to RM376.03 billion, representing 52.5 per cent and 47.5 per cent of total investment assets respectively.

As at December 2017, the value of Financial Assets Available-For-Sale stood at RM393.80 billion or 49.8 per cent of the total investment assets. This represents a year-on-year increase of RM34.30 billion or 9.5 per cent. Financial Assets Available-For-Sale, which are mainly made up of listed equity investments, consist of Non-Shariah Asset amounting to RM222.92 billion and Shariah Assets amounting to RM170.88 billion.

The EPF's exposure to low-risk and steady income-generating assets, namely Investment Assets Held-To-Maturity (HTM) and Loans, Advances and Financing stood at RM260.25 billion (32.9 per cent) and RM71.11 billion (9.0 per cent) respectively. For HTM assets, the breakdown between Non-Shariah and Shariah asset is RM114.55 billion and RM145.70 billion respectively; whereas for Loans, Advances and Financing, the breakdown between Non-Shariah and Shariah asset is RM25.59 billion and RM45.52 billion respectively.

In 2017, additional investments were also made into our subsidiaries, associated companies and joint ventures particularly into foreign inflation-linked asset class. Cumulatively, the holdings in both subsidiaries, associated and joint ventures companies stood at RM34.78 billion or 4.4 per cent of the total investments, an increase of RM2.97 billion or 9.3 per cent from RM31.81 billion in 2016. The breakdown between Non-Shariah Asset and Shariah Asset is RM 29.11 billion and RM5.67 billion respectively.

There was a 31.0 per cent or RM12.40 billion decrease in Deposit with Financial Institution which brings the deposit amount to RM27.62 billion or 3.5 per cent from EPF total investment assets.



FINANCIAL OVERVIEW AND ANALYSIS

Liabilities

Total liabilities decreased by 42.61 per cent to RM3.03 billion from RM5.28 billion in 2016, primarily due to maturity of forward currency translation contract in 2017.

Payables and Accrued Liabilities

As at 31 December 2017, the EPF's payables and accrued liabilities of RM2.14 billion was higher by 2 per cent compared with RM2.10 billion as at 31 December 2016. Such increase was mainly due to higher accruals on administrative and miscellaneous expenses.

Contributions

Cumulative contributions stood at RM768.51 billion as at 31 December 2017, indicating a growth of 9.10 per cent, or RM64.24 billion, from the closing balance of RM704.27 billion as at 2016. Simpanan Konvensional recorded cumulative contributions amounting to RM700.75 billion while Simpanan Shariah amounting to RM67.76 billion. Members' cumulative savings in the Contribution Account, as reflected in the Statement of Financial Position, grew as employers' contributions exceeded the total amount paid in withdrawals to members and beneficiaries, resulting in a consistent net cash inflow throughout the year.

Collection During the Year

In 2017, a total of RM62.69 billion was collected from employers, as opposed to RM59.77 billion in the preceding year. This represented an increase of RM2.92 billion or 4.80 per cent, consistent with higher wages as well as growth in the number of active members. On average, approximately RM5.22 billion was collected per month in 2017.

Withdrawals and Refunds During the Year

Total withdrawals and refunds in 2017 amounted to RM49.40 billion comprising RM42.82 billion for Simpanan Konvensional and RM6.58 billion for Simpanan Shariah, compared with RM46.80 billion in the previous year. This represents an increase of RM2.60 billion, or 5.50 per cent mainly from Age 55 withdrawals. Details of withdrawals are provided in the Statistics section of this Annual Report. On average, approximately RM4.12 billion was paid to members and beneficiaries per month in the current year.

Other Members' Fund

Other Members' Fund stood at RM41.89 billion as at 31 December 2017, comprising RM1.21 billion in Accumulated Surplus (distributable reserves) and RM40.68 billion in Available-For-Sale (AFS) Financial Asset Reserves (non-distributable reserves). This marked an increase of RM9.11 billion, or 27.80 per cent, from the Other Members' Fund of RM32.78 billion in 2016, in line with the increasing balance in respect of AFS Reserves as at 31 December 2017 due to uptrend performance in the stock market.

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Financial Statements





**REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
EMPLOYEES PROVIDENT FUND
FOR THE YEAR ENDED 31 DECEMBER 2017**

Report on the Financial Statements

Opinion

I have audited the accompanying financial statements of Employees Provident Fund and the Group, which comprise the Statements of Financial Position as at 31 December 2017 and Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Members' Fund and Statements of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory information.

In my opinion, the Financial Statements give a true and fair view of the financial position of Employees Provident Fund as at 31 December 2017 and of the financial performance and the results of its operations for the year then ended, in accordance with the financial reporting standards approved in Malaysia.

Basis for Opinion

I conducted the audit in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities are further described in the paragraph of Auditor's Responsibilities for the Audit of the Financial Statements in this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of Employees Provident Fund and have fulfilled other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

Information Other Than the Financial Statements and Auditor General's Report Thereon

The Directors of Employees Provident Fund are responsible for other information in the Annual Report. My opinion on the Financial Statements of Employees Provident Fund does not cover the information other than the Financial Statements and the Auditor General's Report thereon and I do not express any form of assurance conclusion thereon.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Employees Provident Fund Act 1991 (Act 452) and applicable financial reporting standards approved in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Financial Statements that are free from material misstatement or omission, whether due to fraud or error.

In preparing the Financial Statements of Employees Provident Fund, the Directors are responsible for assessing Employees Provident Fund Act's ability to continue as a going concern, disclosing as applicable, and using the going concern as basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the Financial Statements of Employees Provident Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue Auditor General's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the Financial Statements of Employees Provident Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Employees Provident Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- d. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Employees Provident Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the Auditor General's Report to the related disclosures in the Financial Statements of Employees Provident Fund or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the Auditor General's Report.
- e. Evaluate the overall presentation including the disclosures of whether the Financial Statements of Employees Provident Fund represent fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

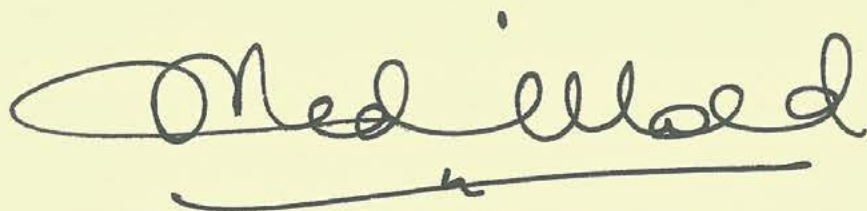
Report on Other Legal and Regulatory Requirements

In accordance with the requirements Employees Provident Fund Act 1991 (Act 452), I also report that:

- a. 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 43 to the financial statements.
- b. I am satisfied that the financial statements of the subsidiary companies that have been consolidated with Employees Provident Fund's financial statements are in appropriate form and content for the purposes in the preparation of the financial statements. I have received satisfactory information and explanations required for those purposes.
- c. The auditors' reports on the financial statements of the subsidiary companies were not subjected to any observations that could affect the financial statements.
- d. The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment.

Other Matters

This report is made solely to the Directors and for no other purpose. I do not assume responsibility to any other person for the content of this report.



(TAN SRI DR. MADINAH BINTI MOHAMAD)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
13 MARCH 2018



STATEMENT BY CHAIRMAN AND A BOARD MEMBER AS TRUSTEES

We, TAN SRI SAMSUDIN BIN OSMAN and DATUK THOMAS GEORGE A/L M.S. GEORGE as the Chairman and a member of the Board, as representatives of the Trustee of the EMPLOYEES PROVIDENT FUND, do hereby state that, in the opinion of the Board, the accompanying Financial Statements which includes the Statements Of Financial Position, Statements Of Profit Or Loss, Statements Of Comprehensive Income, Statements Of Changes In Members' Fund and Statements Of Cash Flows, as follows together with the Notes To The Financial Statements are drawn up so as to give a true and fair view of the state of affairs of the EMPLOYEES PROVIDENT FUND as at 31 December 2017, the results of its operations and its cash flows for the year ended on that date.

On behalf of the Board,



NAME : TAN SRI SAMSUDIN BIN OSMAN
TITLE : CHAIRMAN OF EPF
DATE : 27 FEB 2018
PLACE : KUALA LUMPUR

On behalf of the Board,



NAME : DATUK THOMAS GEORGE A/L M.S. GEORGE
TITLE : A BOARD MEMBER OF EPF
DATE : 27 FEB 2018
PLACE : KUALA LUMPUR

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT EMPLOYEES PROVIDENT FUND

I, SAZALIZA BIN ZAINUDDIN, as a representative of the Trustee and an officer primarily responsible for the financial management of the EMPLOYEES PROVIDENT FUND do solemnly and sincerely declare that the accompanying Financial Statements which includes the Statements Of Financial Position, Statements Of Profit Or Loss, Statements Of Comprehensive Income, Statements Of Changes In Members' Fund and Statements of Cash Flows, in the following financial position together with the Notes To The Financial Statements to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and]
solemnly declared by]
the abovenamed in]
KUALA LUMPUR]
on 27 FEB 2018]



SAZALIZA BIN ZAINUDDIN

Before me,



Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

COMMISSIONER FOR OATHS
Lot 1.08, Tingkat 1,
Bangunan KWSP,
Jalan Raja Laut,
50350 Kuala Lumpur.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Note	GROUP		EPF	
		31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
UTILISATION OF MEMBERS' FUND					
ASSETS					
Deferred Tax Assets	3	36,306	379,307	-	-
Property, Plant And Equipment	4	402,094	412,695	226,277	259,061
Investment Properties	5	23,218,301	23,919,729	1,287,196	1,047,229
Intangible Assets	6	35,362	22,848	20,731	7,433
Prepaid Land Lease	7	55,285	55,987	49,862	50,403
Assets Held-For-Sale	8	216,633	1,959	265,985	1,674
Property Development Costs	9	1,645,190	1,575,741	-	-
Investment In Subsidiaries	10	-	-	22,069,350	20,611,913
Investment In Associates	11	17,290,131	15,126,936	11,044,130	11,195,443
Investment in Joint Ventures	12	3,078,745	2,892,872	1,666,000	-
Investment Assets Held-To-Maturity	13	259,743,590	228,069,529	260,252,320	228,069,529
Financial Assets Available-For-Sale	14	397,674,740	362,738,041	393,796,939	359,498,067
Financial Assets At Fair Value Through Profit Or Loss	15	12,376,482	9,070,929	2,366,442	340,188
Loans, Advances And Financing	16	94,837,975	93,106,169	71,343,365	70,556,704
Inventories	17	114,170	211,404	-	-
Receivables, Deposits And Prepayments	18	3,608,744	4,633,668	2,477,335	2,283,495
Deposit With Financial Institutions	19	36,078,398	41,314,711	27,620,438	40,017,385
Cash And Bank Balances		21,755,804	17,509,239	18,938,977	8,385,955
Total Assets		872,167,950	801,041,764	813,425,347	742,324,479
LIABILITIES					
Deferred Tax Liabilities	3	31,830	37,624	-	-
Employee Benefits	20	341,714	317,451	341,714	317,451
Provision For Taxation		50,495	40,906	-	-
Loans And Overdrafts	21	15,687,508	17,336,898	-	-
Contribution Withdrawal Payables		16,991	15,618	16,991	15,618
Financial Liabilities At Fair Value Through Profit Or Loss	15	492,121	2,943,870	317,689	2,657,723
Deposits And Advances	22	33,000,453	30,859,097	209,896	186,764
Payable and Accrued Liabilities	23	5,058,816	5,683,367	2,139,722	2,098,529
Total Liabilities		54,679,928	57,234,831	3,026,012	5,276,085
TOTAL NET ASSETS		817,488,022	743,806,933	810,399,335	737,048,394
MEMBERS' FUND					
Contributions	24	768,508,567	704,266,295	768,508,567	704,266,295
Reserves	25	41,928,388	33,393,716	40,680,416	30,974,450
Retained Profit	26	3,884,438	3,034,565	1,210,352	1,807,649
		814,321,393	740,694,576	810,399,335	737,048,394
Non-Controlling Interests	27	3,166,629	3,112,357	-	-
		817,488,022	743,806,933	810,399,335	737,048,394

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENTS OF PROFIT OR LOSS

for the year ended 31 December 2017

	Note	GROUP		EPF	
		31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
INCOME					
Gross Investment Income	28	56,889,685	50,009,379	53,139,681	46,557,216
Investment Expenditures	29	(2,683,985)	(3,026,601)	(527,486)	(465,380)
Net Impairment Loss On Financial Investment Assets	30	(3,956,041)	(8,909,105)	(3,358,869)	(8,141,430)
Net Impairment Loss On Investment In Subsidiaries, Associates And Joint Ventures	31	-	-	(22,100)	(33,325)
Net Investment Income		50,249,659	38,073,673	49,231,226	37,917,081
Other Income	32	1,225,907	453,412	171,824	196,308
		51,475,566	38,527,085	49,403,050	38,113,389
Operating Expenditures	33	(3,044,839)	(2,718,553)	(1,348,518)	(1,189,878)
Statutory Charges	34	(64,310)	(58,379)	(64,310)	(58,379)
Total Expenditures		(3,109,149)	(2,776,932)	(1,412,828)	(1,248,257)
Net Profit		48,366,417	35,750,153	47,990,222	36,865,132
Share Of Results From Associates		918,819	715,954	-	-
Share Of Result From Joint Ventures		573,642	172,636	-	-
Net Profit Before Tax And Zakat		49,858,878	36,638,743	47,990,222	36,865,132
Taxation And Zakat	35	(283,591)	(197,578)	-	-
Net Profit After Tax And Zakat		49,575,287	36,441,165	47,990,222	36,865,132
Attributable To:					
Contributors Of EPF		49,422,344	35,958,493		
Non-Controlling Interests	27	152,943	482,672		
		49,575,287	36,441,165		

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Net Profit After Tax And Zakat		49,575,287	36,441,165	47,990,222	36,865,132
Other Comprehensive Income/(Loss):					
<u>Items That Will Not Be Reclassified Subsequently To Statements Of Profit Or Loss</u>					
Loss From Actuarial Valuation On Employee Benefits Plan	20	(4,258)	-	(4,258)	-
		(4,258)	-	(4,258)	-
<u>Items That May Be Reclassified Subsequently To Statements Of Profit Or Loss</u>					
Net Unrealised Gain/(Loss) On Fair Value Revaluation On Financial Assets Available-For-Sale		9,852,288	(2,317,483)	9,705,966	(2,339,271)
Foreign Currency Translation Differences		(1,351,364)	(811,354)	-	-
Net Changes On Cash Flow Hedging Derivatives		115,995	(158,070)	-	-
Share Of Other Comprehensive Income Of Associates		(143,851)	427,452	-	-
		8,473,068	(2,859,455)	9,705,966	(2,339,271)
Total Other Comprehensive Gain/(Loss)		8,468,810	(2,859,455)	9,701,708	(2,339,271)
Total Comprehensive Income		58,044,097	33,581,710	57,691,930	34,525,861
Attributable To:					
Contributors Of EPF		57,909,957	33,003,521	57,691,930	34,525,861
Non-Controlling Interests		134,140	578,189	-	-
Total Comprehensive Income		58,044,097	33,581,710	57,691,930	34,525,861

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENT OF CHANGES IN MEMBERS' FUND

for the year ended 31 December 2017

GROUP	Non-Distributable					Distributable		Total (RM'000)	Non-Controlling Interests (RM'000)	Total (RM'000)
	Contribution	Financial Assets Reserve Available-For-Sale	Cash Flow Hedging Reserve	Other Reserves	Foreign Exchange Reserve	Retained Profit				
	(Note 24) (RM'000)	(Note 25) (RM'000)	(Note 25) (RM'000)	(Note 25) (RM'000)	(Note 25) (RM'000)	(Note 26) (RM'000)	(Note 27) (RM'000)			
At 1 January 2017	704,266,295	30,997,671	(210,829)	67,043	2,539,831	3,034,565	740,694,576	3,112,357	743,806,933	
Add:										
Net Profit For The Financial Year	-	-	-	-	-	49,422,344	49,422,344	152,943	49,575,287	
Unrealised Gain/(Loss) On Revaluation of Available-For-Sale Financial Assets During The Financial Year	-	24,568,032	-	-	-	1	24,568,033	(7,344)	24,560,689	
Adjustment on Reclassification For Gain Recognised In Statements Of Profit Or Loss	-	(14,708,401)	-	-	-	-	(14,708,401)	-	(14,708,401)	
Unrealised Loss On Cash Flow Hedging Derivatives	-	-	115,995	-	-	-	115,995	-	115,995	
Foreign Currency Translation Differences	-	-	-	-	(1,339,905)	-	(1,339,905)	(11,459)	(1,351,364)	
Share Of Other Comprehensive Income Of Associates	-	239	-	(814)	(143,338)	62	(143,851)	-	(143,851)	
Adjustments On Employee Benefits For The Financial Year	-	-	-	-	-	(4,258)	(4,258)	-	(4,258)	
Total Comprehensive Income	-	9,859,870	115,995	(814)	(1,483,243)	49,418,149	57,909,957	134,140	58,044,097	
Share Of Capital Contributions In Joint Venture By Subsidiaries	-	-	-	48,360	-	-	48,360	-	48,360	
Net Acquisition Of Non-Controlling Interests By Subsidiaries	-	-	-	(5,496)	-	14,985	9,489	14,996	24,485	
Contributions Received And Adjustments During The Financial Year	65,523,864	-	-	-	-	-	65,523,864	-	65,523,864	
Dividend Credited To Members' Accounts - 6.90% (SK) & 6.40% (SS)	48,130,148	-	-	-	-	-	48,130,148	-	48,130,148	
Adjustments On Dividend For Previous Year	8,293	-	-	-	-	-	8,293	-	8,293	
	817,928,600	40,857,541	(94,834)	109,093	1,056,588	52,467,699	912,324,687	3,261,493	915,586,180	
Less:										
Contribution Withdrawals And Refunds	(49,396,427)	-	-	-	-	-	(49,396,427)	-	(49,396,427)	
Dividend Credited To Members' Accounts - 6.90% (SK) & 6.40% (SS)	-	-	-	-	-	(48,130,148)	(48,130,148)	-	(48,130,148)	
Dividend Credited To Non-Controlling Interest	-	-	-	-	-	-	-	(94,864)	(94,864)	
Dividend On Contribution Withdrawals	-	-	-	-	-	(444,820)	(444,820)	-	(444,820)	
Adjustments Of Contributions With Incomplete Information And Reject Cases To Statements Of Profit Or Loss And Retained Profit	(23,606)	-	-	-	-	-	(23,606)	-	(23,606)	
Adjustments On Dividend For Previous Year	-	-	-	-	-	(8,293)	(8,293)	-	(8,293)	
As At 31 December 2017	768,508,567	40,857,541	(94,834)	109,093	1,056,588	3,884,438	814,321,393	3,166,629	817,488,022	

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENT OF CHANGES IN MEMBERS' FUND
for the year ended 31 December 2017

GROUP	Non-Distributable					Distributable		Total (RM'000)	Non-Controlling Interests (RM'000)	Total (RM'000)
	Contribution	Financial Assets Reserve Available- For-Sale	Cash Flow Hedging Reserve	Other Reserves	Foreign Exchange Reserve	Retained Profit				
	(Note 24) (RM'000)	(Note 25) (RM'000)	(Note 25) (RM'000)	(Note 25) (RM'000)	(Note 25) (RM'000)	(Note 26) (RM'000)	(Note 27) (RM'000)			
At 1 January 2016	652,469,572	33,311,981	(52,759)	20,428	3,067,217	4,996,070	693,812,509	2,525,009	696,337,518	
Add:										
Net Profit For The Financial Year	-	-	-	-	-	35,958,493	35,958,493	482,672	36,441,165	
Unrealised Gain On Revaluation of Available-For-Sale Financial Assets During The Financial Year	-	14,548,882	-	-	-	-	14,548,882	-	14,548,882	
Adjustment on Reclassification For Gain Recognised In Statements Of Profit Or Loss	-	(16,866,365)	-	-	-	-	(16,866,365)	-	(16,866,365)	
Unrealised Loss On Cash Flow Hedging Derivatives	-	-	(158,070)	-	-	-	(158,070)	-	(158,070)	
Foreign Currency Translation Differences	-	-	-	-	(898,327)	-	(898,327)	86,973	(811,354)	
Share Of Other Comprehensive Income Of Associates	-	3,173	-	44,794	370,941	-	418,908	8,544	427,452	
Total Comprehensive Income	-	(2,314,310)	(158,070)	44,794	(527,386)	35,958,493	33,003,521	578,189	33,581,710	
Share Of Capital Contributions In Joint Venture By Subsidiaries	-	-	-	1,821	-	-	1,821	-	1,821	
Net Acquisition Of Non - Controlling Interests By Subsidiaries	-	-	-	-	-	(351,259)	(351,259)	487,723	136,464	
Contributions Received And Adjustments During The Financial Year	61,594,291	-	-	-	-	-	61,594,291	-	61,594,291	
Dividend Credited To Members' Accounts - 5.70%	37,076,322	-	-	-	-	-	37,076,322	-	37,076,322	
Adjustments On Dividend For Previous Year	10,259	-	-	-	-	-	10,259	-	10,259	
	751,150,444	30,997,671	(210,829)	67,043	2,539,831	40,603,304	825,147,464	3,590,921	828,738,385	
Less:										
Contribution Withdrawals And Refunds	(46,804,684)	-	-	-	-	-	(46,804,684)	-	(46,804,684)	
Dividend Credited To Members' Accounts - 5.70%	-	-	-	-	-	(37,076,322)	(37,076,322)	-	(37,076,322)	
Dividend Credited To Non-Controlling Interest	-	-	-	-	-	-	-	(478,564)	(478,564)	
Dividend On Contribution Withdrawals	-	-	-	-	-	(482,158)	(482,158)	-	(482,158)	
Adjustments Of Contributions With Incomplete Information (CTML) And Reject Cases To Statements Of Profit Or Loss And Retained Profit	(79,465)	-	-	-	-	-	(79,465)	-	(79,465)	
Adjustments On Dividend For Previous Year	-	-	-	-	-	(10,259)	(10,259)	-	(10,259)	
As At 31 December 2016	704,266,295	30,997,671	(210,829)	67,043	2,539,831	3,034,565	740,694,576	3,112,357	743,806,933	

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENT OF CHANGES IN MEMBERS' FUND
for the year ended 31 December 2017

EPF	← Non-Distributable →		Distributable	Total
	Contribution	Financial Assets Reserve Available-For-Sale	Retained Profit	
	(Note 24) (RM'000)	(Note 25) (RM'000)	(Note 26) (RM'000)	(RM'000)
At 1 January 2017	704,266,295	30,974,450	1,807,649	737,048,394
Add:				
Net Profit For The Financial Year	-	-	47,990,222	47,990,222
Net Unrealised Gain On Revaluation of Available-For-Sale Financial Assets During The Financial Year	-	24,414,368	-	24,414,368
Reclassification Adjustments For Gain Recognised In Statements Of Profit Or Loss	-	(14,708,402)	-	(14,708,402)
Adjustment On Employee Benefits During The Financial Year	-	-	(4,258)	(4,258)
Total Comprehensive Income	-	9,705,966	47,985,964	57,691,930
Contributions Received And Adjustments During The Financial Year	65,523,864	-	-	65,523,864
Dividend Credited To Members' Accounts - 6.90% (SK) & 6.40% (SS)	48,130,148	-	-	48,130,148
Adjustments On Dividend For Previous Year	8,293	-	-	8,293
	817,928,600	40,680,416	49,793,613	908,402,629
Less:				
Contribution Withdrawals And Refunds	(49,396,427)	-	-	(49,396,427)
Dividend Credited To Members' Accounts - 6.90% (SK) & 6.40% (SS)	-	-	(48,130,148)	(48,130,148)
Dividend On Contribution Withdrawals	-	-	(444,820)	(444,820)
Adjustments Of Contributions With Incomplete Information (CTML) And Reject Cases To Statements Of Profit Or Loss And Retained Profit	(23,606)	-	-	(23,606)
Adjustments On Dividend For Previous Year	-	-	(8,293)	(8,293)
As At 31 December 2017	768,508,567	40,680,416	1,210,352	810,399,335
At 1 January 2016	652,469,572	33,313,721	2,511,256	688,294,549
Add:				
Net Profit For The Financial Year	-	-	36,865,132	36,865,132
Net Unrealised Gain On Revaluation of Available-For-Sale Financial Assets During The Financial Year	-	14,527,094	-	14,527,094
Reclassification Adjustments For Gain Recognised In Statements Of Profit Or Loss	-	(16,866,365)	-	(16,866,365)
Total Comprehensive Income	-	(2,339,271)	36,865,132	34,525,861
Contributions Received And Adjustments During The Financial Year	61,594,291	-	-	61,594,291
Dividend Credited To Members' Accounts - 5.70%	37,076,322	-	-	37,076,322
Adjustments On Dividend For Previous Year	10,259	-	-	10,259
	751,150,444	30,974,450	39,376,388	821,501,282
Less:				
Contribution Withdrawals And Refunds	(46,804,684)	-	-	(46,804,684)
Dividend Credited To Members' Accounts - 5.70%	-	-	(37,076,322)	(37,076,322)
Dividend On Contribution Withdrawals	-	-	(482,158)	(482,158)
Adjustments Of Contributions With Incomplete Information (CTML) And Reject Cases To Statements Of Profit Or Loss And Retained Profit	(79,465)	-	-	(79,465)
Adjustments On Dividend For Previous Year	-	-	(10,259)	(10,259)
As At 31 December 2016	704,266,295	30,974,450	1,807,649	737,048,394

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit Before Taxation And Zakat		49,858,878	36,638,743	47,990,222	36,865,132
<u>Adjustment For:</u>					
Share Of Results From Associates And Joint Ventures		(1,492,461)	(888,590)	-	-
Net Unrealised Loss/(Gain) On Foreign Currency Exchange	28	2,341,854	(346,855)	2,308,104	(1,596,069)
Net Unrealised (Gain)/Loss On Financial Assets At Fair Value Through Profit Or Loss	28	(4,102,185)	1,339,409	(2,289,656)	2,334,507
Net Impairment Loss On Investment Assets Held-To-Maturity	30	(8,728)	(1,822)	(8,728)	(1,822)
Net Impairment Loss On Financial Assets Available-For-Sale	30	3,397,265	8,135,604	3,397,265	8,135,604
Net Impairment Loss On Loans, Advances And Financing	30	566,101	767,956	(31,070)	(9,309)
Net Impairment Loss On Rent Receivables	30	1,403	7,367	1,403	7,367
Net Impairment Loss On Receivables In Subsidiaries	30	-	-	-	9,590
Net Impairment Loss On Investments In Subsidiaries And Associates	31	-	-	22,100	33,325
Gain On Disposal Of Property, Plant And Equipment	32	-	(90)	-	-
(Gain)/Loss On Disposal Of Assets Held For Sale	32	(1,808)	(17,700)	3,180	(17,700)
Gain On Disposal Of Investment Property	32	(503,541)	(197,305)	-	-
Gain On Disposal Of Subsidiaries and Associates	32	(412,155)	-	-	-
Employee Benefits	20, 33	28,636	31,171	28,636	31,171
Depreciation Of Property, Plant And Equipment	4, 33	58,187	62,023	42,246	42,446
Depreciation Of Investment Properties	5, 33	626,736	595,449	36,388	33,562
Amortisation Of Intangible Assets	6, 33	16,600	16,265	5,759	2,765
Amortisation Of Prepaid Land Lease	7, 33	661	664	500	502
Net Impairment Loss On Other Receivables	33	39,109	41,736	(3,599)	3,676
Write-Off/Net Losses	33	39	66	39	32
Net Impairment Loss On Investment Properties	5, 33	88,874	(9,811)	10,000	(9,811)
Gain On Disposal Of Joint Ventures		(57,520)	-	-	-
Amortisation of Loan Acquisition Cost		26,006	-	-	-
		50,471,951	46,174,280	51,512,789	45,864,968

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2017

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
<u>(Increase)/Decrease In Operating Assets:</u>					
Purchase Of Investment Assets Held-To-Maturity		(619,412,277)	(235,018,309)	(619,412,278)	(235,018,309)
Sales Of Investment Assets Held-To-Maturity		587,536,991	227,365,952	587,575,400	227,365,952
Purchase Of Financial Assets Available-For-Sale		(1,253,789,062)	(690,461,487)	(1,253,414,043)	(690,161,275)
Sales Of Financial Assets Available-For-Sale		1,221,992,455	663,136,907	1,222,778,583	663,136,907
Financial Assets At Fair Value Through Profit Or Loss		(117,380)	(3,192,154)	263,402	(2,489,472)
Deposits With Financial Institutions		12,769,138	(23,415,130)	12,440,463	(22,742,289)
Loans, Advances And Financing		(1,282,074)	9,623,098	(755,592)	4,698,000
Inventories		17,744	109,404	-	-
Proceeds On Sales Of Inventories		3,703	-	-	-
Receivables, Deposits And Prepayments		(251,825)	3,276,845	(191,681)	3,788,682
Interest (Paid)/Received On Loans		(607,847)	40,959	-	-
Accrued Interest/Dividend		749,136	44,815	-	-
Other Receivables		79,628	(126,577)	-	-
		(52,311,670)	(48,615,677)	(50,715,746)	(51,421,804)
<u>Increase/(Decrease) In Operating Liabilities:</u>					
Employee Benefits		(8,631)	(7,215)	(8,631)	(7,215)
Contribution Withdrawal Payables		1,373	142,003	1,373	(12,043)
Financial Liabilities At Fair Value Through Profit Or Loss		(1,981,252)	863,666	(2,340,034)	863,666
Deposits And Advances		2,205,137	2,016,910	23,132	(9,042)
Payables And Accrued Liabilities		88,802	(6,047,648)	41,192	(3,409,387)
		305,429	(3,032,284)	(2,282,968)	(2,574,021)
Tax And Zakat Paid		(177,351)	(287,652)	-	-
Tax Received		289	196	-	-
Net Cash For Operating Activities		(1,711,352)	(5,761,137)	(1,485,925)	(8,130,857)

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2017

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
CASH FLOW FROM INVESTMENT ACTIVITIES					
Purchase Of Property, Plant And Equipment	4	(63,011)	(76,927)	(24,851)	(58,365)
Purchase Of Investment Properties	5	(1,896,470)	(4,113,857)	(348,464)	-
Purchase Of Intangible Assets	6	(14,148)	(236)	(4,091)	-
Property Development Costs		-	50,110	-	-
Proceeds From Disposal Of Property, Plant And Equipment		80	292	56	16
Proceeds From Disposal Of Investment Properties		2,114,458	906,847	1,230	-
Proceeds From Disposal Of Asset-Held-For-Sale		4,015	69,105	700	69,105
Investments In Subsidiaries		(79,970,682)	(58,312,708)	(79,967,032)	(61,838,885)
Capital Return From Investment In Subsidiaries		78,483,126	59,343,816	78,483,126	59,293,348
Investment In Associates		(62,525,454)	(18,948,537)	(62,327,896)	(18,691,370)
Capital Return From Investment In Associates		60,610,558	18,088,640	60,610,673	18,523,443
Disposal Of Subsidiaries		558,739	(63,888)	-	-
Purchase Of Investments		(996,505)	(2,843,666)	-	-
Capital Return From Investment		1,136,500	-	-	-
Investment in Joint Ventures		(899,754)	-	-	-
Net Cash Used In Investing Activities		(3,458,548)	(5,901,009)	(3,576,549)	(2,702,708)
CASH FLOW FROM FINANCING ACTIVITIES					
Net Contribution		16,103,831	14,710,142	16,103,831	14,710,142
Share Capital		-	(2,540,341)	-	-
Proceeds From Issuance Of Shares		3,166,886	3,057,713	-	-
Other Loans		(675,240)	2,042,372	-	-
Recourse Obligations On Loans Sold To Cagamas		-	(347,067)	-	-
Dividend Paid To Ordinary Shares		678,237	(764,141)	-	-
Dividend Paid To Non-Controlling Interests		(36,566)	(482,158)	-	-
Dividend On Withdrawals/Dividend Adjustments		(445,855)	(541,711)	(444,820)	(482,158)
Redemption Of Shares		(1,902,940)	-	-	-
Net Cash Generated From Financing Activities		16,888,353	15,134,809	15,659,011	14,227,984
Net Increase In Cash And Cash Equivalents		11,718,453	3,472,663	10,596,537	3,394,419
Adjustments Of Foreign Currency Translation Differences		6,639	(169,942)	-	-
Cash And Cash Equivalents At 1 January	37	17,802,266	14,499,545	8,476,696	5,082,277
Cash And Cash Equivalents As At 31 December	37	29,527,358	17,802,266	19,073,233	8,476,696

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. CORPORATE INFORMATION

The EPF was established under the EPF Ordinance 1951 in which later was amended to the EPF Act 1991 to act as the trustee of the Employees Provident Fund, which is a Defined Contribution Scheme.

The principal activities of the EPF are to receive and to collect contributions, to meet all withdrawals of savings and other benefits to members or their beneficiaries upon satisfaction of any condition for withdrawals and to invest its monies for the benefits of its members. The principal activities of the subsidiaries and associates are as stated in Notes 43 and 44 to the Financial Statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The EPF headquarters is situated at EPF Building, Jalan Raja Laut, 50350 Kuala Lumpur. As at 31 December 2017, the EPF operates 68 branches located at the main cities all over Malaysia.

The Financial Statements of the Group and the EPF for the financial year ended 31 December 2017 have been accepted and approved by the Board on 27 February 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

- a. The Financial Statements of the Group and EPF have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), Employees Provident Fund Act 1991 (Act 452) and the requirements of the Companies Act 2016 in Malaysia.
- b. The Financial Statements of the Group and EPF have been prepared on the historical cost basis other than as disclosed in Note 2.
- c. These Financial Statements are presented in Ringgit Malaysia (“RM”), which is the EPF’s functional currency. All financial information is presented in (“RM”) and has been rounded to the nearest thousand, unless otherwise stated.

2.2 Basis of Accounting

a. Standards And Amendments To Published Standards That Are Effective And Applicable To The Group And EPF

On 1 January 2017, the Group and EPF adopted the following new Accounting Standard MFRS, amendments and interpretation to the accounting standard effective from the financial period beginning on or after 1 January 2017.

Amendments to MFRS 107 “Statement of Cash Flows - Disclosures Initiatives”

The amendment to MFRS 107 clarifies that to disclose an additional disclosure on changes in liabilities arising from financing activities.

This amendment is applied retrospectively.

Amendments to MFRS 112 “Recognition of Deferred Tax for Unrealised Losses”

The amendment states that the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value. In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments requires an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

This amendment is applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Accounting (Cont'd.)

“Annual Improvements to MFRS Standards 2014 – 2016 Cycle”

The amendments state that the requirements in MFRS 12 apply to an entity’s interests such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

This amendment is applied retrospectively.

The application of amendments and new accounting standard disclosed above have no material impact on the disclosure or the amount recognised on the Financial Statements of the Group and EPF.

b. Standards, Amendments To Published Standards And Interpretations To Existing Standards That Are Applicable To The Group and EPF But Not Yet Effective

The Group and EPF intend to adopt these standards if applicable when they become effective:

Description	Effective For Annual Periods Beginning On Or After
Amendments to MFRS 2 “Classification and Measurement of Share-based Payment” Transactions	1 January 2018
MFRS 15 “Revenue from Contracts with Customers”	1 January 2018
MFRS 9 “Financial Instruments”	1 January 2018
Amendments to MFRS 140 “Transfer of Investment Property”	1 January 2018
IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”	1 January 2018
Amendments to MFRS 1 “Annual Improvements to MFRS Standards 2014 – 2016 Cycle”	1 January 2018
Amendments to MFRS 128 “Annual Improvements to MFRS Standards 2014 – 2016 Cycle”	1 January 2018
MFRS 16 “Leases”	1 January 2019
Amendments to MFRS 10 and MFRS 128 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Deferred

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the Financial Statements of the Group and EPF except as mentioned below:

MFRS 15 “Revenue from Contracts with Customers”

MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services.

The adoption of MFRS 15 is expected to have no material impact on the Group’s and EPF’s Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Accounting (Cont'd.)

b. Standards, Amendments To Published Standards And Interpretations To Existing Standards That Are Applicable To The Group and EPF But Not Yet Effective (Cont'd.)

MFRS 16 “Leases”

MFRS 16 states principles of recognition, measurement, presentation and disclosure of lease. MFRS 16 introduces a single accounting model for a lessee and required to recognise assets and liabilities for all lease with a term of more than 12 months, unless the underlying assets are of low value. Upon adoption of MFRS 16, the Group and EPF are required to account for major part of their operating leases in the balance sheet by recognising the ‘right-of-use’ assets and the lease liability, thus increasing the assets and liabilities of the Group and of the EPF.

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

MFRS 9 “Financial Instruments”

MASB issued the final version of MFRS 9 Financial Instruments in November 2014 that reflects all phases of the Financial Instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

The Group and EPF are currently assessing the financial impact of adopting MFRS 9.

c. Significant Accounting Judgements, Estimates And Assumptions

The preparation of the Group’s Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

i. Impairment Of Investment In Subsidiaries, Investment In Associates And Investment In Joint Ventures

The Group and EPF assess whether there is any indication that an investment in subsidiaries and interest in associates and joint ventures may be impaired at each reporting date.

The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Accounting (Cont'd.)

c. Significant Accounting Judgements, Estimates And Assumptions (Cont'd.)

Judgements (Cont'd)

ii. Impairment Of Investment Assets Held-To-Maturity And Financial Assets Available-For-Sale

The Group and EPF review their Investment Assets Held-To-Maturity and Financial Assets Available-For-Sale at each reporting date to assess whether there are any objective evidence that these investments are impaired. If there are indicators or objective evidence, these investments are subject to impairment review. In carrying out the impairment review, the following Group and EPF's judgements are required. Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.

iii. Impairment Loss On Loans, Advance And Financing

The Group and EPF review their Loans, Advances and Financing individually at each reporting date to assess whether an impairment loss should be recorded in the Statements of Profit or Loss. The judgment required include considerations of factors such as credit quality, level of arrears, credit utilisation, loans to collateral ratios, the value of collateral and etc.

iv. Recognition Of Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and extent of future taxable profits, together with future tax planning strategies.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. Consolidated Financial Statements were prepared by Group based on assumptions and estimates on available parameter. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i. Impairment Of Investment In Subsidiaries, Investment In Associates And Investment In Joint Ventures

Should indicators exist, these assets are subject to impairment review. The impairment review comprises a comparison between the carrying amount of the investment and the investment's estimated recoverable amounts.

Depending on their nature and the location in which the investments relate to, the Group and EPF will select suitable valuation technique such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions. Once a suitable valuation technique is selected, the Group and EPF will make certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other uncertain key sources of estimation at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investments, assumptions made by the Group and EPF may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purpose of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trend. Due to high sensitivity to changes in assumptions, the Group and EPF believe that no reasonable expected possible changes in the key assumptions described above would cause the carrying amount of the investments to materially exceed their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Accounting (Cont'd.)

c. Significant Accounting Judgements, Estimates And Assumptions (Cont'd.)

Estimates and Assumptions (Cont'd.)

ii. Impairment Of Investment Assets Held-To-Maturity And Financial Assets Available-For-Sale

Impairment Of Investment Assets Held-To-Maturity

In estimating the impairment loss on financial assets held-to-maturity, the Group and EPF assess whether objective evidence of impairment exists as a result of one or more events that occurred and that loss event has an impact on the estimated future cash flows of the financial investments.

When there is objective evidence of impairment, an impairment loss is recognised as the difference between the acquisition cost and the present value of the estimated future cash flows, less any impairment loss previously recognised.

Impairment Of Financial Assets Available-For-Sale

Impairment Of Debt Securities

A debt security is impaired if there is an indication that a loss event has occurred since the initial recognition. This normally has a negative impact on the estimated future cash flows in relation to the repayment of the securities.

Impairment Of Equity

For equity investment, impairment is not identified based on analysis of projected cash flows similar to debt instrument above. It arises due to establishment of significant decline in fair value of the securities below original cost or prolonged decline in fair value of the securities below original cost.

iii. Impairment Of Financial Assets In Loans, Advance And Financing

In estimating the impairment loss on loans, advances and financing, the Group and EPF are required to estimate the amount and timing of future cash flows. In estimating these cash flows, the Group and EPF make judgement about the borrower's or the customer's financial situation and the net realisable value of collateral.

iv. Valuation Of Investment Properties

The measurement of the fair value for Investment Properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent valuers who hold a recognised and relevant professional qualification and recent experience on the locations and category of properties being valued.

v. Deferred Tax And Income Taxes

The Group and EPF are subject to income taxes in many jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until sometime later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Accounting (Cont'd.)

c. Significant Accounting Judgements, Estimates And Assumptions (Cont'd.)

Estimates and Assumptions (Cont'd.)

vi. Post-Retirement Medical Benefit Obligation

The present value of Post-Retirement Medical Benefit Obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. The assumptions used in determining the net cost for Post-Retirement Medical Benefit Obligation include the discount rate and the expected medical cost rate. Any changes in these assumptions will impact the carrying amount of Post-Retirement Medical Benefit Obligation.

The Group determines appropriate discount rate at every three (3) years when the actuarial valuation is performed. The recent actuarial valuation done in year 2015. This interest rate was used to determine the present value of the estimated expected future cash outflows required to settle the Post-Retirement Medical Benefit Obligation.

In determining appropriate discount rate, the Group considers the interest rates of high quality Corporate Bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related liability.

The medical cost rate is based on the average historical cost incurred by the EPF.

vii. Post-Retirement Gratuity Benefit Obligation

The present value of Post-Retirement Gratuity Benefit Obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. The assumptions used in determining total amount of gratuities include the discount rate, expected annual salary increment and salary revision rate. Any changes in these assumptions will impact the carrying amount of Post-Retirement Gratuity Benefit Obligation.

The Group determines appropriate discount rate at every three (3) years when the actuarial valuation is performed. The recent actuarial valuation done in year 2015. This interest rate was used to determine the present value of the estimated expected future cash outflows required to settle the Post-Retirement Gratuity Benefit Obligation.

In determining appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related liability.

Annual salary increment rate is based on the average of previous year salary increment incurred by the EPF.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Accounting (Cont'd.)

c. Significant Accounting Judgements, Estimates And Assumptions (Cont'd.)

Estimates and Assumptions (Cont'd.)

viii. Methodology Applied On Allocation For Simpanan Shariah And Simpanan Konvensional

Effective from 1 January 2017, members' contribution balance have been classified as Simpanan Shariah (SS) or Simpanan Konvensional (SK) based on the option made by the members in 2016. Financial disclosure with regard to members' contribution balance by SS and SK is disclosed at Note 36.2. Note 36.1 shows the investment balance managed by EPF according to Shariah and Non-Shariah portfolios whereas Note 36.3 discloses the financial result for SS and SK for the financial year ended 31 December 2017.

In arriving at the current year's financial results and balance sheet for SS and SK, certain ratios have been applied to allocate income, expenses as well as balance sheet items. The concept of allocation is introduced with the objective of deriving distributable profit for both SS and SK fairly based on the actual take up for SS members. As the source of funds in acquiring shariah investment assets are funded from members' contribution, hence the profit generated from shariah portfolio will be allocated to SS members based on actual funding contributed by SS members. The remaining will be shared with SK members in addition to profit generated by non-shariah portfolios.

The following ratios are used by EPF after the implementation of SS to allocate distributable profits to both SS and SK:

1. Opt-in Ratio (OIR) is used to allocate Retained Earnings opening balance to reflect the portion that belongs to SS and SK members accordingly.
2. Members Savings Ratio (MSR) is used to allocate specific types of income, expenses and balance sheet items to SS and SK.
3. Shariah Asset Ratio (SAR) is used to allocate Net Other Assets and Other Net Profits for the year classified as common items to Shariah component balance.
4. Shariah Income Ratio (SIR) is used to allocate specific types of direct investment expenses and income generated from Shariah Investment Portfolios to SS and SK.

MSR, SAR & SIR are calculated on monthly average basis to ensure that any fluctuation of the ratios during the year are being reflected accurately as at the year end. Meanwhile, OIR is calculated and applied once at the beginning of every financial year.

2.3 Basis Of Consolidation

The Consolidated Financial Statements are comprised of the Financial Statements of the EPF and its subsidiaries which have been prepared as at the financial year end. The Financial Statements of the subsidiaries are prepared for the same reporting date as the EPF, using consistent accounting policies for transaction and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition, being the date on which the EPF obtains control and continue to be consolidated until the date such control effectively ceased. All intra group balances, income and expenses and unrealised gain and losses resulting from intra group transactions are eliminated in full.

Unrealised gains arising from intra-group transactions and joint ventures are eliminated to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Investment In Subsidiaries

Subsidiaries are all entities (inclusive those incorporated for special purpose) of which the Group has the power to control. Control exists when the Group is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of the subsidiaries are included in the Consolidated Financial Statements from the date the control is transferred to the Group until the date that control ceases.

The quoted and unquoted investment in subsidiaries are stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.16.

Purchase method is used in accounting for the consolidation of subsidiaries. Under the purchase method, subsidiaries are consolidated from the date of which control is transferred to the Group and are de-consolidated from the date that control ceases. Acquisition cost is measured at fair value of the assets received, equity instruments issued and the existing outstanding liabilities or assumed at the date of exchange.

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 any Non-Controlling Interest. The excess of acquisition cost over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill as per Note 2.11(b). If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statements of Profit or Loss.

Non-Controlling Interests represent the minority portion of the profit or loss and net assets of a subsidiary attributable to the equity interests that are not owned directly or indirectly by the parent.

Non-Controlling Interests are measured in respect of its minority share of the subsidiaries identifiable assets and liabilities at fair value as at the acquisition date and the minority share on changes in equity of the subsidiaries from that date.

Intragroup transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised losses are also eliminated but is considered as impairment indicator on the assets transferred.

Gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any foreign exchange differences that relate to the subsidiary is recognised in the Consolidated Statements of Profit or Loss.

Upon the loss of control, joint control or significant influence by the Group, such remaining interest in the Group is derecognised at fair value and the differences to the carrying amount is recognised in the Statements of Profit or Loss. This fair value is the initial fair value as financial assets in accordance with MFRS 139. Any amount which has been recognised in the past in the Statements of Comprehensive Income with regards to the particular entity will be treated as if the Group has disposed its assets or liabilities directly. Due to this, it will be accounted as investment based on equity or available-for-sale financial assets depending on the quantum of interest retained.

2.5 Investment In Associates

Associates are entities in which EPF has significant influence in the financial and operating policy decisions. Significant influence is the power to participate in the financial and operation of the associates but not in control or joint control over those policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence over another entity.

Investment in associates is accounted for using the equity method of accounting and are initially stated at cost. The Group's investment in associates includes Goodwill identified on acquisition, net of any accumulated impairment loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Investment In Associates (Cont'd.)

The Group's share of profits or losses in associates, are shown in the Consolidated Statements of Profit or Loss and the Group's interest in associates are stated at cost with adjustments to show changes of the Group's share of net assets in associates.

The quoted and unquoted investment in associates are stated at cost and thereafter adjusted to its recoverable value which take into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.16.

2.6 Investment In Joint Ventures

Joint Arrangement is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure and legal forms. There are two types of joint arrangements:

i. Joint Operations

Joint operations arise when the joint operator has rights to the assets and obligations relating to the arrangement and hence accounted for its interest in assets, liabilities, revenue and expenses.

ii. Joint Ventures

Joint ventures arise when the joint operator has rights to the net assets of the arrangement and hence, equity accounts for its interest. Proportionate consolidation of joint ventures is no longer allowed.

Investment in Joint Ventures is stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. Policy for the recognition and measurement of impairment loss is in accordance with Note 2.16.

2.7 Foreign Currency

i. Foreign Currency Transactions And Balances

Transactions in foreign currencies are measured in the respective functional currencies of subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate of exchange ruling at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the actual exchange rates as at the date of the initial transaction. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or on translating monetary items at the reporting date are recognised in the Statements of Profit or Loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in Other Comprehensive Income and accumulated under foreign currency translation reserve in the Statements of Financial Position. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the Statements of Profit or Loss for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Foreign Currency (Cont'd.)

ii. Foreign Operations

The results and financial position of foreign operations that have functional currency different from the presentation currency of Ringgit Malaysia (RM) of the Consolidated Financial Statements are translated into RM as follows:

- i. Assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- ii. Income and expenses for each Statements of Profit or Loss are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- iii. All resulting exchange differences are taken directly to Statements of Profit or Loss and Other Comprehensive Income through the Foreign Currency Reserve.

2.8 Financial Instruments

i. Initial Recognition And Measurement

A financial asset or financial liability is recognised in the Statements of Financial Position when, and only when, the Group or EPF become a party to the contractual provisions of the instrument.

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

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

ii. Financial Instruments Categories And Subsequent Measurements

The Group and EPF categorise financial instruments as follows:

Financial Assets

The classification of financial assets is based on MFRS 139 depends on the intention of each financial asset is invested by the Group and EPF. Group and EPF determine the classification of financial assets at initial recognition. Financial assets beside from the category of Loans, Advances and Financing and Deposits with Financial Institution are shown separately in the Statements of Financial Position.

Recognition and initial measurement of the financial assets include the followings:

- i. Purchase and sales of financial assets are recognised on the trade date, the date of which the Group and EPF commits to purchase or sell the assets.
- ii. Financial assets are initially recognised at fair value plus related transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Financial Instruments (Cont'd.)

ii. Financial Instruments Categories And Subsequent Measurements (Cont'd.)

The accounting policies in respect of investment financial assets are as follows:

a. Investment Assets Held-To-Maturity

Investment Assets Held-To-Maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that Group and EPF have the positive intention and ability to hold these investment assets to maturity. If the instruments of investment assets to be sold at insignificant amount, the whole category of this financial assets would be tainted and reclassified as Available-For-Sale Financial Assets.

Investment instruments which have been classified as Investment Assets Held-To-Maturity are Fixed Income Investment Instruments such as Malaysian Government Securities, Government Investment Issues, Bonds and Private Debt Securities.

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

b. Available-For-Sale Financial Assets

Available-For-Sale Financial Assets are non-derivative financial assets in which the Group has designated to classify investment instrument in this category upon initial recognition which the financial asset is or not classified in any of the other categories of the financial assets under MFRS 139.

Investment instruments which have been classified as Available-For-Sale Financial Assets are domestic and global equity investment instruments that include Quoted and Unquoted Equities regardless whether they are managed internally or through External Fund Managers and domestic as well as global fixed income investment instruments.

Available-For-Sale Financial Assets are subsequently measured at fair value. Changes in the fair value as well as changes in foreign currency exchange rates for the global investment instruments are recognised in the Available-For-Sale Financial Assets Reserve except for impairment loss.

However, the foreign exchange gain or losses arising upon revaluation of global fixed income investment instruments are recognised in the Statements of Profit or Loss.

c. Financial Assets At Fair Value Through Profit Or Loss

Financial Assets at Fair Value Through Profit or Loss are financial assets held for trading. A financial asset is classified in this category if it is acquired for trading purposes or repurchasing in the near term. Derivative financial assets are also classified as Financial Assets at Fair Value Through Profit or Loss.

Investment instruments which have been classified as Financial Assets at Fair Value Through Profit or Loss are Fixed Income Investment Instruments designated as trading portfolio and derivative instruments which are purchased directly or embedded in the contracts that the EPF has entered into as at the Statements of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Financial Instruments (Cont'd.)

ii. Financial Instruments Categories And Subsequent Measurements (Cont'd.)

The accounting policies in respect of investment financial assets are as follows: (Cont'd.)

d. Loans, Advances And Financing

Loans, Advances and Financing are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans, Advances and Financing are recognised on the trade date in which the Group commits to give out loans plus related transaction costs, if any. The subsequent measurement of this financial asset is at amortised cost using the effective yield method.

Included in Loans, Advances and Financing are Staff Loans financial assets and Capital Advances to subsidiaries.

Staff Loans

There is no significant impact to state Staff Loan at fair value in the subsequent measurement. There are three (3) types of loan schemes offered to the EPF's staffs at the interest rate approved by the Board based on the terms and conditions of service as follows:

- i. Housing Loan Scheme;
- ii. Vehicle Loan Scheme; and
- iii. Personal Loan Scheme.

The fund used to finance staff loans for the abovementioned three (3) schemes is subject to the limit approved by the Board.

e. Receivables

Receivables are carried at invoice amount less allowance for impairment loss. There are no significant impact to state Receivables at fair value in the subsequent measurement. Allowance for impairment loss is made when there is an objective evidence that the Group will not be able to collect all amount due according to the original terms of receivables as disclosed in Note 2.16.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment as per Note 2.16.

Financial Liabilities

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

Fair value through profit or loss category comprises financial liabilities that are derivatives except for a derivative that is a financial guarantee contract contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

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

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at fair values with the gain or loss recognised in the Statements of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Financial Instruments (Cont'd.)

Financial Liabilities (Cont'd.)

i. Hedge Instruments

Fair Value Hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instruments at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in the Statements of Profit or Loss.

Cash Flow Hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss.

The effective portion of gain or losses on derivatives used to manage cash flow interest rate risk are recognised in the Statements of Other Comprehensive Income and accumulated for in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognised in statement of other comprehensive income are frozen and reclassified from the cash flow hedging reserves to the Statements of Profit or Loss using the effective interest method. The ineffective portion of gain and losses on derivatives used to manage cash flow interest rate risk are recognised in the Statements of Profit or Loss.

ii. Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the Statement of Financial Position is recognised in the Statements of Profit or Loss.

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Property, Plant And Equipment And Depreciation

Property, Plant and Equipment are stated at cost after deducting off accumulated depreciation and accumulated impairment loss. Costs include expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statements of Profit or Loss for the financial year in which they are incurred.

Freehold Land and Work-In-Progress are not depreciated. All other Property, Plant and Equipment are depreciated using straight line method based on the following estimated useful life:

Buildings	30 years - 50 years
Plant, Building And Machinery	5 years - 10 years
Office/Building Renovation	5 years - 10 years
Furniture, Fixtures And Fittings	5 years
Motor Vehicles	5 years
Office Equipment	5 years
Computer Software And Hardware	3 years - 5 years

Furniture, Fixtures and Fittings and Office Equipment which costs below RM1,000 per unit is fully depreciated in the year of acquisition.

Office/Building Renovation valued at RM100,000 and above is capitalised. For renovation of which the project cost is less than RM100,000, such renovation cost is charged to current year expenses.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each Statements of Financial Position date. At each Statements of Financial Position date, the Group assesses whether there is any indication of impairment. Valuation on properties is made once every five (5) years, to assess for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Impairment loss is recognised if the carrying amount exceeds the recoverable amount as disclosed in Note 2.16.

The depreciation on the purchase of completed building of which the cost of land and building could not be specifically identified at the acquisition stage will follow the depreciation method based on estimated useful life of a building which is 30 to 50 years.

Upon the disposal of Property, Plant and Equipment, the difference between net disposal proceeds and carrying amount is recognised in the Statements of Profit or Loss. If changes occurred on the intention of utilisation of owned used property to investment property, such property will be revalued based on fair value and thereafter reclassified as Investment Property.

2.10 Investment Properties

Investment Properties comprise Land and Buildings, are held for long term rental yields or for capital appreciation or both, and are not fully or insignificantly occupied by the Group. Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses. Investment Properties are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful life of 40 to 50 years. On disposal of an Investment Property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be eliminated from the Statements of Financial Position.

The difference between the net disposal proceeds and the carrying amount is recognised in the Statements of Profit or Loss in the period of the retirement or disposal.

The depreciation rate for building which has been classified as Investment Property is at useful life of 30 years - 50 years as stated in Note 2.9. At each date of Statements of Financial Position, the Group assesses whether there is any indication of impairment. Revaluation on Investment Properties is made once every five (5) years, to assess for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Impairment loss is recognised if the carrying amount exceeds the recoverable amount as disclosed in Note 2.16.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Intangible Assets

a. Licence And Information Technology Software

The expenditure arising from the specific License and Information Technology software is measured at cost. After initial recognition, the Intangible Assets are measured at cost after deduction of accumulated amortisation and accumulated impairment loss. Intangible Assets are amortised on a straight line basis over the estimated economic useful life for five (5) years and assessed for impairment whenever there is an indication that the Intangible Assets may be impaired.

b. Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the Statements of Profit or Loss. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment loss on Goodwill will not be written back. Policy associated with recognition and measurement of impairment loss is in accordance with Note 2.16.

2.12 Prepaid Land Lease

Prepaid Land Lease is stated at cost less any accumulated amortisation and accumulated impairment loss. Prepaid Land Lease is amortised on straight line basis to write off the cost of the assets to its residual value over the lease period.

The difference between the net disposal proceeds and the carrying amount is recognised in the Statements of Profit or Loss in the period of disposal. At each date of Statements of Financial Position, the Group assesses whether there is any indication of impairment. Revaluation on Prepaid Land Lease is made once every five (5) years, to assess for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Impairment loss is provided if the carrying amount exceeds the recoverable amount as disclosed in Note 2.16.

2.13 Assets Held For Sale

Non-current assets or disposal of Group comprising assets and liabilities are classified as Assets Held For Sale, are measured at the lower of their carrying amount and fair value less costs of sale, thereafter, if their carrying amounts are expected to be recovered primarily through sale rather than continuing use.

Once classified as an assets held for sale non-current assets are not amortised or depreciated. Such assets will no longer be recognised upon disposal and the differences between net sale proceeds and the carrying amount is recognised as realised gain or losses in the period in which the assets being disposed.

Assets which no longer classified as non-current assets held for sale are measured at the lower of their carrying amount before being reclassified as non-current assets held for sale, adjusted for depreciation or revaluation that may have been recognised should such assets are not reclassified as non-current assets held for sale and the recoverable amount at the date when decision not to sell is made.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Property Development Costs

Property Development Costs comprise of all cost that are directly attributable to development activities or that can be allocated on reasonable basis to such activities. Property Development Costs of the Group are stated at cost or net relisable value which ever is lower.

2.15 Cash And Cash Equivalent

Cash and Cash Equivalents consist of cash in hand, balances with banks (including those managed by External Fund Managers), deposits with financial institutions and highly liquid investment which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and EPF in the management of their short term commitments.

2.16 Impairment

Non-Financial Assets

Non-financial assets that have indefinite useful life are not subject to amortisation and are assessed annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recovered.

Impairment loss is recognised when the carrying amount of non-financial assets exceed its recoverable amount. The recoverable amount is the higher of fair value of non-financial assets less costs to sell or value in use.

For the purposes of assessing impairment, non-financial assets are grouped at the lowest level for which cash flows (cash-generating units) can be separately identified. Non-financial assets other than Goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting year.

Impairment loss is charged to the Statements of Profit or Loss. In respect of other non-financial assets, any subsequent increase in the recoverable amount is recognised in the Statements of Profit or Loss except for the reversal of an impairment loss on a revalued non-financial assets in which it is accounted for in the Revaluation Surplus Account.

Financial Assets

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

The accounting policies in relation to recognition of impairment loss on financial assets during subsequent measurements are as follows:

i. Investment Assets Held-To-Maturity

The Group assesses whether there is any objective evidence that Investment Assets Held-To-Maturity are impaired on specific interval basis. This financial asset is considered impaired when there is an objective evidence resulting from several triggers that occurred after the initial recognition of the financial asset is made which has an impact to the estimated future cash flows of the financial asset that can be reasonably estimated.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Impairment (Cont'd.)

Financial Assets (Cont'd.)

i. Investment Assets Held-To-Maturity (Cont'd.)

The criteria used by the Group to determine whether there is an objective evidence of impairment has occurred for Investment Assets Held-To-Maturity include the following triggers:

- a. Decline in investment grade rating below the acceptable investment grade as at the Statements of Financial Position date;
- b. Default in paying principal/interest according to the repayment schedule;
- c. Cease business operations/bankruptcy (upon filing of the case);
- d. Winding up order on business operations;
- e. Company invested has been classified as PN17;
- f. Material fraud with publicised news/upon appointment of financial advisor; and
- g. Company invested received a Qualified Audit Certificate.

The amount of impairment loss is measured as the difference between the carrying amount of the Investment Assets Held-To-Maturity and the present value of estimated future cash flows discounted at the financial asset's original effective yield method. The carrying value of the Investment Assets Held-To-Maturity is reduced and the amount of the impairment loss is recognised in the Statements of Profit or Loss.

If the revaluation made in the subsequent period reveals that the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of impairment loss is recognised in the Statements of Profit or Loss.

When the Investment Assets Held-To-Maturity is uncollectable, it is written off against the allowance for impairment loss account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

ii. Financial Assets Available-For-Sale

The Group assesses whether there is an objective evidence that Available-For-Sale Financial Assets are impaired on specific interval basis. The assessment method used by the Group depends on the type of investment instrument which has been classified as Financial Assets Available-For-Sale as follows:

a. Equity Investment Instruments

Impairment loss is recognised when there is significant or prolonged decline in the fair value as compared to the original cost as at the Statements of Financial Position date. If any such evidence exists, the cumulative unrealised loss that had been recognised directly in the Available-For-Sale Financial Assets Reserves is removed and the impairment loss is recognised in the Statements of Profit or Loss. The amount of impairment loss recognised in the Statements of Profit or Loss is the difference between the acquisition cost and the current fair value less any impairment loss that has been previously recognised in the Statements of Profit or Loss. Any impairment loss recognised in the Statements of Profit or Loss in the previous period with regard to equity investment instruments classified as Available-For-Sale Financial Assets are not reversed through the Statements of Profit or Loss in the current period.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Impairment (Cont'd.)

Financial Assets (Cont'd.)

ii. Financial Assets Available-For-Sale (Cont'd.)

b. Fixed Income Investment Instruments

Impairment loss assessment on the Fixed Income Investment instruments classified as Financial Assets Available-For-Sale is consistent with the method used for financial assets classified as Investment Assets Held-To-Maturity. The consistent criteria was also used by the EPF to determine whether there is an objective evidence of impairment loss that has occurred as per the following triggers:

- i. Decline in investment grade rating below the acceptable investment grade as at the Statements of Financial Position date;
- ii. Default in paying principal/interest according to the repayment schedule;
- iii. Cease of business operations/bankruptcy (upon filing of the case);
- iv. Company invested has been classified as PN17;
- v. Material fraud with publicised news/upon appointment of financial advisor; and
- vi. Company invested received a Qualified Audit Certificate.

The amount of impairment loss for Fixed Income Investment Instrument which has been classified as Financial Assets Available-For-Sale is measured as the difference between the carrying amount as at the Statements of Financial Position Date and the present value of estimated future cash flows discounted at the financial asset's original effective yield method. The carrying amount of this financial asset is reduced and the amount of the impairment loss is recognised in the Statements of Profit or Loss. If the revaluation made in the subsequent period reveals that the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the impairment loss is recognised in the Statements of Profit or Loss.

iii. Loans, Advances And Financing

The Group and EPF has assessed whether there is an objective evidence that Loans, Advances and Financing are impaired on specific interval basis. This financial assets is considered impaired when there is an objective evidence resulting from several triggers that occurred after the initial recognition of the financial assets is made which has an impact to the estimated future cash flows of the financial assets that can be reasonably estimated.

The criteria used by the Group to determine whether there is an objective evidence of impairment loss has occurred for Loans, Advances and Financing include the following triggers:

- i. Decline in investment grade rating below the acceptable investment grade as at the Statements of Financial Position date;
- ii. Default in paying principal/interest according to the repayment schedule;
- iii. Borrower ceased business operations/bankruptcy (upon filing of the case);
- iv. Borrower received winding up order on business operations;
- v. Material fraud with publicised news/upon appointment of financial advisor; and
- vi. Borrower received a Qualified Audit Certificate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Impairment (Cont'd.)

Financial Assets (Cont'd.)

iii. Loans, Advances And Financing (Cont'd.)

The amount of impairment loss is measured as the difference between the carrying amount of the Loans, Advances and Financing and the present value of estimated future cash flows discounted at the financial asset's original effective yield method. The carrying amount of the Loans, Advances and Financing is reduced through the use of an allowance account and the amount of the previously recognised impairment loss is recognised in the Statements of Profit or Loss.

If the revaluation made in the subsequent period reveals that the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of impairment loss is recognised in the Statements of Profit or Loss.

When the Loans, Advances and Financing is uncollectable, it is written off against the allowance for impairment loss account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Allowance for impairment loss on Staff Loan is made when there is an objective evidence that the Group is unable to collect all outstanding debts pursuant to the term and conditions of Staff Loan in accordance to impairment policy.

iv. Receivables

Impairment loss on receivables is recognised when there is an objective evidence that the Group is unable to collect all outstanding debts pursuant to the approved procedures.

If the revaluation made in the subsequent period reveals that the amount of impairment loss decrease and the decrease can be related objectively, the impairment loss on receivables is written back in the Statements of Profit or Loss.

2.17 Inventories

Inventories of the Group comprise completed properties and hotel inventories which are measured at the lower of cost and net realisable value.

The cost of inventories of completed properties are determined on specific identification basis. The cost includes costs associated with the acquisition of land, direct cost and appropriate development overheads.

The cost of hotel inventories are calculated using the first-in first-out method and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.18 Taxation And Zakat

a. Taxation

The EPF is exempted from income tax on its income under paragraph 20 - Schedule 6, Part 1, Income Tax Act, 1967.

Income tax of the subsidiaries on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the Statements of Financial Position date.

Deferred tax is provided for, using the liability method, on the temporary differences at the Statements of Financial Position date between the tax bases of assets and liabilities and their carrying amounts at the Statements of Financial Position date. Principally, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against of which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the Statements of Financial Position date. Deferred tax is recognised in the Statements of Profit or Loss, except when it arises from a transaction which is recognised directly in the Statements of Financial Position, in which case the deferred tax is also charged or credited directly in the Statements Of Financial Position, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting Goodwill or Negative Goodwill.

b. Zakat

This represents business zakat payable by a subsidiary in compliance with Shariah principles and as approved by the Shariah Advisory Committee. The zakat is computed based on working capital method at a rate of 2.5%.

2.19 Employee Benefits

a. Short Term Benefits

Wages, salaries, bonuses, social security contributions and gratuity paid to contract staff are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees whereas short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

b. Defined Contribution Plans

Contribution is made to the EPF for employees who have elected to receive the EPF benefits.

c. Long Term Benefits

Gain or loss on the actuarial valuation is fully recognised in Other Comprehensive Income in the financial period which they occur.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Employee Benefits (Cont'd.)

c. Long Term Benefits (Cont'd.)

Payment of long term benefits after retirement and/or after the expiry of the contract, is recognised as an accrual basis in the current year of Statements of Profit or Loss as employee benefits expenses, whereas in the Statements of Financial Position, such amount is recognised as liability known as Employee Benefits. Types of long term benefits which will be recognised as an accrual basis are as follows:

- i. Post retirement medical benefit;
- ii. Gratuity to retirees; and
- ii. Cash award in lieu of annual leave (inclusive of the employer share on contributions for such payments).

The computation of post retirement medical benefits and gratuity liability to retirees are determined by an actuarial valuation is made once every three (3) years.

The computation of gratuity liability to contract staffs and cash award in lieu of annual leave to retiree are based on actual information available at the Statements of Financial Position date and the eligibility is based on the term and condition of service. The current salary rate is used to compute these liabilities.

d. Termination Benefits

Termination benefits are payable whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises Termination Benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the intention to withdraw the plan.

e. Equity Compensation Benefits

The Share Option Scheme (ESOS) allows the staffs (including executive directors) other than employees in subsidiaries which are dormant, to acquire ordinary shares of the subsidiary. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

2.20 Loans And Overdraft

Loans are initially recognised at fair value less transaction costs. Subsequently, loans are stated at amortised cost using the effective interest method. The difference between collectable amount (less transaction costs) and redeemable value is recognised in the Statements of Profit or Loss across the tenure of the loans. Interest, dividend, losses and gains relating to the financial instruments or its component, classified as liability is reported as an investment expenses in the Statements of Profit or Loss.

Loans are classified as current liabilities except if the Group has unconditional rights to postpone the settlement of the liabilities to the minimum of 12 months after the date of Statements of Financial Position.

Fees incurred in obtaining the loan facility are recognised as transaction costs to the extent of partial or entire loan facility that may have been granted.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Provision For Liabilities

Provision For Liabilities are recognised when the Group has present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each Statements of Financial Position date and adjusted to reflect the current best estimation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expected expenditure to be required to settle the obligation.

2.22 Liability On Invocation Cost Under Section 50(3)

Liability On Invocation Cost Under Section 50(3), EPF Act, 1991 is for the purpose of financing employee share of contribution as well as dividend attributable on the said contribution for deduction that has been made on the employee salary should the employer fails to pay the share of such contributions, is disclosed as Statutory Charges in the EPF's Statements of Profit or Loss and under Payables And Accrued Liabilities in the Statements of Financial Position.

2.23 Contingent Assets And Liabilities

Contingent Asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence of one (1) or more uncertain future events beyond the control of the Group. The Group does not recognise Contingent Assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

The Group does not recognise Contingent Liability but discloses its existence in the Financial Statements. Contingent Liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence of one (1) or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that outflow of resources will be required to settle the obligation.

Contingent Liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

2.24 Members' Contribution Account

Contributions are credited to members' account following the contribution month based on cash received basis except for cases of which crediting is based on Invocation of Section 50(3), EPF Act, 1991 is in accordance with Note 2.22.

2.25 Dividend Credited/Paid To Members

Annual dividend is calculated on the opening balance as at 1st January (less withdrawals) and plus contribution following contribution month and credited to the members' account at the end of the financial year. Dividend on withdrawals is calculated from the beginning of the year in which the withdrawal is made until the date the contribution account is debited. Income received in the current year is distributed to EPF members to the maximum after taking into account all expenditures incurred, based on the EPF accounting policies approved by the Board.

2.26 Available-For-Sale Financial Asset Reserve

Available-For-Sale Financial Assets Reserve has been established to account for the movement in change of fair value of financial asset which is classified as Available-For-Sale Financial Assets. The Available-For-Sale Financial Assets Reserve account is credited when there is a positive change in the fair value of Available-For-Sale Financial Assets. On the contrary, this reserve account is debited when there is a negative change in the fair value of Available-For-Sale Financial Assets or when there is a disposal of Available-For-Sale Financial Assets. When impairment loss occurred to any item classified as Available-For-Sale Financial Assets, the whole balance which exists in the Available-For-Sale Financial Assets Reserve of the related items will be recycled where the impairment loss is recognised in full in the Statements of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities. Revenue is recognised as net value after tax, refunds, rebates and discounts and after eliminating sales within intra-Group.

Revenue is recognised when the amount can be measured reliably, and when it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities as described below.

The amount can only be measured reliably after taking into all considerations with regards to sales. Estimation is done as the basis of past events, customer classifications, types and specifications of transactions.

i. Interest, Financing And Profit Income And Expenditure

Interest on income and expenses for all financial instruments are measured at amortised cost and for financial assets that generate income are classified as Available-For-Sale Financial Assets and Financial Assets At Fair Value Through Profit or Loss is recognised as interest income and interest expenditure in Statements of Profit or Loss using the effective interest rate.

Interest income on granting of loans and financing are recognised on accrual basis. When an account is classified as non-performing, the interest is suspended with retrospective adjustments made to the date of first default until it is realised on cash basis. Customer account is classified as non-performing where repayments are in arrears for six (6) months or more.

Loan arrangement fees and commissions are recognised as income based on contractual arrangements.

ii. Dividend Income

Dividend Income is recognised in Statements of Profit or Loss on accrual basis when the Group's right to receive the dividend established. Dividend from quoted equity the recognition is on the ex-dividend date.

iii. Capital Gain

Capital Gain arising from sales of investment instruments is also recognised on accrual basis and takes into account the effects of foreign exchange for the global investment instruments. Capital Gain is recognised when the risks and rewards of ownership of the investment currency instruments have been significantly transferred to the buyers.

iv. Rental Income

Rental Income from investment property is recognised on accrual basis.

v. Recognition Of Income On Sale Of Properties

Revenue from sale of completed properties is recognised upon transfer of significant risks and rewards of ownership to the buyer.

vi. Interest And Dividend On Contributions Paid Late

Interest And Dividend On Contributions Paid Late are accounted in the Statements of Profit or Loss on cash received basis.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.28 Leases

a. Leases - Where The Group Is A Lessee (Operating Lease)

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

Up front payments made for leasehold land represent prepaid lease rentals and are amortised on straight line basis over the lease term.

Where an operating lease is terminated before the lease period expired, any payment required to be made to the lessor by way of penalty is recognised as expenses in the period when termination takes place.

b. Leases - Where The Group Is A Lessor (Operating Lease)

When assets are leased out under operating lease, the assets are included in the Statements of Financial Position based on the nature of the assets. Lease income is recognised over the term of the lease on a straight line basis.

2.29 Financial Risk Management Objectives And Policies

The EPF's overall financial risk management policy is to optimise value creation for members while minimising the potential adverse impact arising from fluctuation of the interest rates and the unpredictability of the financial markets.

The EPF is required to ensure that its investment activities are balanced between the targeted annual dividend and various financial risks.

The EPF's overall risk management framework seeks to minimize potential adverse effects on its financial performance. The EPF investments based on broad asset allocation strategy which determines the long term and strategically optimal allocation of funds across asset classes. The Strategic Asset Allocation or SAA is typically based on the risk/return profile of a benchmark for each asset class. Varying the potential asset allocations will result in different magnitudes of risk. Based on the returns and risks for each potential asset allocation, the Investment Panel will be able to adjust the allocations until the strategically optimal allocation for the EPF is achieved.

The SAA is the highest level of investment decision-making and is the most important step in the investment process as it determines the majority of the risk of its investments.

The SAA decision is subject to the EPF's Risk Appetite Statements as follows:

- i. The EPF will not tolerate a greater than 10% chance of the dividend falling below 2.50% in any year over the next ten (10) years.
- ii. The EPF will not tolerate a greater than one third chance of the annualised dividend falling below inflation +2% over any rolling three (3) years period.
- iii. The EPF will not tolerate a greater than 10% chance of there being a negative value of Available-For-Sale Financial Assets at the end of any year that is greater than 5% of the book value of assets.

Another decision in the investment process is the Tactical Asset Allocation (TAA), would allow the EPF to vary each asset class allocation from the strategic allocation determined in the SAA and prevent excessive deviation from the SAA.

In order for the EPF to achieve its mission, it has to manage the various risks posed by ever changing business environment. These risks include operational risk and financial risk.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.29 Financial Risk Management Objectives And Policies (cont'd.)

2.29.1 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed of internal processes, people or systems, or from external events.

Operational Risk Management (ORM) is used to support and enhance its activities in all operational areas. ORM is an integral part of the EPF's decision making process and corporate culture.

The Corporate Risk Scorecard (CRS) methodology, a risk management approach consistent with the MS ISO 31000:2010 Risk Management – Principles and Guidelines, has been adopted in the implementation of operational risk management in the EPF. One of the key elements in the CRS methodology is the Risk And Control Self-Assessment (RCSA) module which allows the EPF staff to self-assess and update their risk profiles.

2.29.2 Financial Risk

Financial Risks are risks associated with various changes in economic aspects which give impact to the EPF financial stability. There are three (3) types of financial risks faced by the EPF as follows:

- i. Market risk (which comprises of price risk, interest rate risk and foreign currency exchange risk);
- ii. Liquidity risk; and
- iii. Credit Risk.

Detailed policies pertaining to each type of financial risks as listed above are disclosed in Note 40.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3. DEFERRED TAX

	Note	GROUP	
		2017 (RM'000)	2016 (RM'000)
At 1 January		(341,683)	(510,031)
Adjustments As At 1 January		340,316	-
Amount Recognised In The Statements Of Profit Or Loss	35	(3,109)	168,348
As At 31 December		(4,476)	(341,683)
After Appropriate Offsetting As Follows:			
Deferred Tax Assets		(36,306)	(379,307)
Deferred Tax Liabilities		31,830	37,624
		(4,476)	(341,683)
Deferred Tax Assets:			
- Settled Within 12 Months		(1,973)	-
- Settled More Than 12 Months		(34,333)	(379,307)
		(36,306)	(379,307)
Deferred Tax Liability:			
- Settled Within 12 Months		885	-
- Settled More Than 12 Months		30,945	37,624
		31,830	37,624

Deferred Tax Assets and Liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The components and movements in Deferred Tax Assets and Liabilities during the financial year before adjustments comprise the followings:

3.1 DEFERRED TAX (ASSETS)/LIABILITIES

	Unutilised Tax Losses	Fair Value Adjustments From Business Combination	Property, Plant And Equipment	Others	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At 1 January 2016	(412)	12,357	10,197	(532,173)	(510,031)
Amount Recognised In Statements Of Profit Or Loss	(7,172)	20,790	(5,720)	160,450	168,348
At 31 December 2016/1 January 2017	(7,584)	33,147	4,477	(371,723)	(341,683)
Adjustments As At 1 January	4,099	(19,352)	194	355,375	340,316
Amount Recognised In Statements Of Profit Or Loss	(661)	(329)	(697)	(1,422)	(3,109)
As At 31 December 2017	(4,146)	13,466	3,974	(17,770)	(4,476)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

4.2. EPF

	Freehold Land	Building	Building Plant And Machinery	Office/ Building Renovation	Furniture Fixtures And Fittings	Motor Vehicles	Office Equipment	Computer Software And Hardware	Work In Progress	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cost										
At 1 January 2016	12,431	253,761	20,104	145,849	15,242	5,006	29,132	165,045	22,170	668,740
Additions	-	-	1,253	13,198	2,390	1,153	3,191	12,794	24,386	58,365
Sales	-	-	-	-	(60)	(82)	(59)	(41)	-	(242)
Adjustments/ Reclassifications	-	-	67	2,798	139	-	39	393	(3,436)	-
Write-Off	-	-	(27)	(5,117)	(545)	(622)	(728)	(1,464)	-	(8,503)
At 31 December 2016/ 1 January 2017	12,431	253,761	21,397	156,728	17,166	5,455	31,575	176,727	43,120	718,360
Additions	-	-	1,244	7,209	2,795	778	992	4,142	7,691	24,851
Sales	(123)	(126)	(21)	-	(122)	(104)	(516)	(3,227)	-	(4,239)
Adjustments/ Reclassifications	-	-	4	792	138	-	185	8,997	(10,116)	-
Write-Off	-	-	(1,434)	-	(1,806)	(428)	(4,896)	(34,030)	-	(42,594)
Reclassification to Intangible Assets	-	-	-	-	-	-	-	-	(14,966)	(14,966)
As At 31 December 2017	12,308	253,635	21,190	164,729	18,171	5,701	27,340	152,609	25,729	681,412
Accumulated Depreciation										
At 1 January 2016	-	129,513	9,900	123,846	12,885	3,737	19,865	125,836	-	425,582
Additions	-	3,626	1,615	8,479	2,098	549	3,048	23,031	-	42,446
Sales	-	-	-	-	(60)	(82)	(59)	(41)	-	(242)
Adjustments/ Reclassifications	-	-	-	-	-	-	1	1	-	2
Write-Off	-	-	(26)	(5,117)	(540)	(622)	(724)	(1,460)	-	(8,489)
At 31 December 2016/ 1 January 2017	-	133,139	11,489	127,208	14,383	3,582	22,131	147,367	-	459,299
Additions	-	4,795	1,717	10,337	2,655	644	3,487	18,611	-	42,246
Sales	-	(60)	(11)	-	(121)	(105)	(516)	(3,212)	-	(4,025)
Adjustments/ Reclassifications	-	-	-	(9)	-	-	9	-	-	-
Write-Off	-	-	(1,393)	-	(1,802)	(428)	(4,753)	(34,009)	-	(42,385)
As At 31 December 2017	-	137,874	11,802	137,536	15,115	3,693	20,358	128,757	-	455,135
Net Book Value										
At 1 January 2016	12,431	124,248	10,204	22,003	2,357	1,269	9,267	39,209	22,170	243,158
At 31 December 2016/ 1 January 2017	12,431	120,622	9,908	29,520	2,783	1,873	9,444	29,360	43,120	259,061
As At 31 December 2017	12,308	115,761	9,388	27,193	3,056	2,008	6,982	23,852	25,729	226,277

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

5. INVESTMENT PROPERTIES

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Cost					
At 1 January		26,443,220	24,249,867	1,458,661	1,458,661
Sales		(2,276,107)	(362,088)	(1,230)	-
Additions		1,896,470	4,113,857	348,464	-
Reclassification To Assets Held-For-Sale	8	(81,331)	-	(81,331)	-
Foreign Currency Translation Differences		(51,590)	(1,596,707)	-	-
Adjustment On Costs		151,026	38,292	-	-
As At 31 December		26,081,688	26,443,221	1,724,564	1,458,661
Accumulated Depreciation:					
At 1 January		(2,522,105)	(1,961,971)	(410,045)	(376,483)
Sales		221	-	221	-
Current Year Depreciation	33	(626,736)	(595,449)	(36,388)	(33,562)
Reclassification To Assets Held-For-Sale	8	20,231	-	20,231	-
Foreign Currency Translation Differences		356,487	35,315	-	-
Adjustments/Reclassifications		36,284	-	-	-
As At 31 December		(2,735,618)	(2,522,105)	(425,981)	(410,045)
Accumulated Impairment Loss:					
At 1 January		(1,387)	(11,198)	(1,387)	(11,198)
Current Year Impairment Loss	33	(117,965)	-	(10,000)	-
Reversal of Impairment Loss	33	29,091	9,811	-	9,811
Foreign Currency Translation Differences		1,704	-	-	-
Adjustments/Reclassifications		(39,212)	-	-	-
As At 31 December		(127,769)	(1,387)	(11,387)	(1,387)
Net Book Value As at 31 December		23,218,301	23,919,729	1,287,196	1,047,229

Statements of Profit or Loss for Investment Properties as follows:

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Rental Income		1,577,206	1,550,452	111,011	107,587
Operating Expenditures					
- Depreciation	33	(626,736)	(595,449)	(36,388)	(33,562)
- Current Year Impairment Loss	33	(117,965)	-	(10,000)	-
- Reversal of Impairment Loss	33	29,091	9,811	-	9,811
- Miscellaneous		(15,097)	(19,478)	(15,097)	(19,478)
Net Profit Related to Investment Properties		846,499	945,336	49,526	64,358

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

5. INVESTMENT PROPERTIES (CONT'D.)

The Investment Properties of the Group are measured at cost, including transaction costs. The fair value of the Investment Properties of the Group as at the Statements of Financial Position date is amounted at RM26,969.43 million (2016: RM28,961.97 million), which has been determined based on valuations during the year of 2013 to 2017. Meanwhile, the fair value of the EPF's Investment Properties as at 31 December 2017 amounted to RM2,300.67 million (2016: RM2,112.52 million). The frequency of revaluations has been performed in accordance with the accounting policy adopted by the EPF. Valuations are performed by Accredited Independent Valuers with recent experience in land and properties valuation field. The valuations are based on the comparison method that involves the sales of similar properties analysis and factors which can influence the value or price of the said properties.

As at financial year ended 31 December 2017, the EPF subsidiaries in United Kingdom pledged the Group's Investment Properties amounting RM3,026.80 million (2016: RM135,883.35 million) as collateral to a bank borrowing as disclosed in Notes 21.1 and 21.2.

6. INTANGIBLE ASSETS

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
License And Information Technology Software					
Cost					
At 1 January		176,730	176,494	98,690	98,690
Additions		14,148	236	4,091	-
Reclassification From Property, Plant And Equipment	4	14,966	-	14,966	-
As At 31 December		205,844	176,730	117,747	98,690
Accumulated Amortisation					
At 1 January		(153,882)	(137,617)	(91,257)	(88,492)
Amortisation For Financial Year	33	(16,600)	(16,265)	(5,759)	(2,765)
As At 31 December		(170,482)	(153,882)	(97,016)	(91,257)
Net Book Value As At 31 December		35,362	22,848	20,731	7,433

7. PREPAID LAND LEASE

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Cost					
At 1 January		67,627	67,627	59,199	59,199
Write-Off		(92)	-	(92)	-
As At 31 December		67,535	67,627	59,107	59,199
Accumulated Amortisation					
At 1 January		(11,640)	(10,976)	(8,796)	(8,294)
Amortisation For The Financial Year	33	(661)	(664)	(500)	(502)
Write-Off		51	-	51	-
As At 31 December		(12,250)	(11,640)	(9,245)	(8,796)
Net Book Value As At 31 December		55,285	55,987	49,862	50,403

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

8. ASSET HELD-FOR-SALE

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Net Book Value					
At 1 January		1,959	904,567	1,674	53,078
Sales		(151)	(902,608)	-	(51,404)
Reclassification From Investment Properties	5	61,100	-	61,100	-
Reclassification From Investment in Associates	11.2b	115,316	-	203,211	-
Reclassification From Loans, Advances and Financing		38,409	-	-	-
As At 31 December		216,633	1,959	265,985	1,674

The fair value of Assets Held-For-Sale of the Group as the date of Statements of Financial Position amounting to RM637.99 million (2016: RM3.16 million) is based on valuation carried out from 2013 to 2017. Inclusive is the fair value of Assets Held For Sale of the EPF as at 31 December 2017 amounting to RM592.10 million (2016: RM2.87 million). Valuations were performed by Accredited Independent Valuers with recent experience in Land and Properties Evaluation field. The valuations were mainly based on comparison method that involves the analysis of recent sales of similar properties in the area factors which can influence the value or price of the said properties. As for Investment in Associate, the fair value is the selling price of the Associate agreed by the Associate.

Assets Held-For-Sale at EPF level represented by thirty eight (38) units of Investment Properties of CIMB, one (1) unit of Land at Petra Jaya, Sarawak and an unit Investment in Associate of Columbia Asia Sdn Bhd. These assets are still in the process of disposal and expected to be sold completely in 2018.

9. PROPERTY DEVELOPMENT COSTS

	Note	GROUP	
		2017 (RM'000)	2016 (RM'000)
At 1 January:			
Freehold Land		1,575,741	1,586,213
Adjustments On Development Costs		6,760	(272,904)
Sales		(102,678)	-
		1,479,823	1,313,309
Costs Recognised During The Year:			
Development Costs		165,367	262,432
As At 31 December		1,645,190	1,575,741

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10. INVESTMENT IN SUBSIDIARIES

	Note	EPF	
		2017	2016
		Cost/ Book Value (RM'000)	Cost/ Book Value (RM'000)
Domestic Quoted Equities		4,440,649	4,333,591
Domestic Unquoted Equities		2,045,955	1,234,935
Allowances For Impairment Loss		(13,135)	(58,188)
		2,032,820	1,176,747
Global Unquoted Equities	10a, 10b	15,699,448	15,157,894
Allowances For Impairment Loss		(103,567)	(56,319)
		15,595,881	15,101,575
As At 31 December		22,069,350	20,611,913
Market Price			
Domestic Quoted Equities		4,039,442	3,412,983

No impairment loss has been accounted for Domestic Quoted Equities even though market price is lower than costs in the year of 2017 and 2016. This is because the recoverable amount for Domestic Quoted Equities is higher than the cost and it is measured using a valuation technique based on EPF's Accounting Policy approved by the Board.

List of subsidiaries are disclosed in Note 43.

Details of new/additional capital injection and derecognition of investment exercise via shares redemption or return of capital which involve significant transaction in the financial year of 2017 in the Investment In Subsidiaries are as follows:

a. Additional Capital Injection In KWASA Europe S.a.r.l. And Return Of Capital From KWASA Global (Jersey) Limited

As at 31 December 2017, the EPF has injected additional capital injection of €2.03 million or Ringgit Malaysia of RM9.91 million equity to KWASA Europe S.a.r.l., a wholly owned subsidiary of EPF. The increase in investment is for the purpose of the Dudok Project (Moerdijk), Tony 2 Project, Landshut Project (Joint Venture with Goodman), Biblis Project (Joint Venture with Dietz) and Langenau Project (Joint Venture with Dietz) in Europe.

Meanwhile, total net return of capital received from Kwasa Global (Jersey) Ltd for 2017 is £176.45 million or Ringgit Malaysia of RM932.76 million. These return of capital were due to the sale of assets under the Knightlights Property International S.A, Whitefriars Limited and KWASA Australia II Trust.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10. INVESTMENT IN SUBSIDIARIES (CONT'D.)

b. Capital Injection In “Fund-Of-Funds” Subsidiaries

During 2017, EPF has injected capital of RM1,660.19 million to six (6) wholly owned subsidiaries to support private equity fund in foreign countries based on the approved capital commitments. The proportions of capital injection by subsidiary are as follows:

Capital Injection In Available “Fund-Of-Funds” Subsidiaries

- i. Cengal Private Equity Investments plc - RM227.00 million
- ii. Cengal Private Equity Investments II plc - RM619.62 million
- iii. Jati Private Equity Fund II L.P. - RM269.03 million
- iv. Merbau Investors Offshore L.P. - RM40.91 million
- v. Merbau Investors Offshore II L.P. - RM178.62 million
- vi. Meranti Fund L.P. - RM325.01 million

Meanwhile, the return of capitals for “Fund-of-Funds” subsidiaries for year of 2017 is RM1,163.98 million from seven (7) EPF subsidiaries are as follows:

- i. Cengal Private Equity Investments plc - RM636.93 million
- ii. Cengal Private Equity Investments II plc - RM135.20 million
- iii. Jati Private Equity Fund L.P. - RM47.62 million
- iv. Jati Private Equity Fund II L.P. - RM107.73 million
- v. Merbau Investors Offshore L.P. - RM151.22 million
- vi. Merbau Investors Offshore II L.P. - RM10.16 million
- vii. Meranti Fund L.P. - RM75.12 million

11. INVESTMENT IN ASSOCIATES

11.1 GROUP

	2017	2016
Note	Cost/ Book Value (RM'000)	Cost/ Book Value (RM'000)
Domestic Quoted Equities	8,935,816	8,307,493
Domestic Unquoted Equities	2,590,495	3,441,366
Allowances For Impairment Loss	(14,811)	(34,462)
	2,575,684	3,406,904
Global Unquoted Equities	482,390	367,085
Profit And Adjustments in Associates	5,296,241	3,045,454
As At 31 December	17,290,131	15,126,936

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

11. INVESTMENT IN ASSOCIATES (CONT'D.)

11.1 GROUP (Cont'd.)

a. Details of associate which the Group possess material significant influence are as follows:

No.	Name Of Entity	Note	Principal Activity	Country Of Incorporation	Ownership Interest On Voting Rights	
					2017 %	2016 %
1	Malaysian Resources Corporation Berhad		Investment holding and conduct activities related to construction, property development and management services to its subsidiaries	Malaysia	34.9	34
2	RHB Bank Berhad		Banking	Malaysia	40.7	40.84
3	PLUS Malaysia Berhad	11.2a	Infrastructure and utility	Malaysia	-	49
4	RHB Capital Berhad	11.1b	Banking	Malaysia	41.69	41.69

b. RHB Capital Berhad is going through a liquidation exercise and no financial statement is prepared by liquidators as at 31 December 2017.

c. Summary of financial information regarding associates which the Group possess material significant influence as per below represent the amount that disclosed in Associates Financial Statements that has been prepared according to applicable accounting standard (coordinated by the Group for the purpose of equity accounting):

	RHB Bank Berhad		Malaysian Resources Corporation Bhd		PLUS Malaysia Berhad		RHB Capital Berhad	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Summarised Statements of Financial Position								
Total Assets	230,209,926	236,735,665	13,636,121	11,026,664	-	33,217,006	-	156,384
Total Liabilities	(207,025,498)	(214,930,562)	(8,930,444)	(8,472,477)	-	(32,991,445)	-	(2,420)
Total Net Assets	23,184,428	21,805,103	4,705,677	2,554,187	-	225,561	-	153,964
Summarised Statements of Profit Or Loss								
Income	6,387,134	7,832,315	3,409,033	1,269,117	-	4,066,196	-	24,960
Profit After Tax For The Financial Year	1,956,040	1,718,843	413,380	81,243	-	298,101	-	1,115,480
Other Comprehensive Income For The Financial Year	(64,274)	129,962	(3,141)	257	-	(2)	-	257
Total Comprehensive Income For The Financial Year	1,891,766	1,848,805	410,239	81,500	-	298,099	-	1,115,737
Dividend Received From Associates For The Financial Year	195,843	82,103	20,940	17,137	-	352,800	-	153,828

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

11. INVESTMENT IN ASSOCIATES (CONT'D.)

11.1 GROUP (Cont'd.)

- d. Summarised of financial information for the net assets of associates which the Group has material significant influence based on an effective interest in the voting rights of non-controlling interests:

	RHB Bank Berhad		Malaysian Resources Corporation Berhad		PLUS Malaysia Berhad		RHB Capital Berhad	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net Assets Of The Associates	23,184,428	21,805,103	4,705,676	2,554,187	-	225,561	-	153,964
Proportion Of The Group's Ownership Interest (%)	40.70	40.84	34.90	34.00	-	49.00	41.69	41.69
Proportion Of The Group's Net Assets	9,436,062	8,905,204	1,642,281	868,424	-	110,525	-	64,188

- e. Summarised of financial information for other associates in which the Group has immaterial significant influence are as follows:

	2017 RM'000	2016 RM'000
Summarised Statements Of Financial Position		
Total Assets	14,044,675	13,796,358
Total Liabilities	(5,831,867)	(4,729,370)
Total Net Assets	8,212,808	9,066,988
Summarised Statements Of Profit Or Loss		
Income	891,052	1,811,833
(Loss)/Profit After Tax For The Financial Year	(34)	148,824
Other Comprehensive Income For The Financial Year	285	-
Total Comprehensive Income For The Financial Year	251	148,824
Dividends Received From Associates For The Financial Year	20,042	12,174

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

11. INVESTMENT IN ASSOCIATES (CONT'D.)

11.2 EPF

	Note	2017 Cost/ Book Value (RM'000)	2016 Cost/ Book Value (RM'000)
Domestic Quoted Equities		8,935,815	8,307,493
Domestic Unquoted Equities	11.2a, 11.2b	2,123,125	2,922,412
Allowances For Impairment Loss		(14,810)	(34,462)
		2,108,315	2,887,950
		11,044,130	11,195,443
Market Price			
Domestic Quoted Equities		9,874,741	8,683,787

- a. In 2017, EPF has reclassified the cost of investment in PLUS Malaysia Berhad amounting to RM1.67 billion from investment in an associates to investment in a joint venture because the term in the agreement has the criteria of joint venture entities where the results for the relevant activity require a consent the voice of the controlling party. This reclassification does not affect the Statement of Profit or Loss.
- b. EPF has also reclassified the cost of investment in Columbia Asia Sdn Bhd by RM203.21 million from investment in associates to assets held-for-sale. This is due to the decision of the Investment Panel which has approved the sale proposal of Columbia Asia Sdn Bhd on November 6, 2017 and the sale is expected to be completed by April 2018.

The list of associates are disclosed in Note 44.

12. INVESTMENT IN JOINT VENTURES

12.1 GROUP

	2017 (RM'000)	2016 (RM'000)
Domestic Unquoted Equities	2,347,925	70,587
Global Unquoted Equities	2,583,854	2,660,789
Profit And Adjustments in Joint Ventures	(1,853,034)	161,496
As At 31 December	3,078,745	2,892,872

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

12. INVESTMENT IN JOINT VENTURES (CONT'D.)

12.1 GROUP (Cont'd.)

- a. Summary of financial information regarding joint ventures which the Group possess material significant influence as per below represent the amount that disclosed in Joint Venture Financial Statements that has been prepared according to applicable accounting standard (coordinated by the Group for the purpose of equity accounting):

	PLUS Malaysia Berhad 2017 (RM'000)	PLUS Malaysia Berhad 2016 (RM'000)
Summarised Statements Of Financial Position		
Total Assets	32,430,781	-
Total Liabilities	(33,024,709)	-
Total Net Liabilities	(593,928)	-
Summarised Statements Of Profit Or Loss		
Income	3,898,221	-
Profit After Tax For The Financial Year	(109,599)	-
Other Comprehensive Income For The Financial Year	(6)	-
Total Comprehensive Income For The Financial Year	(109,605)	-
Dividend Received From Joint Venture For The Financial Year	343,000	-

- b. The following is a summary of financial information for the net assets of a joint venture company in which the Group has a joint control partnership and a material unanimous consent based on an effective interest in the voting rights of non-controlling interests:

	PLUS Malaysia Berhad 2017 (RM'000)	PLUS Malaysia Berhad 2016 (RM'000)
Net Liabilities Of The Joint Ventures	(593,928)	-
Proportion Of The Group's Ownership Interest (%)	49.0	-
Proportion Of The Group's Net Liabilities	(291,025)	-

- c. The following is a summary of financial information for other joint venture companies in which the Group has no shared control arrangements and material:

	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Summarised Statements Of Financial Position		
Total Assets	11,008,609	7,633,401
Total Liabilities	(7,929,864)	(4,740,529)
Total Net Assets	3,078,745	2,892,872
Summarised Statements Of Profit Or Loss		
Income	506,156	564,546
Total Comprehensive Income For The Financial Year	185,873	169,353

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

12. INVESTMENT IN JOINT VENTURES (CONT'D.)

12.2 EPF

	2017 Cost/ Book Value (RM'000)	2016 Cost/ Book Value (RM'000)
Domestic Unquoted Equities	1,666,000	-
	1,666,000	-

Investments In Joint Venture are reclassified from Investments In Associates as disclosed in Note 11.2a.

The list of Investment in Joint Ventures are disclosed in Note 44.

13. INVESTMENT ASSETS HELD-TO-MATURITY

13.1 GROUP

	Note	2017 Amortised Cost (RM'000)	2016 Amortised Cost (RM'000)
Malaysian Government Securities		92,410,183	80,610,122
Government Investment Issues		85,201,624	72,394,459
Private Debt Securities		54,931,655	48,351,405
Allowances For Impairment Loss	40.1c	(50,418)	(59,146)
		54,881,237	48,292,259
Commercial Papers		698,863	698,912
Cagamas Securities		3,798,580	4,346,573
Conventional Bonds		120,498	120,457
Islamic Bonds		14,357,307	14,300,697
Negotiable Certificates		4,060,071	3,469,320
Negotiable Islamic Certificates		4,214,502	3,836,005
Convertible Preference Share		725	725
		259,743,590	228,069,529

The maturity structure of the Gross Investment Assets Held-To-Maturity are as follows:

	Note	2017 (RM'000)	2016 (RM'000)
Maturing Within 12 Months		27,287,669	16,897,301
Maturing After 12 Months		232,506,339	211,231,374
	40.1a	259,794,008	228,128,675

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

13. INVESTMENT ASSETS HELD-TO-MATURITY (CONT'D.)

13.2 EPF

	Note	31 DECEMBER 2017	31 DECEMBER 2016
		Amortised Cost (RM'000)	Amortised Cost (RM'000)
Malaysian Government Securities		92,410,183	80,610,122
Government Investment Issues		85,201,624	72,394,459
Private Debt Securities		55,440,385	48,351,405
Allowances For Impairment Loss	40.1c	(50,418)	(59,146)
		55,389,967	48,292,259
Commercial Papers		698,863	698,912
Cagamas Securities		3,798,580	4,346,573
Conventional Bonds		120,498	120,457
Islamic Bonds		14,357,307	14,300,697
Negotiable Certificates		4,060,071	3,469,320
Negotiable Islamic Certificates		4,214,502	3,836,005
Convertible Preference Share		725	725
		260,252,320	228,069,529

The maturity structure of the Investment Assets Held-To-Maturity are as follows:

	Note	31 DECEMBER 2017	31 DECEMBER 2016
		(RM'000)	(RM'000)
Maturing Within 12 Months		27,292,751	16,897,301
Maturing After 12 Months		233,009,987	211,231,374
	40.1a	260,302,738	228,128,675

Details on Investment Assets Held-To-Maturity which assessed as impaired for Group and EPF as at 31 December 2017 are disclosed in Note 40.1a. Movement of accumulated impairment loss which has been accounted as Allowances for Impairment Loss is disclosed in Note 40.1c.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

14. FINANCIAL ASSETS AVAILABLE-FOR-SALE

14.1. GROUP

	Note	31 DECEMBER 2017	31 DECEMBER 2016
		Fair Value (RM'000)	Fair Value (RM'000)
EQUITY INVESTMENT INSTRUMENTS			
QUOTED EQUITIES			
Domestic Equities Internally Managed		132,731,266	123,118,379
Domestic Equities Managed By External Fund Managers		15,057,867	12,256,841
Global Equities Internally Managed		93,410,744	84,243,923
Global Equities Managed By External Fund Managers		60,792,394	53,490,077
		301,992,271	273,109,220
UNQUOTED EQUITIES			
Domestic Unquoted Equities		1,161,238	1,129,555
Global Unquoted Equities		14,477,222	12,708,618
		15,638,460	13,838,173
FIXED INCOME INVESTMENT INSTRUMENTS INTERNALLY MANAGED			
Domestic Fixed Income Investment Instruments Internally Managed		16,299,269	11,964,805
Global Fixed Income Investment Instruments Internally Managed		3,487,705	4,157,542
		19,786,974	16,122,347
FIXED INCOME INVESTMENT INSTRUMENTS WITH EXTERNAL FUND MANAGER			
Domestic Fixed Income Investment Instruments With External Fund Managers		19,372,188	17,632,162
Allowances For Impairment Loss	40.1c	(76,058)	(96,530)
		19,296,130	17,535,632
Global Fixed Income Investment Instruments With External Fund Managers		16,529,464	17,237,462
		35,825,594	34,773,094
OTHER INVESTMENT INSTRUMENTS			
Domestic Private Debt Securities Internally Managed		16,441,648	16,134,080
Allowances For Impairment Loss	40.1c	(163,429)	(500,616)
		16,278,219	15,633,464
Global Private Debt Securities Internally Managed		8,153,222	9,261,743
		397,674,740	362,738,041

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

14. FINANCIAL ASSETS AVAILABLE-FOR-SALE (CONT'D.)

14.1. GROUP (Cont'd.)

The maturity structure of the Financial Assets Available-For-Sale for Fixed Income Investment Instruments are as follows:

	Note	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Maturing Within 12 Months		1,440,994	2,967,215
Maturing After 12 Months		78,842,502	73,420,579
	40.1a	80,283,496	76,387,794

14.2 EPF

	Note	31 DECEMBER 2017 Fair Value (RM'000)	31 DECEMBER 2016 Fair Value (RM'000)
EQUITY INVESTMENT INSTRUMENTS			
QUOTED EQUITIES			
Domestic Equities Internally Managed		132,731,266	123,118,379
Domestic Equities Managed By External Fund Managers		15,057,867	12,256,841
Global Equities Internally Managed		93,410,744	84,243,923
Global Equities Managed By External Fund Managers		60,792,394	53,490,077
		301,992,271	273,109,220
UNQUOTED EQUITIES			
Domestic Unquoted Equities		1,139,419	1,111,154
Global Unquoted Equities		13,167,720	11,851,795
		14,307,139	12,962,949
FIXED INCOME INVESTMENT INSTRUMENTS INTERNALLY MANAGED			
Domestic Fixed Income Investment Instruments Internally Managed		13,127,356	9,600,055
Global Fixed Income Investment Instruments Internally Managed		3,487,705	4,157,542
		16,615,061	13,757,597
FIXED INCOME INVESTMENT INSTRUMENTS WITH EXTERNAL FUND MANAGERS			
Domestic Fixed Income Investment Instruments With External Fund Managers		19,420,860	17,632,162
Allowances For Impairment Loss	40.1c	(76,058)	(96,530)
		19,344,802	17,535,632
Global Fixed Income Investment Instruments With External Fund Managers		16,529,464	17,237,462
		35,874,266	34,773,094
OTHER INVESTMENT INSTRUMENTS			
Domestic Private Debt Securities Internally Managed		17,018,409	16,134,080
Allowances For Impairment Loss	40.1c	(163,429)	(500,616)
		16,854,980	15,633,464
Global Private Debt Securities Internally Managed		8,153,222	9,261,743
		393,796,939	359,498,067

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

14. FINANCIAL ASSETS AVAILABLE-FOR-SALE (CONT'D.)

14.2 EPF (Cont'd.)

The maturity structure of the Financial Assets Available-For-Sale for Fixed Income Investment Instruments are as follows:

	Note	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Maturing Within 12 Months		1,443,483	2,967,215
Maturing After 12 Months		76,293,533	71,055,829
	40.1a	77,737,016	74,023,044

Details on Financial Assets Available-For-Sale which assessed as impaired for Group and EPF as at 31 December 2017, are disclosed in Note 40.1a. Movement of accumulated impairment loss which has been accounted as Allowances For Impairment Loss is disclosed in Note 40.1c.

15. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP	31 DECEMBER 2017			31 DECEMBER 2016		
	Notional Value (RM'000)	FAIR VALUE		Notional Value (RM'000)	FAIR VALUE	
		ASSETS (RM'000)	LIABILITIES (RM'000)		ASSETS (RM'000)	LIABILITIES (RM'000)
Investment Assets Held-For-Trading	166,414	10,010,041	-	-	8,730,741	-
Hedging Instruments						
- Forward Currency Translation Contract	39,999,676	1,945,585	67,231	17,127,506	192,801	2,213,695
- Cross Currency Swap	1,644,821	93,425	250,458	1,644,821	4,527	444,028
- Interest Rate Swap	10,568,489	4,602	174,432	9,373,146	4,160	286,147
Other Derivative Financial Assets	-	322,829	-	-	138,700	-
	52,379,400	12,376,482	492,121	28,145,473	9,070,929	2,943,870
		Note 40.1a			Note 40.1a	
EPF	31 DECEMBER 2017			31 DECEMBER 2016		
	Notional Value (RM'000)	FAIR VALUE		Notional Value (RM'000)	FAIR VALUE	
		ASSETS (RM'000)	LIABILITIES (RM'000)		ASSETS (RM'000)	LIABILITIES (RM'000)
Hedging Instruments						
- Forward Currency Translation Contract	39,999,676	1,945,586	67,231	17,127,506	74,283	2,213,695
- Cross Currency Swap	1,644,821	93,425	250,458	1,644,821	4,527	444,028
- Interest Rate Swap	189,540	4,602	-	189,540	4,160	-
Other Derivative Financial Assets	-	322,829	-	-	257,218	-
	41,834,037	2,366,442	317,689	18,961,867	340,188	2,657,723
		Nota 40.1a			Nota 40.1a	

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

15. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D.)

Hedging Instruments are measured at fair value and apply by the Group and EPF to secure from financial assets fair value changes due to fluctuation of foreign currency exchange rate and market interest rate. All derivatives with positive fair value is classified as assets and classified as liabilities when the fair value is negative and any changes on profits or losses on the revalued derivative contracts is to be recognised in the Statements of Profit or Loss.

Inclusive in hedging instruments for the Group are Interest Rate Swap which assigned as hedging instruments at fair value in total of RM174.43 million (2016: RM286.15 million) and notional value amounted to RM10,568.49 million (2016: RM9,373.15 million). The Group apply Interest Rate Swap for managing the disclosure of interest rate movement on bank loans by exchanging part of the loan from floating rate to fixed rate.

Interest Rate Swap for floating rate and fixed rate completed on a monthly and quarterly basis. The Group will settle the differences between fixed rate and floating rate on a net basis. This contract of Interest Rate Swap will be changed from floating rate to fixed rate and will be designated as cash flow hedges to reduce the exposure of the Group's cash flows caused by interest rate vary on loans.

16. LOANS, ADVANCES AND FINANCING

16.1 GROUP

	Note	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Guaranteed Loans		59,757,353	59,838,859
End Financing:			
Normal Housing Programme		2,830,082	3,382,205
Low Cost Housing Programme		15,596	17,414
Islamic Loans:			
Property		2,373,507	2,080,177
Personal Loans		21,396,876	22,822,210
Hire Purchase		281,574	334,524
Bridging And Term Loans		7,260,549	6,599,879
Staff Loans		202,381	195,474
Conventional Loans:			
Staff Loans		77,897	79,235
Loans To Associates		2,838,184	880,934
Gross Loans, Advances And Financing		97,033,999	96,230,911
Allowances For Impairment Loss			
Guaranted Loans	40.1c	-	(32,515)
Staff Loans	40.1c	(153)	(155)
Personal Loans	40.1c	(2,195,871)	(3,092,072)
Net Loans, Advances And Financing		94,837,975	93,106,169

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

16. LOANS, ADVANCES AND FINANCING (CONT'D.)

16.1 GROUP (Cont'd.)

The maturity structure of Gross Loans, Advances And Financing are as follows:

	Note	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Maturing Within 12 Months		1,046,430	9,174,777
Maturing After 12 Months		95,987,569	87,056,134
	40.1a	97,033,999	96,230,911

16.2 EPF

	Note	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Guaranteed Loans		59,757,353	59,838,859
Islamic Loans:			
Staff Loans		158,696	147,269
Conventional Loans:			
Staff Loans		77,897	79,235
Capital Advances To Subsidiaries	16.2a, 40b	11,351,947	10,524,947
Gross Loans, Advances And Financing		71,345,893	70,590,310
Allowances For Impairment Loss:			
Guaranteed Loans	40.1c	-	(32,515)
Staff Loans	40.1c	(153)	(155)
Capital Advances To Subsidiaries	40.1c	(2,375)	(936)
Net Loans, Advances And Financing		71,343,365	70,556,704

- a. Capital Advances to the EPF's unquoted subsidiaries which are unsecured and bear interest ranging from 1.00% to 8.00% per annum, except the capital advances to KWASA Properties Sdn Bhd, Ekuiti Merdu Sdn Bhd, Pinggiran Ventures Sdn Bhd, PPNK Harta Sdn Bhd, Affordable Homes Sdn Bhd, KWASA Invest Limited, KWASA Asia, KWASA Capital Partners Limited and KWASA Infrastructure I bear no interest charges on that capital advances.
- b. All capital advances to subsidiaries has no repayment term except for KWASA Land Sdn Bhd, Tanjung Wibawa Sdn Bhd, KWASA Utama Sdn Bhd, KWASA Europe S.à r.l. and KWASA Europe I S.à r.l. which are repayable after the loan period, within one (1) to fifteen (15) years from the date of advance agreement.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

16. LOANS, ADVANCES AND FINANCING (CONT'D.)

16.2 EPF (Cont'd.)

The maturity structure of Gross Loans, Advances And Financing are as follows:

	Note	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Maturing Within 12 Months		11,351,947	8,331,244
Maturing After 12 Months		59,993,946	62,259,066
	40.1a	71,345,893	70,590,310

Details on asset with regards to Loans, Advances and Financing which assessed as impaired as at 31 December 2017 are disclosed in Note 40.1a. Movement of accumulated impairment loss which has been accounted as Allowances for Impairment Loss is disclosed in Note 40.1c.

17. INVENTORIES

	GROUP	
	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
At Cost		
Inventories	179	108,341
At Net Realisable Value:		
Land Held For Sale	113,991	103,063
	114,170	211,404

Cost of Inventories recognised as current year expenses amounting RM157.68 million (2016: RM325 million).

Included in Inventories is land held-for-sale of which the carrying amount as below:

	GROUP	
	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Land Registered Under Subsidiaries	113,991	103,063
	113,991	103,063

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

18. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D.)

	Note	EPF	
		31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Endowment Fund		26,535	26,535
Prepayments		5,746	5,642
Rental Deposits		1,760	1,760
Rental Debtors		13,302	8,597
Owings From Subsidiaries		83,639	121,468
Tax Claim On Dividend Receivable		330,749	360,421
Accruals On Miscellaneous Non-Investment Items and Deposits		2,583	7,249
Accruals Dividend Income		664,389	310,412
Accruals On Sale Of Investments		1,349,224	1,503,755
Accruals On Good And Service Tax		43	340
Service Charge Receivables		6,978	6,232
		2,484,948	2,352,411
Allowances For Impairment Loss	40.1c	(7,613)	(68,916)
		2,477,335	2,283,495

The maturity structure of Gross Receivables, Deposits and Prepayments are as follows:

	Note	EPF	
		31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Maturing Within 12 Months		2,401,130	2,288,144
Maturing After 12 Months		83,818	64,267
	40.1a	2,484,948	2,352,411

Details on asset with regards to Receivables, Deposits and Prepayments which assessed as impaired for Group and EPF as at 31 December 2017 are disclosed in Note 40.1a. Movement of accumulated impairment loss which has been accounted as Allowances for Impairment Loss is disclosed in Note 40.1c.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

19. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Note	GROUP	
		31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Time Deposit		14,963,819	18,349,650
Fixed Deposit		12,114,242	4,064,756
Murabahah Commodity		5,361,542	7,642,372
Bank Negara Malaysia - Money Market Account	37	134,256	90,741
Money Market Of Multi Currency		109,105	168,631
Bank of New York Mellon - Money Market Account		623,328	7,407,867
Money Market Account Managed By External Fund Managers		2,772,106	3,590,694
		36,078,398	41,314,711

	Note	EPF	
		31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Time Deposit		14,963,819	18,349,650
Fixed Deposit		3,656,283	2,767,430
Murabahah Commodity		5,361,541	7,642,372
Bank Negara Malaysia - Money Market Account	37	134,256	90,741
Money Market Of Multi Currency		109,105	168,631
Bank of New York Mellon - Money Market Account		623,328	7,407,867
Money Market Account Managed By External Fund Managers		2,772,106	3,590,694
		27,620,438	40,017,385

All Deposits With Financial Institution matured within 12 months.

The liquidity of Bank Negara Malaysia - Money Market Account is less than three (3) months, therefore it is classified as cash and cash equivalents in the Group and EPF Statements of Cash Flow.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

20. EMPLOYEE BENEFITS

	Nota	GROUP AND EPF		Total (RM'000)
		Post-Retirement Medical Benefit (RM'000)	Post-Retirement Gratuity (RM'000)	
At 1 January 2016		40,585	252,910	293,495
Provisions Made During The Financial Year Recognised In The Statements Of Profit Or Loss	33	7,089	24,082	31,171
Benefits Paid		(5,177)	(2,038)	(7,215)
As At 31 December 2016/At 1 January 2017		42,497	274,954	317,451
Provisions Made During The Financial Year Recognised In The Statements Of Profit Or Loss	33	7,524	21,112	28,636
(Gain)/Loss Of Actuarial Valuation On Employee Benefits Plan Which Is Recognised To Other Comprehensive Income		(4,342)	8,600	4,258
Benefits Paid		(5,779)	(2,852)	(8,631)
As At 31 December 2017		39,900	301,814	341,714

The maturity structure of Employee Benefits are as follows:

	GROUP AND EPF	
	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Maturing Within 12 Months	8,744	7,563
Maturing After 12 Months	332,970	309,888
	341,714	317,451

20.1 Post-Retirement Medical Benefit

- a. The movements of present value in the unfunded obligations are as follows:

	GROUP AND EPF	
	2017 (RM'000)	2016 (RM'000)
At 1 January	42,497	40,585
Current Service Cost	5,557	5,184
Interest Cost	1,967	1,905
Benefits Paid	(5,779)	(5,177)
Net Actuarial Gain	(4,342)	-
As At 31 December	39,900	42,497

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

20. EMPLOYEE BENEFITS (CONT'D.)

20.1 Post-Retirement Medical Benefit (Cont'd.)

b. The amounts recognised in the Statements of Financial Position are analysed as follows:

	GROUP AND EPF	
	2017 (RM'000)	2016 (RM'000)
Present Value Of Unfunded Obligations	39,900	42,497
Net Liabilities As At 31 December	39,900	42,497

c. The amounts recognised in the Statements of Profit or Loss And Other Comprehensive Income are analysed as follows:

	GROUP AND EPF	
	31 DECEMBER	31 DECEMBER
	2017 (RM'000)	2016 (RM'000)
Current Service Cost	5,557	5,184
Interest Cost	1,967	1,905
Total Post-Retirement Costs Recognised In The Statements Of Profit Or Loss	7,524	7,089
Net Actuarial Gain	(4,342)	-
Total Post-Retirement Costs Recognised In The Statement Of Other Comprehensive Income	(4,342)	-
Total Post-Retirement Costs Recognised In The Statements Of Profit Or Loss And Other Comprehensive Income	3,182	7,089

d. The amounts recognised in the Statements of Financial Position are analysed as follows:

	GROUP AND EPF	
	2017 (RM'000)	2016 (RM'000)
Present Value Of Unfunded Obligations	42,497	40,585
Total Post-Retirement Costs Recognised In The Statements Of Profit Or Loss And Other Comprehensive Income	3,182	7,089
Benefits Paid	(5,779)	(5,177)
Net Liabilities As At 31 December	39,900	42,497

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

20. EMPLOYEE BENEFITS (CONT'D.)

20.2 Post-Retirement Gratuity (Cont'd.)

d. The amounts in the Statements of Financial Position are as follows:

	GROUP AND EPF	
	2017	2016
	(RM'000)	(RM'000)
Present Value Of Unfunded Obligations	274,954	252,910
Total Post Retirement Costs Recognised In The Statements Of Profit Or Loss And Other Comprehensive Income	29,712	24,082
Benefits Paid	(2,852)	(2,038)
Net Liabilities As At 31 December	301,814	274,954

e. The principal actuarial assumptions used were as follows:

	GROUP AND EPF	
	31 DECEMBER	31 DECEMBER
	2017	2016
Discount Rate (%)	4	4
Annual Salary Increment Rate (%)	5	5
Salary Adjustment Rate (%) *	10	-

*Salary adjustment is performed once every three years, with year 2017 was the latest adjustment. No adjustment had been made in year 2016.

f. The sensitivity analysis below have been determined based on a method that extrapolates reasonable changes during the actuarial valuation at the Statements of Financial Position holding other assumptions are constant:

	GROUP AND EPF		
	2017		
	(RM'000)	Increase (+)	Decrease (-)
	(RM'000)	(RM'000)	(RM'000)
Benefit Obligations As At 31 December	301,814		
Discount Rate (1% Movement)		(3,503)	3,563
Annual Salary Increment Rate (1% Movement)		178	(703)

	GROUP AND EPF		
	2016		
	(RM'000)	Increase (+)	Decrease (-)
	(RM'000)	(RM'000)	(RM'000)
Benefit Obligations As At 31 December	274,954		
Discount Rate (1% Movement)		(894)	959
Annual Salary Increment Rate (1% Movement)		6	(24)

Although the analysis does not account full distribution of cash flows expected under the plan, it does provide approximation of sensitivity assumptions used.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

21. LOANS AND OVERDRAFTS

	GROUP	
	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Bank Borrowings And Overdrafts	12,283,351	12,296,416
Recourse Obligations On Loan Sold To Cagamas	2,238,167	2,615,807
Other Borrowings	1,165,990	2,424,675
	15,687,508	17,336,898

The maturity structure of Loans And Overdrafts are as follows:

	GROUP	
	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Maturing Within 12 Months	2,445,820	3,501,189
Maturing After 12 Months	13,241,688	13,835,709
	15,687,508	17,336,898

The followings are details in respect of loans by the Group as reported in the Statement Of Financial Position:

21.1 Existing Bank Borrowings

- a. On April 2015, the global subsidiary obtained external bank financing of EUR128.86 million from Deka Bank, at an interest rate of 3M Euribor plus a margin of 1.0% and will mature on 4 February 2022. The loan is secured by the global subsidiary's property.
- b. On July 2015, a global subsidiary obtained external bank financing of EUR188.32 from Deutsch Hypo at an interest rate of LIBOR three (3) months plus liquidity costs plus a margin. On 17 July 2017, loan amount of EUR28.00 million was repaid and the remainder will mature on 22 June 2022. The loan is secured by the global subsidiary's properties.
- c. On 9 August 2016, KWASA Europe Finco S.a.r.l. signed a revolving credit facility agreement of USD500.00 million with Standard Chartered Bank. At 31 December 2016, EUR221.70 million had been drawn down. The interest rate in effect on the Euro balance is 6M Euribor plus a margin of 0.80%.
- d. On 10 November 2016 KWASA Strauss-DHL Finco S.à r.l. signed a Senior Term Loan Facility Agreement for EUR94.00 million with United Overseas Bank Limited (Singapore) at an interest rate consisting of a margin of 0.90% plus the five (5) years mid Euro swap rate plus a spread of 0.12%.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

21. LOANS AND OVERDRAFTS (CONT'D.)

21.2 Approved Bank Borrowings During The Financial Year

- a. On 3 July 2017, KWASA Jeden Finco S.à r.l. together with KWASA GBC A Sp. z o.o. and KWASA GBC B Sp. z o.o. signed a loan facility agreement of EUR268.20 million with The Hongkong and Shanghai Banking Corporation Limited. This is split into Facility A Commitment, for an amount of EUR156.06 million and granted by the bank to KWASA Jeden Finco S.à r.l., and Facility B Commitment, for an amount of EUR112.14 million and granted by the bank to KWASA GBC A Sp. z o.o. and KWASA GBC B Sp. z o.o.. At 31 December 2017 the facility was fully drawn. The interest rate in effect on is 6M Euribor plus a margin of 0.82%. This facility expires five (5) years after utilisation.
- b. On 25 July 2017, KWASA Europe Finco-I S.à r.l. signed a revolving Murabahah facility agreement of USD250.00 million with Standard Chartered Bank. At year end EUR33.81 million had been drawn down. At 31 December 2017, the balance remaining under the facility was USD209.42 million. The profit rate in effect on the Euro balance is 6M Euribor plus a margin of 0.80%. This facility is presented under current liabilities as repayment is due between 6-12 months from the utilisation date.
- c. The Group entered into a finance agreement with Citigroup Global Markets Asia Limited on 18 April 2017 for GBP130.00 million. The loan is repayable after five (5) years and is secured by a charge over certain of the Group's investment properties. The loan carries interest at GBP 1 Month LIBOR rate plus 0.99% and other mandatory costs, if any.

22. DEPOSITS AND ADVANCES

	GROUP	
	31 DECEMBER 2017 (RM'000)	31 DECEMBER 2016 (RM'000)
Employer Installment	81,161	77,486
Remittance Suspense	7,568	6,784
Deposits Of Office Rentals	13,999	12,649
Clients Deposit	32,785,848	30,625,817
Transit For Late Processing (Remittance)	108,658	92,286
Deposits On Sales Of Property	330	330
Miscellaneous Deposits	2,889	43,745
	33,000,453	30,859,097

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

22. DEPOSITS AND ADVANCES (CONT'D.)

The maturity structure of the Deposits And Advances are as follows:

	GROUP	
	31 DECEMBER	31 DECEMBER
	2017	2016
	(RM'000)	(RM'000)
Maturing Within 12 Months	30,334,470	28,723,344
Maturing After 12 Months	2,665,983	2,135,753
	33,000,453	30,859,097

	EPF	
	31 DECEMBER	31 DECEMBER
	2017	2016
	(RM'000)	(RM'000)
Employer Installment	81,161	77,486
Remittance Suspense	7,568	6,784
Deposits Of Office Rentals	9,408	9,431
Transit For Late Processing (Remittance)	108,658	92,286
Deposits On Sales Of Property	330	330
Miscellaneous Deposits	2,675	353
Deposits Owing To Subsidiaries	96	94
	209,896	186,764

The maturity structure of the Deposits And Advances are as follows:

	EPF	
	31 DECEMBER	31 DECEMBER
	2017	2016
	(RM'000)	(RM'000)
Maturing Within 12 Months	198,244	83,234
Maturing After 12 Months	11,652	103,530
	209,896	186,764

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

23. PAYABLES AND ACCRUED LIABILITIES

	GROUP	
	31 DECEMBER	31 DECEMBER
	2017	2016
	(RM'000)	(RM'000)
Liability On Invocation Cost Under Section 50(3)	1,130	-
Rent Received In Advance	236,747	219,609
Accruals On Administration And Miscellaneous Non-Investments Payments	2,882,932	3,015,102
Accruals On Miscellaneous Investment Payments	1,938,007	2,448,656
	5,058,816	5,683,367

The maturity structure of Payables And Accrued Liabilities are as follows:

	GROUP	
	31 DECEMBER	31 DECEMBER
	2017	2016
	(RM'000)	(RM'000)
Maturing Within 12 Months	3,996,824	3,092,912
Maturing After 12 Months	1,061,992	2,590,455
	5,058,816	5,683,367

	EPF	
	31 DECEMBER	31 DECEMBER
	2017	2016
	(RM'000)	(RM'000)
Liability On Invocation Cost Under Section 50(3)	1,130	-
Rent Received In Advance	637	4,537
Accruals On Administration And Miscellaneous Non-Investments Payments	359,669	259,607
Accruals On Investment Payments	1,771,621	1,834,365
Amount Owing To Subsidiaries	6,665	20
	2,139,722	2,098,529

The maturity structure of Payables And Accrued Liabilities are as follows:

	EPF	
	31 DECEMBER	31 DECEMBER
	2017	2016
	(RM'000)	(RM'000)
Maturing Within 12 Months	2,139,285	2,090,248
Maturing After 12 Months	437	8,281
	2,139,722	2,098,529

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

24. CONTRIBUTION

	GROUP AND EPF	
	2017 (RM'000)	2016 (RM'000)
At 1 January	704,266,295	652,469,572
Contribution Received And Adjustments		
Contribution Received From Employers	62,686,279	59,774,967
Redemption Of Investment In Unit Trusts	2,741,908	1,728,165
Redemption/Cancellation Of Annuity Scheme	62,845	63,201
Reinstatement/Adjustment	32,832	27,958
	65,523,864	61,594,291
Dividend Distributions To Members		
Dividend Credited - 6.90% (SK) & 6.40% (SS)(2016 - 5.70%)	48,130,148	37,076,322
Prior Year Adjustments	8,293	10,259
	48,138,441	37,086,581
<u>Less:</u>		
Withdrawals And Refunds		
Withdrawals		
55 Years Withdrawal Scheme	17,757,759	22,292,814
50 Years Withdrawal Scheme	4,738,729	4,855,680
60 Years Withdrawal Scheme	4,106,434	-
Incapacitation Withdrawal Scheme	384,863	360,187
Leaving Country Withdrawal Scheme	427,411	445,245
Housing Withdrawal Scheme	2,338,532	2,250,461
Reduction/Redemption Of Housing Loan/Monthly Housing Loan Withdrawal Scheme	3,528,426	3,623,931
Medical Withdrawal Scheme	58,183	57,001
Death Withdrawal Scheme	1,520,975	1,386,617
Periodical Payment Withdrawal Scheme	1,391	2,554
Member Investment Withdrawal Scheme	8,788,080	6,305,355
Pensionable Employee Withdrawal Scheme	2,484,664	2,157,264
Education Withdrawal Scheme	1,695,207	1,459,203
Monthly Payment Withdrawal Scheme	86	109
Saving Exceeding RM1 Million Withdrawal Scheme	1,320,101	1,369,449
Hajj Withdrawal Scheme	1,966	1,151
	49,152,807	46,567,021
Refunds		
Refund To Employers/Members - Rule 33(1), EPF Regulations & Rules 1991	43,543	19,853
Refund Of Employers Share To Pension Trust Fund - Section 56, EPF Act 1991	200,077	217,810
	243,620	237,663
	49,396,427	46,804,684
Other Adjustment		
Adjustments Of Contributions With Incomplete Information (CTML) And Reject Cases To Statements Of Profit Or Loss And Retained Profit	23,606	79,465
As At 31 December	768,508,567	704,266,295

NOTES TO THE FINANCIAL STATEMENTS
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24. CONTRIBUTION (CONT'D.)

The eligible contributions to be withdrawn by members under 50 Years and 55 Years Withdrawal Schemes are as follows:

	GROUP AND EPF	
	31 DECEMBER	31 DECEMBER
	2017	2016
	(RM'000)	(RM'000)
Eligible Contributions To Be Withdrawn Within 12 Months	88,875,463	74,444,630
Eligible Contributions To Be Withdrawn After 12 Months	679,633,104	629,821,665
	768,508,567	704,266,295

Members' Assets/Contributions With Fund Manager Institutions

The cumulative amount invested by the EPF members in the Fund Manager Institutions was not disclosed in the Statements of Financial Position as the risk and reward of the investment borne by the members.

25. RESERVE

	Note	GROUP	
		31 DECEMBER	31 DECEMBER
		2017	2016
		(RM'000)	(RM'000)
Financial Assets Reserve Available-For-Sale	25a	40,857,541	30,997,671
Cash Flow Hedge Reserves	25b	(94,834)	(210,829)
Other Reserves	25c	109,093	67,043
Foreign Currency Translation Reserves	25d	1,056,588	2,539,831
		41,928,388	33,393,716

	Note	EPF	
		31 DECEMBER	31 DECEMBER
		2017	2016
		(RM'000)	(RM'000)
Financial Assets Reserve Available-For-Sale	25a	40,680,416	30,974,450
		40,680,416	30,974,450

- a. Represents the movement of net accumulated unrealised fair value gain/(loss) which is recognised from Financial Assets Available-For-Sale.
- b. Represents the movement of net accumulated gain/(loss) which is recognised from Effective Hedging Derivatives.
- c. Includes goodwill reserve which arose from the excess of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition.
- d. Relates to exchange differences arising from foreign operations that have a functional currency different from the presentation currency of Ringgit Malaysia (RM) by the EPF.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

26. RETAINED PROFIT

EPF Group Retained Profits amounting to RM3,884.44 million showing balance of revenue reserves as at 31 December 2017 (2016: RM3,034.56 million) after the recognition of the annual dividend allocation to members of the EPF for the financial year. As at 31 December 2017, dividend provisions for Simpanan Konvensional at 6.90% was RM44,151.34 million. While for Simpanan Shariah is at 6.40% a total of RM3,978.81 million. In total, dividend allocation is RM48,130.15 million is recognized over the allocation of RM37,076.32 million for dividend rate of 5.70% in 2016. Dividend rate declared for Simpanan Konvensional and Simpanan Shariah is based on the actual financial performance of these two savings funds for the financial year under review after taking into account the EPF accounting policy approved by the Board consistently.

Included in the EPF Retained Profits amounting RM1,210.35 (2016:RM1,807.65 million) is net unrealised gain generated from revaluation of financial asset derivatives instruments and movement of foreign exchange revaluation of ledger financial assets amounting to RM391.07 million (2016: RM613.99 million). This unrealised gain will only be reclassified as net realised gain for the purpose of dividend distributions upon sale or maturity of the assets in the following year.

27. NON-CONTROLLING INTERESTS

a. Set out below is summarised information for subsidiaries that EPF has Non-Controlling Interests:

No.	Name Of Entity	Principal Activity	Country Of Incorporation	Proportion Of Ownership Interest And Voting Rights Held	
				2017 %	2016 %
1	Malaysia Building Society Berhad	Granting of loans on the security of freehold and leasehold properties	Malaysia	34.44	34.9
2	YTR Harta Sdn Bhd	Property development and management	Malaysia	20	19
3	PPNK Sdn Bhd	Property development and management	Malaysia	15	15
4	Kwasa Utama Sdn Bhd	Property development	Malaysia	5	5
5	Jati Private Equity Fund L.P.	Trust holding fund	Cayman Island	1	1
6	Jati Private Equity Fund II L.P.	Trust holding fund	Cayman Island	1	1
7	Jati Private Equity Fund III L.P.	Trust holding fund	Cayman Island	1	-
8	Merbau Investors Offshore L.P.	Trust holding fund	Cayman Island	0.5	0.5
9	Merbau Investors Offshore II L.P.	Trust holding fund	Cayman Island	0.82	1
10	Meranti Fund L.P.	Trust holding fund	Cayman Island	0.75	0.75
11	Meranti Fund II L.P.	Trust holding fund	Cayman Island	0.75	-
12	Cengal Private Equity Investment plc	Trust holding fund	Ireland	0.5	0.5
13	Cengal Private Equity Investment II plc	Trust holding fund	Ireland	0.53	0.66
14	Cengal Private Equity Investment III plc	Trust holding fund	Ireland	0.66	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

27. NON-CONTROLLING INTERESTS (CONT'D.)

b. Set out below is the movement in accumulated Non-Controlling Interests of the Group at Statements of Financial Position date:

	2017 (RM'000)	2016 (RM'000)
Accumulated Non-Controlling Interests		
At 1 January	3,112,357	2,525,009
Share Of Profit After Tax And Zakat	152,943	482,672
Net Unrealised Loss On Revaluation Of Assets Available-For-Sale At Fair Value In The Financial Year	(7,344)	-
Net Assets Acquired From Non-Controlling Interests of Subsidiaries	14,996	487,723
Foreign Currency Translation Differences	(11,459)	86,973
Dividend Credited To Non-Controlling Interest	(94,864)	(478,564)
Share Of Other Comprehensive Income From Associates	-	8,544
As At 31 December	3,166,629	3,112,357

c. Set out below is summarised financial information for subsidiaries that EPF has Non-Controlling Interests:

	2017 (RM'000)	2016 (RM'000)
Malaysia Building Society Berhad		
Summarised Statements Of Financial Position		
Total Assets	44,810,147	43,335,565
Total Liabilities	(37,685,284)	(36,543,997)
Total Net Assets	7,124,863	6,791,568
Summarised Statements Of Profit Or Loss		
Interest Income	3,107,257	451,412
Interest Expense	(1,655,231)	(253,823)
Net Interest Income	1,452,026	197,589
Others Operating Income	33,377	1,211,378
Total Income	1,485,403	1,408,967
Operating Expenses	(336,060)	(293,281)
Inclusive:		
Depreciation And Amortisation In The Financial Year	(11,008)	(13,573)
Profit Before Impairment Loss On Loans, Advances And Financing	1,149,343	1,115,686
Impairment Loss On Loans, Advances And Financing	(598,611)	(777,265)
Profit Before Tax And Zakat	550,732	338,421
Tax and Zakat	(133,606)	(69,488)
Profit After Tax	417,126	268,933
Other Comprehensive Income	13,154	(21,376)
Total Comprehensive Income	430,280	247,557

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

27. NON-CONTROLLING INTERESTS (CONT'D.)

c. Set out below is summarised financial information for subsidiaries that EPF has Non-Controlling Interests: (Cont'd.)

	2017 (RM'000)	2016 (RM'000)
Summarised Statements Of Cash Flows		
Net Cash (Outflow)/Inflow From Operating Activities	2,306,983	1,049,681
Net Cash (Outflow)/Inflow From Investment Activities	(44,552)	(1,351,317)
Net Cash Inflow From Financing Activities	(1,114,668)	12,743
Net Cash Inflow	1,147,763	(288,893)
Cash And Cash Equivalents At 1 January	6,639,369	6,925,667
Adjustments At 1 January	-	2,596
Cash And Cash Equivalents As At 31 December	7,787,132	6,639,370

28. GROSS INVESTMENT INCOME

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Interest And Profit On Investments:	28a				
Internally Managed		13,739,624	12,599,272	13,882,708	12,636,553
External Fund Managers		69,276	(4,802)	50,960	(7,477)
		13,808,900	12,594,470	13,933,668	12,629,076
Dividend On Investments:					
Internally Managed		6,619,702	6,708,143	8,595,856	7,370,567
External Fund Managers		1,839,499	1,610,320	1,732,618	1,563,897
		8,459,201	8,318,463	10,328,474	8,934,464
Capital Gain From Trading Of Investments:					
Internally Managed		13,685,400	11,885,169	14,200,247	11,885,169
External Fund Managers		7,537,776	3,323,229	7,540,553	3,323,229
		21,223,176	15,208,398	21,740,800	15,208,398
Interest Income From Loans, Advances And Financing		5,288,442	5,324,409	2,702,107	2,788,497
Rental Income		1,638,844	1,562,438	111,923	115,287
Net Gain On Foreign Exchange					
- Realised		4,260,216	7,567,493	4,258,170	7,569,913
- Unrealised		(2,341,854)	346,855	(2,308,104)	1,596,069
Net Unrealised Loss On Financial Assets At Fair Value Through Profit Or Loss		4,102,185	(1,339,409)	2,289,656	(2,334,507)
Interest/Profit Or Bank Balances		15,667	30,076	3,447	320
Miscellaneous Income		434,908	396,186	79,540	49,699
		56,889,685	50,009,379	53,139,681	46,557,216

a. Interest And Profit On Investments derived from investments on fixed income instruments of the Group and EPF, inclusive discount/premium amortisation on certified investments on fixed income instruments using the effective yield method.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

29. INVESTMENT EXPENDITURES

	GROUP		EPF	
	2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
External Fund Managers Fees	384,087	341,836	309,984	276,733
Custodian Fees	143,384	95,884	48,334	43,746
Investment Technical Services	26,348	30,360	31,135	30,360
Interest On Deposits, Loans And Overdrafts	1,983,949	2,004,527	-	-
Tax Paid On Global Investments	106,395	94,991	102,784	91,527
Good And Service Tax (GST) On Investment Expenditures	25,323	22,215	25,323	22,215
Miscellaneous	14,499	436,788	9,926	799
	2,683,985	3,026,601	527,486	465,380

30. NET IMPAIRMENT LOSS ON FINANCIAL INVESTMENT ASSETS

	GROUP		EPF	
	2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Impairment Loss On Investment Assets Held-To-Maturity Written Back	8,728	1,822	8,728	1,822
	8,728	1,822	8,728	1,822
Impairment Loss On Financial Assets Available-For-Sale	(3,754,917)	(8,135,746)	(3,754,917)	(8,135,746)
Impairment Loss On Financial Assets Available-For-Sale Written Back	357,652	142	357,652	142
	(3,397,265)	(8,135,604)	(3,397,265)	(8,135,604)
Impairment Loss On Loans, Advances And Financing	(598,616)	(778,261)	(1,445)	(996)
Impairment Loss On Loans Advances, And Financing Written Back	32,515	10,305	32,515	10,305
	(566,101)	(767,956)	31,070	9,309
Impairment Loss On Rent Receivables	(2,332)	(7,879)	(2,332)	(7,879)
Impairment Loss On Rent Receivables Written Back	929	512	929	512
	(1,403)	(7,367)	(1,403)	(7,367)
Impairment Loss On Receivables From Subsidiaries	-	-	-	(9,590)
Impairment Loss On Receivables From Subsidiaries Written Back	-	-	-	-
	-	-	-	(9,590)
	(3,956,041)	(8,909,105)	(3,358,869)	(8,141,430)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

31. NET (IMPAIRMENT LOSS)/IMPAIRMENT LOSS WRITTEN BACK ON INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	EPF	
	2017 (RM'000)	2016 (RM'000)
Impairment Loss On Investment In Subsidiaries	(57,039)	(59,213)
Impairment Loss On Investment In Subsidiaries Written Back	15,287	11,413
	(41,752)	(47,800)
Impairment Loss On Investment In Associates	-	(11,691)
Impairment Loss On Investment In Associates Written Back	19,652	26,166
	19,652	14,475
	(22,100)	(33,325)

32. OTHER INCOME

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Interest/Profit From Staff Loans		8,201	7,853	8,201	7,853
Dividend/Interest From Contributions Late Payment		31,495	38,833	31,495	38,833
Gain/(Loss) On Disposal:					
- Property, Plant And Equipment		-	90	-	-
- Assets Held-For-Sale		(1,808)	17,700	(3,180)	17,700
- Investment Properties		503,541	197,305	-	-
- Subsidiaries And Associates		412,155	-	-	-
Service Charges		77,709	82,508	58,406	51,365
Shariah Non-Compliant Income	32a, 36.4	51,324	38,358	51,324	38,358
Miscellaneous Income		143,290	70,765	25,578	42,199
		1,225,907	453,412	171,824	196,308

- a. Late payment charges on Interest From Contributions amounting to RM38.36 million as of December 2016 is not treated as Non-Compliance Income before implementation of Simpanan Shariah.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

33. OPERATING EXPENDITURES

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
Salaries, Allowances And Staff Costs	33a	1,184,941	1,027,445	1,022,417	885,467
Employee Benefits	20	28,636	31,171	28,636	31,171
Honorarium/Remuneration For Board Members And Investment Panel		5,979	6,422	2,859	2,551
Technical Services		28,099	24,563	25,060	21,605
Fees And Professional Charges		658,216	668,746	23,411	22,398
Audit Fees		10,097	6,279	561	626
Maintenance On Property, Plant And Equipment		103,760	97,512	86,042	79,690
Postal And Telephone Charges		21,861	24,581	17,369	20,273
Rent And Assessments		37,015	23,375	13,618	13,313
Travelling And Transportation		13,107	13,828	10,630	11,594
Printing And Stationery		8,055	6,697	6,748	5,350
Advertisements And Publishing		11,119	18,728	5,134	7,034
Non-Capitalised Renovation		2,290	2,561	2,290	2,561
Insurance		2,430	2,308	1,137	1,156
Depreciation Of Net Property, Plant And Equipment	4	58,187	62,023	42,246	42,446
Depreciation Of Net Investment Properties	5	626,736	595,449	36,388	33,562
Amortisation Of Intangible Assets	6	16,600	16,265	5,759	2,765
Amortisation Of Prepaid Land Lease	7	661	664	500	502
Net Impairment Loss On Investment Properties	5	88,874	(9,811)	10,000	(9,811)
Net Impairment Loss On Other Receivables		39,109	41,736	(3,599)	3,676
Write-Offs/Net Losses		39	66	39	32
Good And Service Tax (GST) On Operating Expenditure		7,058	8,602	7,058	8,602
Miscellaneous Expenses		91,970	49,343	4,215	3,315
		3,044,839	2,718,553	1,348,518	1,189,878

a. Included in Salaries, Allowances And EPF Staff Costs are EPF contribution expenditures amounting to RM151.67 million (2016: RM124.28 million).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

34. STATUTORY CHARGES

	Note	GROUP AND EPF	
		2017 (RM'000)	2016 (RM'000)
Invocation Cost - Section 50(3)	34a	14,425	8,815
Death Benefit - Section 58(1)	34b	45,565	45,459
Incapacitation Benefit - Section 58(2)	34b	4,320	4,105
		64,310	58,379

Statutory charges are costs borne by EPF and in compliance with EPF Act, 1991 as follows:

a. Liability On Invocation Cost (Under Section 50(3))

Liability On Invocation Cost Under Section 50(3), EPF Act 1991, is for the purpose of financing employee share of contribution as well as dividend attributable on the said contribution for deduction that has been made on the employee salary should the employer fails to pay the share of such contribution.

b. Death Benefit (Under Section 58(1)) And Incapacitation Benefit (Under Section 58(2))

Death Benefit Under Section 58(1) And Incapacitation Benefit Under Section 58(2) of EPF Act 1991 is paid to members whom apply for death and incapacitation withdrawals and not from member's credit account.

35. TAXATION AND ZAKAT

	Note	GROUP	
		2017 (RM'000)	2016 (RM'000)
Malaysian Income Tax		146,421	108,470
Foreign Tax		88,575	64,782
		234,996	173,252
(Over)/Under Provision Of Previous Years:			
- Malaysian Income Tax		40,860	(144,245)
- Foreign Tax		(1,027)	(758)
		39,833	(145,003)
Deferred Tax Recognised In The Financial Year	3	(3,109)	168,348
Shariah Non-Compliant Income		271,720	196,597
Zakat		11,871	981
		283,591	197,578

NOTES TO THE FINANCIAL STATEMENTS
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35. TAXATION AND ZAKAT (CONT'D.)

The EPF is exempted from income tax on its income under paragraph 20 - Schedule 6, Part 1, Income Tax Act, 1967 as per Note 2.18a.

Income tax is calculated at the Malaysian statutory rate of 24% (2016: 24%) of the estimated assessable profit for the current year. The Computation of Deferred Tax as at 31 December 2017 has been reflected these adjustment.

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rate of the Group are as follows:

	GROUP	
	2017	2016
	(RM'000)	(RM'000)
Profit Before Taxation	49,858,878	36,638,743
Taxation At Malaysian Statutory Tax Rate Of 24% (2016: 24%)	11,955,188	8,980,545
Different Tax Rates In Other Countries	159,004	30,153
Income Not Subject To Tax	(11,863,430)	(8,879,041)
Expenses Not Deductible For Tax Purposes	17,874	53,746
Utilisation Of Unabsorbed Tax Losses And Unutilised Capital Allowance Previously Not Recognised	2,936	9,122
Recognition On Deferred Tax Assets Previously Not Recognised	(18,371)	(769)
(Over)/Under Provision In Tax Expenses In Prior Years	18,519	2,841
Tax Expenses For Financial Year	271,720	196,597
Zakat	11,871	981
Total Tax Expenses And Zakat For The Financial Year	283,591	197,578

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

36. SIMPANAN SHARIAH DISCLOSURES

36.1 Investment Assets

	Note	2017		TOTAL (RM'000)
		SHARIAH (RM'000)	NON-SHARIAH (RM'000)	
Investment Properties	5	1,030,114	257,082	1,287,196
Assets Held-For-Sales	8	184,826	81,159	265,985
Investments In Subsidiaries				
Domestic Equities		762,454	5,724,150	6,486,604
Allowances For Impairment Loss		(12,863)	(272)	(13,135)
		749,591	5,723,878	6,473,469
Global Equities		794,925	14,904,523	15,699,448
Allowances For Impairment Loss		(2,062)	(101,505)	(103,567)
		792,863	14,803,018	15,595,881
	10	1,542,454	20,526,896	22,069,350
Investment In Associates				
Domestic Equities		2,476,801	8,582,139	11,058,940
Allowances For Impairment Loss		(24,218)	9,408	(14,810)
	11.2	2,452,583	8,591,547	11,044,130
Investments In Joint Ventures				
Domestic Unquoted Equities		1,666,000	-	1,666,000
	12.2	1,666,000	-	1,666,000
Held-To-Maturity Investment Assets				
Held-To-Maturity Investment Assets		145,746,082	114,556,656	260,302,738
Allowances For Impairment Loss		(50,418)	-	(50,418)
	13.2	145,695,664	114,556,656	260,252,320

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

36. SIMPANAN SHARIAH DISCLOSURES (CONT'D.)

36.1 Investment Assets (Cont'd.)

	Note	2017		TOTAL (RM'000)
		SHARIAH (RM'000)	NON-SHARIAH (RM'000)	
Available-For-Sale Financial Assets				
i. Equity Investment Instruments				
Domestic Equities		82,332,329	66,596,223	148,928,552
Global Equities		50,178,111	117,192,747	167,370,858
		132,510,440	183,788,970	316,299,410
ii. Fixed Income Investment Instruments				
Domestic		10,724,705	21,823,511	32,548,216
Allowances For Impairment Loss		-	(76,058)	(76,058)
		10,724,705	21,747,453	32,472,158
Global		9,350,439	10,666,730	20,017,169
		9,350,439	10,666,730	20,017,169
iii. Other Investment Instruments				
Domestic		15,018,658	1,999,751	17,018,409
Allowances For Impairment Loss		(163,429)	-	(163,429)
		14,855,229	1,999,751	16,854,980
Global		3,439,565	4,713,657	8,153,222
		3,439,565	4,713,657	8,153,222
	14.2	170,880,378	222,916,561	393,796,939
Financial Assets At Fair Value Through Profit Or Loss	15	1,155,937	1,210,505	2,366,442
Loans, Advances And Financing (Note a)				
Gross Loans, Advances And Financing		45,519,065	25,590,235	71,109,300
Allowances For Impairment Loss		(1,439)	(936)	(2,375)
	16.2	45,517,626	25,589,299	71,106,925
Deposits With Financial Institutions	19	5,904,979	21,715,459	27,620,438
Total Investment Assets		376,030,560	415,445,164	791,475,724

As at financial year ended 31 December 2017, investment assets in Shariah portfolio for Simpanan Shariah and Simpanan Konvensional assets are RM86.49 billion and RM289.54 billion, which is equivalent to 23% and 77% respectively. Investment assets in Non-Shariah portfolio amounting to RM415.45 billion is solely for Simpanan Konvensional.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

36. SIMPANAN SHARIAH DISCLOSURES (CONT'D.)

36.1 Investment Assets (Cont'd.)

a. Loans, Advances And Financing in note 36.1 does not include Staff Loan.

b. **Investment Liability**

	Note	2017		TOTAL (RM'000)
		SHARIAH (RM'000)	NON-SHARIAH (RM'000)	
Financial Liabilities At Fair Value Through Profit Or Loss	15	93,889	223,800	317,689

36.2 Contribution Account

	Note	2017		TOTAL (RM'000)
		SIMPANAN SHARIAH (RM'000)	SIMPANAN KONVENSIONAL (RM'000)	
As at 1 January		-	704,266,295	704,266,295
Add:				
Contributions Transferred From Simpanan Konvensional		59,035,981	-	59,035,981
Contributions Received And Adjustments		11,323,732	54,200,131	65,523,863
Dividend Distributions To Members				
- Simpanan Shariah: 6.40%		3,978,810	-	3,978,810
- Simpanan Konvensional: 6.90%		-	44,151,338	44,151,338
Prior Year Adjustments		-	8,293	8,293
		74,338,523	802,626,057	876,964,580
Less:				
Contributions Transferred to Simpanan Shariah		-	(59,035,981)	(59,035,981)
Withdrawals And Refunds		(6,575,560)	(42,820,866)	(49,396,426)
Adjustments Of Contributions With Incomplete Information (CTML) And Reject Cases To Statements Of Profit Or Loss And Retained Profit		(2,091)	(21,515)	(23,606)
As At 31 December	24	67,760,872	700,747,695	768,508,567

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

36. SIMPANAN SHARIAH DISCLOSURES (CONT'D.)

36.3 Statements Of Profit Or Loss

	Note	2017		TOTAL (RM'000)
		SIMPANAN SHARIAH (RM'000)	SIMPANAN KONVENSIONAL (RM'000)	
INCOME				
Gross Investment Income	28	4,597,588	48,542,093	53,139,681
Investment Expenditures	29	(30,863)	(496,623)	(527,486)
Net Impairment Loss On Financial Investment Assets (Impairment Loss)/Reversal Of Impairment Loss On Investments In Subsidiaries And Associates	30 31	(451,039) 756	(2,907,830) (22,856)	(3,358,869) (22,100)
Net Investment Income		4,116,442	45,114,784	49,231,226
Other Income	32	15,914	155,910	171,824
		4,132,356	45,270,694	49,403,050
Operating Expenditures	33	(123,527)	(1,224,991)	(1,348,518)
Statutory Charges	34	(5,700)	(58,610)	(64,310)
Total Expenditures		(129,227)	(1,283,601)	(1,412,828)
Net Profit		4,003,129	43,987,093	47,990,222

36.4 SHARIAH DISCLOSURE IN RELATION TO SHARIAH NON-COMPLIANT INCOME

Any income derived from the operation and investment transaction of the EPF Simpanan Shariah that are Shariah non-compliant due to certain reason as determined by the Shariah Advisory Committee of EPF ("SAC") will be expended for the purposes as advised by the SAC pursuant to rule 10 of the EPF (Simpanan Shariah Account) Rules 2016.

The SAC has resolved that the Shariah non-compliant income can only be utilised for allowable expenses i.e. charitable activities such as payment of death benefit, incapacitation benefit and invocation cost and any excess Shariah non-compliant Income (if any) may be utilised for operating expenditure and indirect investment expenditure.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

36. SIMPANAN SHARIAH DISCLOSURES (CONT'D.)

36.4 Shariah Disclosure In Relation To Shariah Non-Compliant Income (Cont'd.)

Total Shariah non-compliant income and its utilization for the financial year ended 31 December 2017 are as follows:

Shariah Non-Compliant Income	Note	2017 (RM'000)
Unutilised Shariah Non-Compliant Income As At 1 January (If Any)		-
1. Shariah Non-Compliant Income		
i. Shariah Non-Compliant Income From Shariah Investment And Operation Of Simpanan Shariah		
Excess Gain From Equity Reclassification From Shariah To Non-Shariah		11,516
Interest On Foreign Current Accounts		3,875
Other income Deemed Shariah Non-Compliant		-
Total Shariah Non-Compliant Income From Shariah Investment And Operation Of Simpanan Shariah		15,391
ii. Shariah Non-Compliant Income From Late Payment Charges		
Late Payment Charges From Employers Due To Late Payment Of Contributions		35,710
Late Rental Charges Due To Late Payment Rental On Shariah Property		220
Late Payment Of Charges Due And Payable To EPF		3
Total Shariah Non-Compliant Income From Late Payment Charges		35,933
Total Shariah Non-Compliant Income During The Year	32	51,324
2. Uses Of Shariah Non-Compliant Income		
Statutory Charges	34	
Death Benefit		(45,565)
Incapacitation Benefit		(4,320)
Invocation Cost		(1,439)
Operating Expenditure		-
Indirect Investment Expenditure		-
Total Uses Of Shariah Non-Compliant Income During The Year		(51,324)
Unutilised Shariah Non-Compliant Income As At 31 December 2017		-

NOTES TO THE FINANCIAL STATEMENTS
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38. CAPITAL COMMITMENTS

	Note	GROUP		EPF	
		2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	2016 (RM'000)
a. Capital Commitments For Project					
Approved And Contracted For		148,184	183,227	16,141	17,313
Approved But Not Contracted For		155,600	118,576	155,600	118,576
		303,784	301,803	171,741	135,889
b. Capital Commitments For Fund Investments					
Approved And Contracted For	38i	9,557,943	9,609,451	9,557,943	9,609,451
c. Capital Commitments For Investments In Subsidiaries And Associates					
Approved And Contracted For	38i	25,351,790	24,123,938	25,351,790	24,123,938
d. Operational Commitments					
Loan Commitments Not Provided In The Financial Statements:					
End Financing		49,857	115,127	-	-
Bridging And Term Loans		6,405,576	4,019,883	-	-
Islamic Loans		154,608	166,677	-	-
		6,610,041	4,301,687	-	-
Property Development:					
Approved And Contracted For		421,528	421,528	-	-
e. Contingencies					
Financial Guarantee To Secure Payments By Borrower (Fully Secured)	38ii	284,050	307,314	-	-
		42,529,136	39,065,721	38,081,474	33,869,278

- i. Capital commitments for fund investment and investment in subsidiaries and associates represent the remaining uncalled capital as at the Statements of Financial Position date, of which investment payments are released progressively based on notification received from fund managers or partners based on agreed investment term.
- ii. The contingent liability is fully secured by way of fixed charge over the development project, and debenture as a fixed and floating charge over the entire assets of the borrower.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

39. CONTINGENT LIABILITIES

39.1 Contingent Claims On Statutory Charges

a. Invocation Of Section 50(3), EPF Act, 1991

This section of the Act requires the EPF to pay the employee's share of the contributions for any deduction made from the wages of the employee if the employer fails to pay the contributions. As at 31 December 2017, the amount of estimated contingent liability is RM10.00 million (2016: RM7.50 million) excludes the accrued dividend from the time of deduction. This section is only invoked after all efforts to ensure the employers to pay the contributions has failed.

b. Death Benefit And Incapacitation Benefit Under Section 58(1) and (2), EPF Act, 1991

Statutory charges comprising of Death Benefits under Section 58(1) and Incapacitation Benefits under Section 58(2), EPF Act, 1991 are paid to member through death and incapacitation withdrawal, utilising the EPF revenue not the members' credits. In the event a member or beneficiary did not encash the payment made in a particular financial year, should such payment be claimed in the subsequent year, the repayment made to such member or beneficiary would utilise the revenue in the year the said claim is made. As at 31 December 2017, contingent liabilities in respect of Death Benefits amounted to RM11.63 million (2016: RM11.59 million) whereas Incapacitation Benefits amounted to RM6.44 million (2016: RM6.44 million).

40. FINANCIAL RISK

40.1 Credit Risk

Credit Risk is the risk of loss caused by a counterparty's or an obligor's failure to meet its payment obligations. Exposure to credit risk arises from its lending, hedging, trading and investing activities. The maximum exposure to credit risk represented by the carrying amount in the Statement of Financial Position.

The EPF maintains an average portfolio rating of AA for its debt securities and loans. As a matter of policy, the EPF invests only in debt securities with minimum rating of A3/A- for domestic and BBB/Baa2 for global investments. However, the EPF may also invest in unrated assets in which a rating is assigned using internal rating model that is consistent with the approach used by external rating agency.

The counterparty credit risk which arises from deposit placement with a financial institution is managed by setting limits in which all deposits are to be held by parties with a financial institution rating of A3/A- or higher.

The purpose of credit risk management is to keep credit risk exposure within the EPF's risk appetite statements and to ensure the returns commensurate with the risk taken.

a. Credit Quality

The EPF has developed tools to measure credit risk such as the Credit Portfolio Management System which computes portfolio Credit Value at Risk (CVaR) for credit related assets and various credit systems to evaluate the creditworthiness of corporate borrowers.

The EPF's debt portfolios are managed by internal as well as external fund managers appointed by the Investment Panel. Both portfolios are subject to maximum exposure to ensure the portfolios are diversified.

The EPF also invests in short-term instruments and global bond/sukuk instruments which are part of the approved universe. The Universe facilitates the trading process and provides assurance to the EPF that the exposure to short-term papers and global bond/sukuk papers are only limited to rated issuers.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

a. Credit Quality (Cont'd.)

The EPF conducts regular review on the credit counterparties and monitor the rating transition to ensure credit quality is within the EPF's investment parameters.

The EPF classifies debt securities and loans into internal rating scales which are consistent with domestic and foreign rating agencies. The credit quality classification is as follows:

Quality Classifications

i. Long Term Rating For Payment Long Term Financial Obligations

<u>Long Term Rating</u>	<u>Domestic Credit Rating</u>	<u>Global Credit Rating</u>	<u>Definition Of Quality Classifications</u>
Sovereign	Sovereign	Sovereign	Issued or guaranteed by the Federal Government of Malaysia and its SPV.
Strong	AAA and AA	AAA and A	Superior/high capacity to meet financial obligations.
Moderate	A	BBB	Adequate capacity to meet financial obligations.
Sub-Standard	BBB and below	BB and below	Low capacity to meet financial obligations.

ii. Short Term Rating For Payment Short Term Financial Obligations

<u>Short Term Rating</u>	<u>Domestic Credit Rating</u>	<u>Definition Of Quality Classifications</u>
Strong	P1/MARC-1	Strong capacity to meet its short term financial obligations.
Moderate	P2/MARC-2	Adequate capacity to meet its short term financial obligations.

<u>Short Term Rating</u>	<u>Global Credit Rating</u>	<u>Definition Of Quality Classifications</u>
Strong	A-1/P-1/F1	Strong capacity to meet its short term financial obligations.
Moderate	A-2/P-2/F2	Satisfactory capacity to meet its short term financial obligations.
Sub-Standard	A-3/P-3/F3	Adequate capacity to meet its short term financial obligations.

iii. Non-Rated Financial Assets

This refers to financial assets such as receivables, deposits, accrued interest and dividend, which do not have credit rating.

iv. Impaired Financial Assets

Exposure assessed individually which is considered impaired based on the EPF's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

a. Credit Quality (Cont'd.)

Distribution of gross financial assets by credit quality as at 31 December 2017 are as follows:

GROUP	Note	2017						Total (RM'000)
		Sovereign (RM'000)	Strong (RM'000)	Moderate (RM'000)	Sub- Standard (RM'000)	Non- Rated (RM'000)	Impaired (RM'000)	
Investment Assets								
Held-To-Maturity	13.1	176,974,263	81,291,279	750,355	307,249	164,022	306,840	259,794,008
Financial Assets								
Available-For-Sale	14.1	23,013,163	35,725,564	11,272,625	9,112,135	920,522	239,487	80,283,496
Loans, Advances And Financing	16.1	-	49,316,586	1,170,503	32,628,004	12,109,143	1,809,763	97,033,999
Financial Assets At Fair Value Through Profit Or Loss	15	7,181	5,239,686	-	-	7,129,615	-	12,376,482
Deposits With Financial Institutions And Bank Balances		16,007	57,063,496	559,791	-	194,909	-	57,834,203
Receivables And Deposits	18	-	183,563	77,667	-	3,226,577	519,529	4,007,336
		200,010,614	228,820,174	13,830,941	42,047,388	23,744,788	2,875,619	511,329,524

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

a. Credit Quality (Cont'd.)

Distribution of gross financial assets by credit quality as at 31 December 2016 are as follows:

GROUP	Note	2016						Total (RM'000)
		Sovereign (RM'000)	Strong (RM'000)	Moderate (RM'000)	Sub- Standard (RM'000)	Non- Rated (RM'000)	Impaired (RM'000)	
Investment Assets								
Held-To-Maturity	13.1	165,966,121	60,377,731	1,184,367	-	81,523	518,933	228,128,675
Financial Assets								
Available-For-Sale	14.1	12,365,562	51,500,764	9,216,721	3,245,838	-	58,909	76,387,794
Loans, Advances And Financing	16.1	5,578,711	81,941,415	1,074,561	577	4,511,995	3,123,651	96,230,911
Financial Assets At Fair Value Through Profit Or Loss	15	-	81,875	1,095	-	8,987,959	-	9,070,929
Deposits With Financial Institutions And Bank Balances		90,741	53,613,865	4,377,796	39,643	701,905	-	58,823,950
Receivables And Deposits	18	-	-	56	33,427	4,501,718	536,357	5,071,558
		184,001,135	247,515,650	15,854,596	3,319,485	18,785,101	4,237,850	473,713,817

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

a. Credit Quality (Cont'd.)

Distribution of gross financial assets by credit quality as at 31 December 2017 are as follows:

EPF	Note	2017						Total (RM'000)
		Sovereign (RM'000)	Strong (RM'000)	Moderate (RM'000)	Sub- Standard (RM'000)	Non- Rated (RM'000)	Impaired (RM'000)	
Investment Assets								
Held-To-Maturity	13.2	177,482,994	81,291,279	750,355	307,249	164,021	306,840	260,302,738
Financial Assets								
Available-For-Sale	14.2	23,013,163	36,762,487	11,272,625	5,940,222	509,031	239,487	77,737,016
Loans, Advances And Financing	16.2	-	58,600,218	1,157,140	-	11,351,947	236,588	71,345,893
Financial Assets At Fair Value Through Profit Or Loss	15	4,417	93,610	-	-	2,268,414	-	2,366,442
Deposits With Financial Institutions And Bank Balances		14,719	46,544,696	-	-	-	-	46,559,415
Receivables And Deposits	18	-	-	-	-	2,445,054	7,613	2,452,667
		200,515,293	223,292,290	13,180,120	6,247,471	16,738,467	790,528	460,764,171

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

a. Credit Quality (Cont'd.)

Distribution of gross financial assets by credit quality as at 31 December 2016 are as follows:

EPF	Note	2016						Total (RM'000)
		Sovereign (RM'000)	Strong (RM'000)	Moderate (RM'000)	Sub- Standard (RM'000)	Non- Rated (RM'000)	Impaired (RM'000)	
Investment Assets								
Held-To-Maturity	13.2	165,966,121	60,377,731	1,184,367	-	81,523	518,933	228,128,675
Financial Assets								
Available-For-Sale	14.2	12,365,562	51,500,764	9,216,721	881,088	-	58,909	74,023,044
Loans, Advances And Financing	16.2	5,578,711	53,248,147	973,320	577	10,757,040	32,515	70,590,310
Financial Assets At Fair Value Through Profit Or Loss	15	-	81,875	1,095	-	257,218	-	340,188
Deposits With Financial Institutions And Bank Balances		90,741	45,719,121	2,591,208	2,270	-	-	48,403,340
Receivables And Deposits	18	-	-	-	-	2,251,318	65,013	2,316,331
		184,001,135	210,927,638	13,966,711	883,935	13,347,099	675,370	423,801,888

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

b. Aging Analysis

The amounts in the following table reflect exposure on gross financial assets designated as past due but not impaired:

GROUP	2017					Total (RM'000)
	Neither Past Due Nor Impaired (RM'000)	Past Due Up To 1 Month (RM'000)	Past Due 1 to 3 Months (RM'000)	Past Due 3 to 6 Months (RM'000)	Past Due More Than 6 Months (RM'000)	
Investment Assets Held-To-Maturity	259,487,168	-	-	-	-	259,487,168
Financial Assets Available-For-Sale	79,883,603	-	-	-	160,406	80,044,009
Loans, Advances And Financing	93,461,176	1,047,401	606,288	-	109,371	95,224,236
Financial Assets At Fair Value Through Profit Or Loss	12,376,482	-	-	-	-	12,376,482
Deposits With Financial Institutions And Bank Balances	57,834,202	-	-	-	-	57,834,202
Receivables And Deposits	3,442,526	42,838	2,013	37	393	3,487,807
	506,485,157	1,090,239	608,301	37	270,170	508,453,904

GROUP	2016					Total (RM'000)
	Neither Past Due Nor Impaired (RM'000)	Past Due Up To 1 Month (RM'000)	Past Due 1 to 3 Months (RM'000)	Past Due 3 to 6 Months (RM'000)	Past Due More Than 6 Months (RM'000)	
Investment Assets Held-To-Maturity	227,609,742	-	-	-	-	227,609,742
Financial Assets Available-For-Sale	76,328,885	-	-	-	-	76,328,885
Loans, Advances And Financing	87,674,919	1,240,088	1,261,386	-	2,930,867	93,107,260
Financial Assets At Fair Value Through Profit Or Loss	9,070,929	-	-	-	-	9,070,929
Deposits With Financial Institutions And Bank Balances	58,823,950	-	-	-	-	58,823,950
Receivables And Deposits	4,323,967	153,716	92	5	57,421	4,535,201
	463,832,392	1,393,804	1,261,478	5	2,988,288	469,475,967

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

b. Aging Analysis (Cont'd.)

The amounts in the following table reflect exposure on gross financial assets designated as past due but not impaired: (Cont'd.)

EPF	2017					Total (RM'000)
	Neither Past Due Nor Impaired (RM'000)	Past Due Up To 1 Month (RM'000)	Past Due 1 to 3 Months (RM'000)	Past Due 3 to 6 Months (RM'000)	Past Due More Than 6 Months (RM'000)	
Investment Assets Held-To-Maturity	259,995,898	-	-	-	-	259,995,898
Financial Assets Available-For-Sale	77,497,529	-	-	-	-	77,497,529
Loans, Advances And Financing	71,109,305	-	-	-	-	71,109,305
Financial Assets At Fair Value Through Profit Or Loss	2,366,442	-	-	-	-	2,366,442
Deposits With Financial Institutions And Bank Balances	46,559,415	-	-	-	-	46,559,415
Receivables And Deposits	2,445,054	-	-	-	-	2,445,054
	459,973,643	-	-	-	-	459,973,643

EPF	2016					Total (RM'000)
	Neither Past Due Nor Impaired (RM'000)	Past Due Up To 1 Month (RM'000)	Past Due 1 to 3 Months (RM'000)	Past Due 3 to 6 Months (RM'000)	Past Due More Than 6 Months (RM'000)	
Investment Assets Held-To-Maturity	227,609,742	-	-	-	-	227,609,742
Financial Assets Available-For-Sale	73,964,135	-	-	-	-	73,964,135
Loans, Advances And Financing	70,557,795	-	-	-	-	70,557,795
Financial Assets At Fair Value Through Profit Or Loss	340,188	-	-	-	-	340,188
Deposits With Financial Institutions And Bank Balances	48,403,340	-	-	-	-	48,403,340
Receivables And Deposits	2,251,318	-	-	-	-	2,251,318
	423,126,518	-	-	-	-	423,126,518

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

c. Financial Assets Exposed To Credit Risk Individually Assessed As Impaired (Cont'd.)

An analysis of financial assets individually assessed as impaired and the movements on the impairment allowance for the year are as follows:
(Cont'd.)

EPF		2017					
		Allowances At 1 January (RM'000)	Allowances Made For The Year (RM'000)	Adjustments (RM'000)	Recoveries / Written Back (RM'000)	Write-Off (RM'000)	Allowances As At 31 December (RM'000)
	Note						
Investment Assets							
Held-To-Maturity	13.2	59,146	-	-	(8,728)	-	50,418
Financial Assets							
Available-For-Sale	14.2	597,146	-	(7)	(357,652)	-	239,487
Loans, Advances And Financing	16.2	33,606	1,445	-	(32,515)	(8)	2,528
Receivables And Deposits	18	68,916	2,433	(100)	(4,631)	(59,005)	7,613
		758,814	3,878	(107)	(403,526)	(59,013)	300,046

EPF		2016					
		Allowances At 1 January (RM'000)	Allowances Made For The Year (RM'000)	Adjustments (RM'000)	Recoveries / Written Back (RM'000)	Write-Off (RM'000)	Allowances As At 31 December (RM'000)
	Note						
Investment Assets							
Held-To-Maturity	13.2	60,968	-	-	(1,822)	-	59,146
Financial Assets							
Available-For-Sale	14.2	597,288	-	-	(142)	-	597,146
Loans, Advances And Financing	16.2	42,943	996	-	(10,305)	(28)	33,606
Receivables And Deposits	18	51,642	17,274	-	-	-	68,916
		752,841	18,270	-	(12,269)	(28)	758,814

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

d. Financial Effects Of The Collateral Held On Financial Assets Which Exposed To Credit Risk

The estimated financial effects of the collateral held on financial assets are as follows:

GROUP	2017		
	Carrying Amount Of Sovereign Financial Assets (RM'000)	Carrying Amount Of Non-Sovereign Financial Assets (RM'000)	Financial Effects Of Collateral (%)
Financial Assets			
Investment Assets Held-To-Maturity	176,974,263	82,819,745	14
Financial Assets Available-For-Sale	23,013,163	57,270,333	8
Loans, Advances And Financing	-	97,033,999	2
Financial Assets At Fair Value Through Profit Or Loss	7,181	12,369,301	-
Deposits With Financial Institutions And Bank Balances	16,007	57,818,196	-
Receivables And Deposits	-	4,007,336	-
	200,010,614	311,318,910	7

GROUP	2016		
	Carrying Amount Of Sovereign Financial Assets (RM'000)	Carrying Amount Of Non-Sovereign Financial Assets (RM'000)	Financial Effects Of Collateral (%)
Financial Assets			
Investment Assets Held-To-Maturity	165,966,121	62,162,554	12
Financial Assets Available-For-Sale	12,365,562	64,022,232	8
Loans, Advances And Financing	5,578,711	90,652,200	3
Financial Assets At Fair Value Through Profit Or Loss	-	9,070,929	-
Deposits With Financial Institutions And Bank Balances	90,741	58,733,209	-
Receivables And Deposits	-	5,071,558	-
	184,001,135	289,712,682	8

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.1 Credit Risk (Cont'd.)

d. Financial Effects Of The Collateral Held On Financial Assets Which Exposed To Credit Risk (Cont'd.)

The estimated financial effects of the collateral held on financial assets are as follows: (Cont'd.)

EPF	2017		
	Carrying Amount Of Sovereign Financial Assets (RM'000)	Carrying Amount Of Non-Sovereign Financial Assets (RM'000)	Financial Effects Of Collateral (%)
<u>Financial Assets</u>			
Investment Assets Held-To-Maturity	177,482,994	82,819,744	14
Financial Assets Available-For-Sale	23,013,163	54,723,853	5
Loans, Advances And Financing	-	71,345,893	2
Financial Assets At Fair Value Through Profit or Loss	4,417	2,362,025	-
Deposits With Financial Institutions And Bank Balances	14,719	46,544,696	-
Receivables And Deposits	-	2,452,668	-
	200,515,293	260,248,878	7

EPF	2016		
	Carrying Amount Of Sovereign Financial Assets (RM'000)	Carrying Amount Of Non-Sovereign Financial Assets (RM'000)	Financial Effects Of Collateral (%)
<u>Financial Assets</u>			
Investment Assets Held-To-Maturity	165,966,121	62,162,554	12
Financial Assets Available-For-Sale	12,365,562	61,657,482	8
Loans, Advances And Financing	5,578,711	65,011,599	3
Financial Assets At Fair Value Through Profit or Loss	-	340,188	-
Deposits With Financial Institutions And Bank Balances	90,741	48,312,599	-
Receivables And Deposits	-	2,316,331	-
	184,001,135	239,800,753	8

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.2 Liquidity Risk

Liquidity risk relates to the inability of the EPF to meet its financial commitments and obligations when they fall due. The EPF liquidity risk is limited as all contributions are mandated by the EPF Act 1991 through deduction of salaries and members are allowed to make withdrawal under pre-retirement and retirement schemes (Refer To Statistic On Withdrawal by Schemes). The EPF manages its liquidity requirements through:

- Monitoring of its daily cash flow and projecting monthly cash flow for a rolling twelve month basis;
- Allocating 3% of its asset's value for short term instruments in the form of cash and placements in financial institutions in order to meet members' withdrawals and other financial commitments and obligations; and
- Diversifying its investment portfolio by setting the concentration limits on name, sector and asset type.

Over the medium and longer term, the EPF is able to meet its liquidity requirements through its holdings of liquid investments such as publicly traded equities and available for sale fixed income securities. The maturity profile of the EPF assets and liabilities is also monitored within a stipulated level. The Group and the EPF financial liabilities are categorised into relevant maturity groupings based on the remaining period at the Statement Of Financial Position date to the contractual maturity date.

- a. The table set below represents the cash flows payable for financial liabilities by remaining contractual maturities as at the Statements of Financial Position date:

GROUP	2017			
	Contractual Cash Flows			Total
	On Demand Or Within One Year (RM'000)	One To Five Years (RM'000)	Over Five Years (RM'000)	
Non-Derivative Liabilities				
Loans And Overdrafts	2,467,372	11,180,010	2,040,126	15,687,508
Deposits And Advances	30,338,082	2,659,565	2,806	33,000,453
Payables And Accrued Liabilities	4,054,282	964,963	39,571	5,058,816
Derivative Liabilities				
Interest Rate Swap	73,103	93,480	7,849	174,432
Cross Currency Swap	67,231	-	-	67,231
Forward Exchange Contracts	250,458	-	-	250,458
Total Financial Liabilities At Fair Value Through Profit Or Loss	37,250,528	14,898,018	2,090,352	54,238,898

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for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.2 Liquidity Risk (Cont'd.)

- a. The table set below represents the cash flows payable for financial liabilities by remaining contractual maturities as at the Statements of Financial Position date: (Cont'd.)

GROUP	2016			
	Contractual Cash Flows			Total
	On Demand Or Within One Year (RM'000)	One To Five Years (RM'000)	Over Five Years (RM'000)	
Non-Derivative Liabilities				
Loans And Overdrafts	3,501,189	10,648,182	3,187,527	17,336,898
Deposits And Advances	28,723,344	2,091,611	44,142	30,859,097
Payables And Accrued Liabilities	3,092,912	2,568,944	21,511	5,683,367
Derivative Liabilities				
Interest Rate Swap	49,842	236,305	-	286,147
Cross Currency Swap	-	260,943	183,084	444,027
Forward Exchange Contracts	2,213,695	-	-	2,213,695
Total Financial Liabilities At Fair Value Through Profit Or Loss	37,580,982	15,805,985	3,436,264	56,823,231

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.2 Liquidity Risk (Cont'd.)

- a. The table set below represents the cash flows payable for financial liabilities by remaining contractual maturities as at the Statements of Financial Position date: (Cont'd.)

EPF	2017			
	Contractual Cash Flows			Total
	On Demand Or Within One Year (RM'000)	One To Five Years (RM'000)	Over Five Years (RM'000)	
Non-Derivative Liabilities				
Contribution Withdrawal Payables	-	16,991	-	16,991
Deposits And Advances	198,244	11,652	-	209,896
Payables And Accrued Liabilities	2,139,285	437	-	2,139,722
Derivative Liabilities				
Cross Currency Swap	67,231	-	-	67,231
Forward Exchange Contracts	250,458	-	-	250,458
Total Financial Liabilities At Fair Value Through Profit Or Loss	2,655,218	29,080	-	2,684,298

EPF	2016			
	Contractual Cash Flows			Total
	On Demand Or Within One Year (RM'000)	One To Five Years (RM'000)	Over Five Years (RM'000)	
Non-Derivative Liabilities				
Contribution Withdrawal Payables	-	370,261,765	334,004,530	704,266,295
Deposits And Advances	83,234	103,530	-	186,764
Payables And Accrued Liabilities	2,090,248	8,281	-	2,098,529
Derivative Liabilities				
Cross Currency Swap	-	260,943	183,084	444,027
Forward Exchange Contracts	2,213,696	-	-	2,213,696
Total Financial Liabilities At Fair Value Through Profit Or Loss	4,387,178	370,634,519	334,187,614	709,209,311

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.2 Liquidity Risk (Cont'd.)

- b. The table set below analysed the Group's and EPF's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at the Statements of Financial Position date. The amount disclosed in the table is the contractual undiscounted cash flows:

GROUP	2017			
	Contractual Cash Flows			
	On Demand Or Within One Year (RM'000)	One To Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)
Gross Settled Derivatives				
Interest Rate Swap				
- Outflow	(1,351,512)	(3,943,535)	-	(5,295,047)
- Inflow	1,421,236	3,889,847	-	5,311,083
Cross Currency Swap				
- Outflow	-	-	-	-
- Inflow	-	(586,781)	(237,510)	(824,291)
	69,724	(640,469)	(237,510)	(808,255)

GROUP	2016			
	Contractual Cash Flows			
	On Demand Or Within One Year (RM'000)	One To Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)
Gross Settled Derivatives				
Interest Rate Swap				
- Outflow	(1,310,831)	(5,154,022)	-	(6,464,853)
- Inflow	1,683,696	5,012,931	-	6,696,627
Cross Currency Swap				
- Outflow	-	(797,531)	(847,290)	(1,644,821)
- Inflow	-	-	-	-
	372,865	(938,622)	(847,290)	(1,413,047)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.3 Market Risk

Market risk is the risk of loss arising from changes in the value of portfolios and financial instruments due to the movements in equity prices, interest rates and foreign exchange rate.

The objective of market risk management is to ensure that risk exposures undertaken by the EPF is within the risk appetite. This is done through an annual review of various policies and limits, periodic reports to monitor market risk at portfolio level for each asset class and independent validation performed on the underlying risk methodology.

The EPF adopts the following risk measurements to manage its market risk:

- i. Name, ownership, country and sector concentration limits to ensure appropriate diversification of risk exposures.
- ii. **Value at Risk ("VaR")** is a statistical measure of the potential losses that could occur as a result of movements in interest rates and prices over a specified time horizon within a given confidence level.
- iii. **Duration** is to manage the sensitivity of the price of a fixed income investment arising from interest rate movement.
- iv. **Tracking Error** is a standard deviation of the portfolio's excess returns relative to a benchmark in measuring and benchmarking the performance of the portfolio.
- v. **Stress testing** is an exercise conducted to capture the potential market risk exposure of 'what-if' scenarios. It incorporates factors such as correlation, volatility and returns at different levels. The stress tests are performed periodically and reported to the management.

a. Price Risk

Price risk arises from the movements in the price of equities, both domestic and global. The EPF identifies acceptable benchmarks for each respective portfolio and measures the deviation from these benchmarks to ensure that each portfolio is within the EPF investment parameter.

The EPF manages its price risk through diversification and prudent selection of equities as approved by the Investment Panel Committee.

The overall investment exposure is being monitored on a daily basis.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.3 Market Risk (Cont'd.)

a. Price Risk (Cont'd.)

The table set out below summarises the impact on the carrying amount of equity positions as at Statements of Financial Position date arising from the changes in equity prices. The analysis is based on the assumption that the market index components increase or decrease by a reasonable shift, with all other variables remain constant and that the fair value of the equities move according to the historical correlation with the market index.

GROUP AND EPF		2017			
Index	Quoted Equities Available-For-Sale	Fair Value	Changes In Market Index	Sensitivity Impact To Financial Assets Reserve Available-For-Sale Increase/ (Decrease)	Sensitivity Impact To Statements Of Profit Or Loss Increase/ (Decrease)
		(RM'000)		(RM'000)	(RM'000)
FBM KLCI	Domestic	15,190,599	+5%	691,310	9,406
			-5%	(5,841,777)	(18,182)
MSCI World	Global	60,886,083	+10%	4,846,915	46,882
			-10%	(4,207,546)	(68,621)
		76,076,682			

GROUP AND EPF		2016			
Index	Quoted Equities Available-For-Sale	Fair Value	Changes In Market Index	Sensitivity Impact To Financial Assets Reserve Available-For-Sale Increase/ (Decrease)	Sensitivity Impact To Statements Of Profit Or Loss Increase/ (Decrease)
		(RM'000)		(RM'000)	(RM'000)
FBM KLCI	Domestic	135,375,220	+5%	5,535,873	503,043
			-5%	(5,429,204)	(636,633)
MSCI World	Global	137,734,690	+10%	8,974,970	208,365
			-10%	(8,524,363)	(61,303)
		273,109,910			

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.3 Market Risk (Cont'd.)

b. Interest Rate Risk

The Group and EPF 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 the Group's and EPF's financial assets and financial liabilities at their effective interest rate and carrying amount, analysed by the maturity dates.

GROUP	2017								
	Non Trading Book					Trading Book	Total	Effective Interest Rate	
	Up to 1 Month	>1 - 3 Months	>3 - 12 Months	>1 - 5 Years	Over 5 Years				Non-Interest Sensitive
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(%)	
ASSETS									
Investment In Associates	-	-	-	-	-	17,290,131	-	17,290,131	-
Investment In Joint Ventures	-	-	-	3,472	-	3,075,273	-	3,078,745	-
Investment Assets Held-To-Maturity	5,331,524	5,281,099	14,127,304	73,068,531	161,935,132	-	-	259,743,590	4.00 - 9.00
Financial Assets Available-For-Sale	184,229	232,481	1,026,774	8,115,921	53,199,114	334,916,221	-	397,674,740	2.00 - 30.00
Financial Asset At Fair Value Through Profit Or Loss	2,920	2,029	-	-	357,487	12,014,046	-	12,376,482	-
Loans, Advances And Financing	9,893,354	-	12,156,224	19,149,688	41,386,009	12,252,700	-	94,837,975	2.00 - 9.00
Deposits With Financial Institutions	26,944,359	838,894	1,079	-	-	8,294,066	-	36,078,398	1.00 - 5.00
Other Non-Interest Sensitive Assets	548,342	-	-	-	-	50,539,547	-	51,087,889	-
Total Assets	42,904,728	6,354,503	27,311,381	100,337,612	256,877,742	438,381,984	-	872,167,950	-
LIABILITIES									
Loans And Overdraft	41,993	-	2,798,775	4,618,132	8,228,608	-	-	15,687,508	-
Deposits And Advances	-	-	2,554	-	1,176	32,996,723	-	33,000,453	-
Other Non-Interest Sensitive Liabilities	7,304	-	249,994	614,508	107,244	5,012,917	-	5,991,967	-
Total Liabilities	49,297	-	3,051,323	5,232,640	8,337,028	38,009,640	-	54,679,928	-
Total Net Asset	42,855,431	6,354,503	24,260,058	95,104,972	248,540,714	400,372,344	-	817,488,022	-
MEMBERS' FUND									
Contributions	-	-	-	-	-	768,508,567	-	768,508,567	-
Reserves	-	-	-	-	-	41,928,388	-	41,928,388	-
Retained Profit	-	-	-	-	-	3,884,438	-	3,884,438	-
Non-Controlling Interests	-	-	-	-	-	3,166,629	-	3,166,629	-
Total Members' Fund	-	-	-	-	-	817,488,022	-	817,488,022	-
On Statements Of Financial Position									
Interest Sensitivity Gap	42,855,431	6,354,503	24,260,058	95,104,972	248,540,714	(417,115,678)	-	-	-
Total Interest Sensitivity Gap	42,855,431	6,354,503	24,260,058	95,104,972	248,540,714	(417,115,678)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.3 Market Risk (Cont'd.)

b. Interest Rate Risk (Cont'd.)

The Group and EPF 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 the Group's and EPF's financial assets and financial liabilities at their effective interest rate and carrying amount, analysed by the maturity dates. (Cont'd.)

GROUP	2016								
	Non Trading Book						Trading Book	Total	Effective Interest Rate
	Up to 1 Month	>1 - 3 Months	>3 - 12 Months	>1 - 5 Years	Over 5 Years	Non-Interest Sensitive			
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(%)	
ASSETS									
Investment In Associates	-	-	-	-	2,922,413	12,204,523	-	15,126,936	-
Investment In Joint Ventures	-	-	-	-	-	2,892,872	-	2,892,872	-
Investment Assets Held-To-Maturity	2,133,439	7,258,305	7,505,556	78,194,785	132,977,444	-	-	228,069,529	4.00 - 9.00
Financial Assets Available-For-Sale	328,758	419,161	2,219,296	23,841,842	46,552,620	289,376,364	-	362,738,041	2.00 - 30.00
Financial Asset At Fair Value Through Profit Or Loss	36,915	37,368	-	5,924	2,763	8,987,959	-	9,070,929	-
Loans, Advances And Financing	8,879,621	-	8,331,244	15,042,222	47,183,238	13,669,844	-	93,106,169	2.00 - 9.00
Deposits With Financial Institutions	27,252,995	12,563,232	201,158	-	-	1,297,326	-	41,314,711	1.00 - 5.00
Other Non-Interest Sensitive Assets	-	-	-	-	-	48,722,577	-	48,722,577	-
Total Assets	38,631,728	20,278,066	18,257,254	117,084,773	229,638,478	377,151,465	-	801,041,764	-
LIABILITIES									
Loans And Overdraft	575,275	-	-	-	-	16,761,623	-	17,336,898	-
Deposits And Advances	-	-	-	-	-	30,859,097	-	30,859,097	-
Other Non-Interest Sensitive Liabilities	-	-	-	-	-	9,038,836	-	9,038,836	-
Total Liabilities	575,275	-	-	-	-	56,659,556	-	57,234,831	-
Total Net Asset	38,056,453	20,278,066	18,257,254	117,084,773	229,638,478	320,491,909	-	743,806,933	-
MEMBERS' FUND									
Contributions	-	-	-	-	-	704,266,295	-	704,266,295	-
Reserves	-	-	-	-	-	33,393,716	-	33,393,716	-
Retained Profit	-	-	-	-	-	3,034,565	-	3,034,565	-
Non-Controlling Interests	-	-	-	-	-	3,112,357	-	3,112,357	-
Total Members' Fund	-	-	-	-	-	743,806,933	-	743,806,933	-
On Statements Of Financial Position									
Interest Sensitivity Gap	38,056,453	20,278,066	18,257,254	117,084,773	229,638,478	(423,315,024)	-	-	-
Total Interest Sensitivity Gap	38,056,453	20,278,066	18,257,254	117,084,773	229,638,478	(423,315,024)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.3 Market Risk (Cont'd.)

b. Interest Rate Risk (Cont'd.)

The Group and EPF 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 the Group's and EPF's financial assets and financial liabilities at their effective interest rate and carrying amount, analysed by the maturity dates. (Cont'd.)

EPF	2017								
	Non Trading Book					Trading Book	Total	Effective Interest Rate	
	Up to 1 Month	>1 - 3 Months	>3 - 12 Months	>1 - 5 Years	Over 5 Years				Non-Interest Sensitive
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(%)	
ASSETS									
Investment In Subsidiaries	-	-	-	-	-	22,069,350	-	22,069,350	-
Investment In Associates	-	-	-	-	-	11,044,130	-	11,044,130	-
Investment In Joint Ventures	-	-	-	-	-	1,666	-	1,666	-
Investment Assets Held-To-Maturity	5,331,524	5,281,099	14,127,304	73,068,531	162,443,862	-	-	260,252,320	4.00 - 9.00
Financial Assets Available-For-Sale	184,229	232,481	1,026,774	8,115,920	53,199,114	331,038,421	-	393,796,939	2.00 - 30.00
Financial Asset At Fair Value Through Profit Or Loss	157	2,029	-	-	-	2,364,256	-	2,366,442	-
Loans, Advances And Financing	-	-	12,156,224	17,909,632	41,277,509	-	-	71,343,365	2.00 - 9.00
Deposits With Financial Institutions	26,781,544	838,894	-	-	-	-	-	27,620,438	1.00 - 5.00
Other Non-Interest Sensitive Assets	-	-	-	-	-	24,930,697	-	24,930,697	-
Total Assets	32,297,454	6,354,503	27,310,302	99,094,083	256,920,485	391,448,520	-	813,425,347	-
LIABILITIES									
Deposits And Advances	-	-	-	-	-	209,896	-	209,896	-
Other Non-Interest Sensitive Liabilities	-	-	-	-	-	2,816,116	-	2,816,116	-
Total Liabilities	-	-	-	-	-	3,026,012	-	3,026,012	-
Total Net Asset	32,297,454	6,354,503	27,310,302	99,094,084	256,920,485	388,422,508	-	810,399,335	-
MEMBERS' FUND									
Contributions	-	-	-	-	-	768,508,567	-	768,508,567	-
Reserves	-	-	-	-	-	40,680,416	-	40,680,416	-
Retained Profit	-	-	-	-	-	1,210,352	-	1,210,352	-
Total Members' Fund	-	-	-	-	-	810,399,335	-	810,399,335	-
On Statements Of Financial Position									
Interest Sensitivity Gap	43,829,400	7,175,069	16,706,334	80,816,965	273,502,005	(422,029,773)	-	-	-
Total Interest Sensitivity Gap	43,829,400	7,175,069	16,706,334	80,816,965	273,502,005	(422,029,773)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.3 Market Risk (Cont'd.)

b. Interest Rate Risk (Cont'd.)

Interest rate risk arises from investments in floating interest rate instruments classified as loans and receivables, and fixed interest rate instruments classified as available-for-sale and fair value through profit or loss.

The EPF has put in place an interest rate hedging policy for its fixed income portfolios classified as Available-For-Sale.

The objective of the policy is to mitigate the net changes in the fair value of assets arising from interest rate movements.

The table below summarises the impact on the interest income from fixed income instruments as Statements of Financial Position date arising from changes in the interest rates by 100 basis points based on unhedged positions:

GROUP	2017			
	Sensitivity Impact To Statements Of Profit Or Loss When Interest Rates Change ± 100 Basis Points		Sensitivity Impact To Financial Assets Reserve Available-For-Sale When Interest Rates Change ± 100 Basis Points	
	Increase/(Decrease)		Increase/(Decrease)	
	(RM'000)		(RM'000)	
	+100bps	-100bps	+100bps	-100bps
Fixed Income Investment Instruments	170,398	(170,398)	(2,920,104)	2,920,104

GROUP	2016			
	Sensitivity Impact To Statements Of Profit Or Loss When Interest Rates Change ± 100 Basis Points		Sensitivity Impact To Financial Assets Reserve Available-For-Sale When Interest Rates Change ± 100 Basis Points	
	Increase/(Decrease)		Increase/(Decrease)	
	(RM'000)		(RM'000)	
	+100bps	-100bps	+100bps	-100bps
Fixed Income Investment Instruments	289,174	(289,174)	(3,237,115)	3,237,115

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.3 Market Risk (Cont'd.)

c. Foreign Exchange Risk (Cont'd.)

Foreign exchange risk arises from the reasonable shifts in exchange rates that adversely affect the revaluation of the Group and EPF global investments. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and EPF on unhedged positions are as follows: (Cont'd.)

GROUP AND EPF	2016			
	Sensitivity Impact To Statements Of Profit Or Loss When The Movement In Exchange Rates		Sensitivity Impact To The Financial Asset Reserve Available-For-Sale Balance When Movement In Exchange Rates	
	Strengthening/(Weakening) (RM'000)		Strengthening/(Weakening) (RM'000)	
	+ 3%	- 3%	+ 3%	- 3%
United States Dollars	676,042	(675,599)	1,138,747	(1,134,013)
Hong Kong Dollars	4,412	(4,405)	659,952	(649,398)
Singapore Dollars	16,932	(16,980)	498,106	(493,128)
Euro	35,724	(36,060)	588,587	(579,586)
Pound Sterling	16,165	(16,132)	419,990	(415,262)
Japanese Yen	14,886	(14,913)	330,303	(323,922)
Taiwan Dollars	-	-	234,415	(231,192)
Indonesian Rupiah	-	-	232,211	(231,188)
Thai Baht	-	-	372,897	(368,612)
South Korean Won	792	(792)	258,825	(256,857)
Australian Dollars	99,904	(100,050)	127,127	(126,148)
Others	40,267	(40,144)	373,338	(372,047)
	905,124	(905,075)	5,234,498	(5,181,353)

Interpretation of Impact

The Group and EPF measure the foreign exchange sensitivity based on the foreign exchange net open positions under an adverse movement in all foreign currencies against ("RM"). The result implies that the Group and EPF may be subject to additional translation gain/(loss) in the event RM strengthen/weaken against other currencies and vice versa.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments

From 1 January 2013, the Group and EPF adopted MFRS 13, Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Fair Value Hierarchy

i. Level 1

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

ii. Level 2

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

iii. Level 3

Level 3 fair value is estimated using unobservable inputs for the assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

- a. The following table summarises the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their carrying amounts as shown in the Statements of Financial Position.

GROUP	2017									
	Fair Value Of Financial Instruments Carried At Fair Value				Fair Value Of Financial Instruments Not Carried At Fair Value				Total Fair Value	Carrying Amount
	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)		
Assets:										
Recurring Fair Value Measurement										
Financial Assets										
Available-For-Sale	301,752,784	80,669,440	15,252,515	397,674,740	-	-	-	-	397,674,740	397,674,740
Financial Assets At Fair Value Through Profit Or Loss	322,829	2,043,612	10,010,041	12,376,482	-	-	-	-	12,376,482	12,376,482
Derivative Financial Assets	-	-	-	-	-	-	-	-	-	-
Non-Recurring Fair Value Measurement										
Investment Property	-	-	-	-	-	-	29,267,800	29,267,800	29,267,800	23,218,301
Assets Held-For-Sale	-	-	-	-	503,900	134,095	-	637,995	637,995	216,633
Investment Assets Held-To-Maturity	-	-	-	-	205,488,382	56,938,346	725	262,427,453	262,427,453	259,743,590
Loans, Advances And Financing	-	-	-	-	-	73,617,085	21,220,890	94,837,975	94,837,975	94,837,975
Deposits With Financial Institutions	-	-	-	-	-	-	36,002,339	36,002,339	36,002,339	36,078,398
Receivables And Deposits	-	-	-	-	-	-	4,007,336	4,007,336	4,007,336	4,007,336
Liabilities:										
Recurring Fair Value Measurement										
Derivative Liabilities	-	(492,121)	-	(492,121)	-	-	-	-	(492,121)	(492,121)
Non-Recurring Fair Value Measurement										
Deposits And Advances	-	-	-	-	-	-	(33,000,453)	(33,000,453)	(33,000,453)	(33,000,453)
Payables And Accrued Liabilities	-	-	-	-	-	-	(5,058,816)	(5,058,816)	(5,058,816)	(5,058,816)
	302,075,613	82,220,932	25,262,556	409,559,101	205,992,282	130,689,526	52,439,821	389,121,629	798,680,730	789,602,065

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

- a. The following table summarises the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their carrying amounts as shown in the Statements of Financial Position. (Cont'd.)

GROUP	2016									
	Fair Value Of Financial Instruments Carried At Fair Value				Fair Value Of Financial Instruments Not Carried At Fair Value				Total Fair Value	Carrying Amount
	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)		
Assets:										
Recurring Fair Value Measurement										
Financial Assets										
Available-For-Sale	273,109,220	73,425,898	16,202,923	362,738,041	-	-	-	-	362,738,041	362,738,041
Financial Assets At Fair Value Through Profit Or Loss	138,700	201,488	8,730,741	9,070,929	-	-	-	-	9,070,929	9,070,929
Derivative Financial Assets	-	-	-	-	-	-	-	-	-	-
Non-Recurring Fair Value Measurement										
Investment Property	-	-	-	-	-	-	28,961,948	28,961,948	28,961,948	23,919,729
Assets Held-For-Sale	-	-	-	-	-	3,150	-	3,150	3,150	1,959
Investment Assets Held-To-Maturity	-	-	-	-	179,161,415	49,880,328	725	229,042,468	229,042,468	228,069,529
Loans, Advances And Financing	-	-	-	-	-	83,873,320	9,232,849	93,106,169	93,106,169	93,106,169
Deposits With Financial Institutions	-	-	-	-	-	-	41,314,711	41,314,711	41,314,711	41,314,711
Receivables And Deposits	-	-	-	-	-	-	4,579,644	4,579,644	4,579,644	4,579,644
Liabilities:										
Recurring Fair Value Measurement										
Derivative Liabilities	-	(2,943,870)	-	(2,943,870)	-	-	-	-	(2,943,870)	(2,943,870)
Non-Recurring Fair Value Measurement										
Deposits And Advances	-	-	-	-	-	-	(30,859,097)	(30,859,097)	(30,859,097)	(30,859,097)
Payables And Accrued Liabilities	-	-	-	-	-	-	(5,683,367)	(5,683,367)	(5,683,367)	(5,683,367)
	273,247,920	70,683,516	24,933,664	368,865,100	179,161,415	133,756,798	47,547,413	360,465,626	729,330,726	723,314,377

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

- a. The following table summarises the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts as shown in the Statements of Financial Position. (Cont'd.)

EPF	2017									
	Fair Value Of Financial Instruments Carried At Fair Value				Fair Value Of Financial Instruments Not Carried At Fair Value				Total Fair Value	Carrying Amount
	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)		
Assets:										
Recurring Fair Value Measurement										
Financial Assets										
Available-For-Sale	301,992,271	77,497,529	14,307,139	393,796,939	-	-	-	-	393,796,939	393,796,939
Financial Assets At Fair Value Through Profit Or Loss	322,829	2,043,613	-	2,366,442	-	-	-	-	2,366,442	2,366,442
Non-Recurring Fair Value Measurement										
Investment Property	-	-	-	-	-	-	2,300,669	2,300,669	2,300,669	1,287,196
Assets Held-For-Sale	-	-	-	-	458,000	134,095	-	592,095	592,095	265,985
Investment Assets Held-To-Maturity	-	-	-	-	206,003,284	56,938,346	725	262,942,355	262,942,355	260,252,320
Loans, Advances And Financing	-	-	-	-	-	59,757,353	11,586,012	71,343,365	71,343,365	71,343,365
Deposits With Financial Institutions	-	-	-	-	-	-	27,620,438	27,620,438	27,620,438	27,620,438
Receivables And Deposits	-	-	-	-	-	-	2,445,053	2,445,053	2,445,053	2,445,053
Liabilities:										
Recurring Fair Value Measurement										
Financial Liabilities At Fair Value Through Profit Or Loss	-	(317,689)	-	(317,689)	-	-	-	-	(317,689)	(317,689)
Non-Recurring Fair Value Measurement										
Deposits And Advances	-	-	-	-	-	-	(209,896)	(209,896)	(209,896)	(209,896)
Payables And Accrued Liabilities	-	-	-	-	-	-	(2,139,722)	(2,139,722)	(2,139,722)	(2,139,722)
	302,315,100	79,223,453	14,307,139	395,845,692	206,461,284	116,829,794	41,603,279	364,894,357	760,740,049	756,710,431

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

- a. The following table summarises the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their carrying amounts as shown in the Statements of Financial Position. (Cont'd.)

EPF	2016									
	Fair Value Of Financial Instruments Carried At Fair Value				Fair Value Of Financial Instruments Not Carried At Fair Value				Total Fair Value	Carrying Amount
	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)		
Assets:										
Recurring Fair Value Measurement										
Financial Assets										
Available-For-Sale	273,109,220	73,425,898	12,962,949	359,498,067	-	-	-	-	359,498,067	359,498,067
Financial Assets At Fair Value Through Profit Or Loss										
	138,700	201,488	-	340,188	-	-	-	-	340,188	340,188
Non-Recurring Fair Value Measurement										
Investment Property	-	-	-	-	-	-	2,112,524	2,112,524	2,112,524	1,047,229
Assets Held-For-Sale	-	-	-	-	-	2,865	-	2,865	2,865	1,674
Investment Assets Held-To-Maturity										
	-	-	-	-	179,161,414	49,880,328	725	229,042,467	229,042,467	228,069,529
Loans, Advances And Financing										
	-	-	-	-	-	59,806,344	10,750,360	70,556,704	70,556,704	70,556,704
Deposits With Financial Institutions										
	-	-	-	-	-	-	40,017,385	40,017,385	40,017,385	40,017,385
Receivables And Deposits										
	-	-	-	-	-	-	2,251,318	2,251,318	2,251,318	2,251,318
Liabilities:										
Recurring Fair Value Measurement										
Financial Liabilities At Fair Value Through Profit Or Loss										
	-	(2,657,723)	-	(2,657,723)	-	-	-	-	(2,657,723)	(2,657,723)
Non-Recurring Fair Value Measurement										
Deposits And Advances										
	-	-	-	-	-	-	(186,764)	(186,764)	(186,764)	(186,764)
Payables And Accrued Liabilities										
	-	-	-	-	-	-	(2,098,529)	(2,098,529)	(2,098,529)	(2,098,529)
	273,247,920	70,969,663	12,962,949	357,180,532	179,161,414	109,689,537	52,847,019	341,697,970	698,878,502	696,839,078

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

b. Policy Of Transfer Between Levels

The fair value of an asset to be transferred between levels is determined by the Group and EPF as of the date of the event or change in circumstances that caused the transfer. There has been no transfer between Level 1 and 2 during the financial year.

c. This note provides information on how the Group and EPF determine fair values of various financial assets and financial liabilities:

GROUP

Fair Value Of Financial Instruments Carried At Fair Value

	Fair Value As At		Fair Value Hierarchy	Valuation Technique Used And Key Inputs
	2017 (RM'000)	2016 (RM'000)		
Financial Assets:				
Financial Assets Available- For- Sale				
Quoted Equities	301,752,784	273,109,220	Level 1	Quoted bid prices in an active market.
Bonds	35,586,096	30,766,075	Level 2	Valued by referencing to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Sukuk	20,075,144	17,764,615	Level 2	Valued by referencing to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities
Private Debt Securities	25,008,200	24,895,208	Level 2	Valued by referencing to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Unquoted Equities	15,252,515	16,202,923	Level 3	Net Assets Value (NAV) of the investments where the prorated underlying investment equity portion is being utilised as the fair value due to unavailability of observable comparison as benchmark.
Financial Assets At Fair Value Through Profit Or Loss				
Investment Assets Held For Trade	10,010,041	8,730,741	Level 3	Net Assets Value (NAV) of the investments where the prorated underlying investment equity portion is being utilised as the fair value due to unavailability of observable comparison as benchmark.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

c. This note provides information on how the Group and EPF determine fair values of various financial assets and financial liabilities: (Cont'd.)

GROUP (Cont'd.)

Fair Value Of Financial Instruments Not Carried At Fair Value (Cont'd.)

	Fair Value As At		Fair Value Hierarchy	Valuation Technique Used And Key Inputs
	2017 (RM'000)	2016 (RM'000)		
Derivative Financial Assets:				
Warrants	112,117	26,075	Level 1	Quoted bid prices in an active market.
Rights	275	-	Level 1	Quoted bid prices in an active market.
Irredeemable Convertible Preference Shares	51,388	34,654	Level 1	Quoted bid prices in an active market.
Redeemable Convertible Preference Shares	159,049	77,971	Level 1	Quoted bid prices in an active market.
Forward Contracts	1,945,585	192,801	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Cross Currency Swaps	93,425	4,527	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicity available quoted rates.
Interest Rate Swaps	4,602	4,160	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicity available quoted rates.
Total Financial Assets	410,051,222	371,808,970		
Financial Liabilities:				
Derivative Financial Liabilities:				
Forward Contracts	(67,232)	(2,213,696)	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Cross Currency Swaps	(250,458)	(444,028)	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicity available quoted rates.
Interest Rate Swaps	(174,431)	(286,146)	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicity available quoted rates.
Total Financial Liabilities	(492,121)	(2,943,870)		
Total	409,559,101	368,865,100		

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

- c. This note provides information on how the Group and EPF determine fair values of various financial assets and financial liabilities: (Cont'd.)

GROUP (Cont'd.)

Fair Value Of Financial Instruments Not Carried At Fair Value (Cont'd)

	Fair Value As At		Fair Value Hierarchy	Valuation Technique Used And Key Inputs
	2017 (RM'000)	2016 (RM'000)		
Financial Assets:				
Financial Assets At Fair Value Through Profit Or Loss				
Investment Property	29,267,800	28,961,949	Level 3	Carrying value equivalent to fair value.
Assets Held-For-Sale				
Associates	503,900	-	Level 1	Sales price agreed by buyer.
Investment Property	134,095	3,150	Level 2	Frequency of revaluation is performed in accordance with the accounting policy adopted by the EPF and by accredited independent valuers with experience in property valuation.
Investment Assets Held-To-Maturity				
Malaysian Government Securities	92,981,975	80,516,858	Level 1	Quoted bid prices in an active market.
Government Investment Issues	97,481,491	84,284,146	Level 1	Quoted bid prices in an active market.
Private Debt Securities	56,938,346	49,880,328	Level 2	Valued by referring to observable quoted prices other than quoted prices which included in Level 1 for assets and liabilities directly or indirectly.
Commercial Papers	698,863	512,000	Level 1	Quoted bid prices in an active market.
Cagamas Securities	6,006,987	6,499,122	Level 1	Quoted bid prices in an active market.
Conventional Bonds	44,493	43,963	Level 1	Quoted bid prices in an active market.
Negotiable Certificates	4,060,071	3,469,320	Level 1	Quoted bid prices in an active market.
Negotiable Islamic Certificates	4,214,502	3,836,005	Level 1	Quoted bid prices in an active market.
Convertible Preference Share	725	725	Level 3	Net Assets Value (NAV) of the investments where the prorated underlying investment equity portion is being utilised as the fair value due to unavailability of observable comparison as benchmark.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

c. This note provides information on how the Group and EPF determine fair values of various financial assets and financial liabilities: (Cont'd.)

GROUP (Cont'd.)

Fair Value Of Financial Instruments Not Carried At Fair Value (Cont'd)

	Fair Value As At		Fair Value Hierarchy	Valuation Technique Used And Key Inputs
	2017 (RM'000)	2016 (RM'000)		
Loans, Advances And Financing				
Guaranteed Loans	49,791,808	59,806,344	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Corporate Loans	23,825,277	24,066,976	Level 2	Fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at prevailing rates offered for similar loans to new borrowers with similar credit profiles as at the reporting date.
Loans To Staff	21,220,890	9,232,849	Level 3	Unavailability of observable comparison as benchmark.
Deposits With Financial Institutions	36,002,339	41,314,711	Level 3	Carrying value equivalent to fair value.
Receivables And Deposits	4,007,336	4,579,644	Level 3	Carrying value equivalent to fair value.
Total Financial Assets	427,180,898	397,008,090		
Financial Liabilities:				
Deposits And Advances	(33,000,453)	(30,859,097)	Level 3	Carrying value equivalent to fair value.
Payables And Accrued Liabilities	(5,058,816)	(5,683,367)	Level 3	Carrying value equivalent to fair value.
Total Financial Liabilities	(38,059,269)	(36,542,464)		
Total	389,121,629	360,465,626		

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

- c. This note provides information on how the EPF determine fair values of various financial assets and financial liabilities:

EPF

Fair Value Of Financial Instruments Carried at Fair Value

	Fair Value As At		Fair Value Hierarchy	Valuation Technique Used And Key Inputs
	2017 (RM'000)	2016 (RM'000)		
Financial Assets:				
Financial Assets Available-For-Sale				
Quoted Equities	301,992,271	273,109,220	Level 1	Quoted bid prices in an active market.
Bonds	32,414,183	30,766,075	Level 2	Valued by referencing to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Sukuk	20,075,145	17,764,615	Level 2	Valued by referencing to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Private Debt Securities	25,008,201	24,895,208	Level 2	Valued by referencing to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Unquoted Equities	14,307,139	12,962,949	Level 3	Net Assets Value (NAV) of the investments where the prorated underlying investment equity portion is being utilised as the fair value due to unavailability of observable comparison as benchmark.
Derivative Financial Assets:				
Warrants	112,117	26,075	Level 1	Quoted bid prices in an active market.
Rights	275	-	Level 1	Quoted bid prices in an active market.
Irredeemable Convertible Preference Shares	51,388	34,654	Level 1	Quoted bid prices in an active market.
Redeemable Convertible Preference Shares	159,049	77,971	Level 1	Quoted bid prices in an active market.
Forward Contracts	1,945,586	192,801	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Cross Currency Swaps	93,425	4,527	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicly available quoted rates.
Interest Rate Swaps	4,602	4,160	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Total Financial Assets	396,163,381	359,838,255		

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

- c. This note provides information on how the EPF determine fair values of various financial assets and financial liabilities: (Cont'd.)

EPF (Cont'd.)

Fair Value Of Financial Instruments Not Carried at Fair Value

	Fair Value As At		Fair Value Hierarchy	Valuation Technique Used And Key Inputs
	2017 (RM'000)	2016 (RM'000)		
Financial Assets:				
Investment Property	2,300,669	2,112,524	Level 3	Carrying value equivalent to fair value.
Assets Held For Sale				
Associates	458,000	-	Level 1	Sales price agreed by buyer.
Investment Property	134,095	2,865	Level 2	Frequency of revaluation is performed in accordance with the accounting policy adopted by the EPF and by accredited independent valuers with experience in property valuation.
Investment Assets				
Held-To- Maturity				
Malaysian Government Securities	93,496,878	80,516,858	Level 1	Quoted bid prices in an active market.
Government Investment Issues	97,481,490	84,284,146	Level 1	Quoted bid prices in an active market.
Private Debt Securities	56,938,346	49,880,328	Level 2	Fair value by referring to observable quoted prices other than quoted prices which included in Level 1 for assets and liabilities directly or indirectly.
Commercial Papers	698,863	512,000	Level 1	Quoted bid prices in an active market.
Cagamas Securities	6,006,987	6,499,122	Level 1	Quoted bid prices in an active market.
Conventional Bonds	44,493	43,963	Level 1	Quoted bid prices in an active market.
Negotiable Certificates	4,060,071	3,469,320	Level 1	Quoted bid prices in an active market.
Negotiable Islamic Certificates	4,214,502	3,836,005	Level 1	Quoted bid prices in an active market.
Convertible Preference Share	725	725	Level 3	Net Assets Value (NAV) of the investments where the prorated underlying investment equity portion is being utilised as the fair value due to unavailability of observable comparison as benchmark.
Loans, Advances And Financing				
Guaranteed Loans	59,757,353	59,806,344	Level 2	Valued by referring to observable quoted prices with prices represented on aims-length basis for identical assets and liabilities.
Loans To Subsidiaries And Staffs	11,586,012	10,750,360	Level 3	Unavailability of observable comparison as benchmark.
Deposits With Financial Institutions	27,620,438	40,017,385	Level 3	Carrying value equivalent to fair value.
Receivables And Deposits	2,445,053	2,251,318	Level 3	Carrying value equivalent to fair value.
Total Financial Assets	367,243,975	343,983,263		

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

c. This note provides information on how the EPF determine fair values of various financial assets and financial liabilities: (Cont'd.)

EPF (Cont'd.)

Fair Value Of Financial Instruments Not Carried at Fair Value (Cont'd.)

	Fair Value As At		Fair Value Hierarchy	Valuation Technique Used And Key Inputs
	2017 (RM'000)	2016 (RM'000)		
Financial Liabilities:				
Deposits And Advances	(209,896)	(186,764)	Level 3	Carrying value equivalent to fair value.
Payables And Accrued Liabilities	(2,139,722)	(2,098,529)	Level 3	Carrying value equivalent to fair value.
Total Financial Liabilities	(2,349,618)	(2,285,293)		
Total	364,894,357	341,697,970		

d. The following table provides a reconciliation of Level 3 fair valuation:

GROUP	2017	
	Financial Assets Available-For-Sale (RM'000)	Financial Assets At Fair Value Through Profit Or Loss (RM'000)
At 1 January	16,202,923	8,730,740
Adjustments On 1 January	(2,750,995)	-
(Loss)/Gain Recognised In Statements Of Profit Or Loss	(35,948)	954,655
Loss Recognised In Other Comprehensive Income	(896,360)	-
Purchase	4,961,571	2,262,783
Sales	(2,228,676)	(1,938,137)
As At 31 December	15,252,515	10,010,041

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

40. FINANCIAL RISK (CONT'D.)

40.4 Fair Value Of Financial Instruments (Cont'd.)

e. Sensitivity analysis of the Level 3 fair valuation as follows:

GROUP	2017			
	Fair Value (RM'000)	Potential Reasonable Shift	Sensitivity Impact To Financial Assets Reserve Available- For-Sale (RM'000)	Sensitivity Impact To Statements Of Profit Or Loss (RM'000)
Unquoted Equities Available-For-Sale	14,307,139	+5%	754,701	218
		-5%	(616,815)	(231)

GROUP	2016			
	Fair Value (RM'000)	Potential Reasonable Shift	Sensitivity Impact To Financial Assets Reserve Available- For-Sale (RM'000)	Sensitivity Impact To Statements Of Profit Or Loss (RM'000)
Unquoted Equities Available-For-Sale	16,202,923	+5%	833,114	6,858
		-5%	(692,793)	(6,858)

EPF	2017			
	Fair Value (RM'000)	Potential Reasonable Shift	Sensitivity Impact To Financial Assets Reserve Available- For-Sale (RM'000)	Sensitivity Impact To Statements Of Profit Or Loss (RM'000)
Unquoted Equities Available-For-Sale	14,307,139	+5%	754,701	218
		-5%	(616,815)	(231)

EPF	2016			
	Fair Value (RM'000)	Potential Reasonable Shift	Sensitivity Impact To Financial Assets Reserve Available- For-Sale (RM'000)	Sensitivity Impact To Statements Of Profit Or Loss (RM'000)
Unquoted Equities Available-For-Sale	12,962,949	+5%	671,115	6,858
		-5%	(530,794)	(6,858)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

41. RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the EPF if the EPF has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the EPF's either directly or indirectly and an entity that provides key management personnel services to the Group. The key management personnel comprises of EPF's Board of Directors and its Top Management. Related Parties of Key Management Personal are close family members, dependents and entities of which significant voting power in such entity reside with the Key Management Personnels or its close family members.

EPF related parties include key management personnel, subsidiaries, associates, joint ventures as well as the Government of Malaysia and its related entities as EPF is an agency under the Ministry Of Finance that reports directly to the Federal Government Of Malaysia.

a. Key Management Personnels

	GROUP AND EPF	
	2017 (RM'000)	2016 (RM'000)
Amount due to:		
EPF Contributions *	68,082	56,837
	68,082	56,837
Short Term Employee Benefits:		
Salary/Allowances/Honorarium/Remuneration For Board, Investment Panel and Top Management	11,721	10,612
Benefits In Kind	197	109
	11,918	10,721

* The EPF contribution balances are for Board, Investment Panel and Top Management which has a significant balance.

b. Significant Transactions With Related Parties

In addition to the transactions detailed elsewhere in the financial statements, EPF has the following transactions with related parties during the financial year:

EPF	2017 (RM'000)	2016 (RM'000)
Government Of Malaysia And Entities Related To The Government Of Malaysia:		
Interest Income And Profit On Investment	13,648,424	12,340,138
Purchase And Subscription Securities And Bonds	69,393,333	44,646,645
Drawdown Of Loans	9,100,000	90,000
Sales, Maturities And Early Redemption Securities And Bonds	44,105,434	29,231,663
Repayment And Maturity Of Loans	8,932,879	8,542,818

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

41. RELATED PARTY DISCLOSURES (CONT'D.)

b. Significant Transactions With Related Parties (Cont'd.)

In addition to the transactions detailed elsewhere in the financial statements, EPF has the following transactions with related parties during the financial year: (Cont'd.)

EPF	2017 (RM'000)	2016 (RM'000)
<u>Subsidiaries:</u>		
Net Income		
Interest On Loans And Advances	409,922	356,941
Rental Income/(Expenses)	(558)	2,281
Dividend On Investments	1,453,108	662,502
Sundry Revenue	27,586	81
Interest/Profit From Fixed Income Investment	57,477	57,794
Investment Expenditures	(4,788)	(4,338)
Amount Owning From Subsidiaries		
Investment Assets Held-To-Maturity	503,648	502,996
Financial Assets Available-For-Sale	622,739	638,118
<u>Associates:</u>		
Net Income		
Dividend On Investments	236,825	618,041
Interest On Guaranteed Loans	8,658	-
Interest/Profit On Fixed Income Investment	85,346	111,096
Amount Owning From Associates		
Investment Assets Held-To-Maturity	661,650	7,885,335
Financial Assets Available-For-Sale	630,342	981,255
Guaranteed Loans	183,200	-
<u>Joint Venture:</u>		
Net Income		
Dividend On Investments	343,000	-
Interest/Profit On Fixed Income Investment	472,413	455,551
Amount Owning From Joint Ventures		
Investment Assets Held-To-Maturity	7,690,000	7,690,000
Financial Assets Available-For-Sale	1,492,611	964,714

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 are disclosed in Note 16, Note 18, Note 22 and Note 23.

Information regarding impairment losses on loans and receivables during the financial year are disclosed in Note 16 and Note 18.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

42. OPERATING LEASES

42.1 Group And EPF As Lessee

The Group and EPF leases a number of premises under operating lease. The leases typically run for an initial period of three (3) years, with an option to renew the leases. None of these leases include contingent rentals. The future minimum lease payments under these non-cancellable operating leases are as follows:

	GROUP AND EPF	
	2017 (RM'000)	2016 (RM'000)
Within 1 Year	8,415	7,863
Between 1 To 5 Years	13,177	10,246
	21,592	18,109

42.2 Group And EPF As Lessor

The Group and EPF leases out its investment properties under operating leases with lease term in ranging between three (3) to more than five (5) years. None of these leases include contingent rentals. The future minimum lease payments under these non-cancellable operating leases are as follows:

	GROUP AND EPF	
	2017 (RM'000)	2016 (RM'000)
Within 1 Year	139,139	99,032
Between 1 To 5 Years	534,582	403,184
More than 5 Years	843,670	524,166
	1,517,391	1,026,382

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017

Information about principal subsidiaries are as follows:

Direct Subsidiaries - EPF:

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest	
			2017 %	2016 %
Malaysia Building Society Berhad	Malaysia	Operating of loans on the security of freehold and leasehold properties	65.56	65.4
Affordable Homes Sdn Bhd	Malaysia	Hotel operations and property development	100	100
KWASA Properties Sdn Bhd	Malaysia	Property investment	100	100
KWASA Land Sdn Bhd	Malaysia	Property development and investment holding	100	100
Pinggiran Ventures Sdn Bhd	Malaysia	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Direct Subsidiaries - EPF: (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest	
			2017 %	2016 %
Symphony Insight Sdn Bhd	Malaysia	Investment holding	100	100
Ekuiti Merdu Sdn Bhd	Malaysia	Dormant	100	100
KWASA Utama Sdn Bhd	Malaysia	Property development and investment holding	95	95
PPNK – Harta Sdn Bhd	Malaysia	Property development and management	85	85
YTR Harta Sdn Bhd	Malaysia	Property investment	80	81
Common Icon Sdn Bhd	Malaysia	Property investment	100	100
Tanjung Wibawa Sdn Bhd	Malaysia	Investment holding	100	100
Naungan Sentosa Sdn Bhd	Malaysia	Investment holding	100	100
KWASA Global (Jersey) Limited	Jersey	Investment holding	100	100
KWASA Global 2 (Jersey) Limited	Jersey	Investment holding	100	100
KWASA Invest Ltd	United Kingdom	Development and management	100	100
KWASA Singapore (Solo) Pte Ltd	Singapore	Property development	100	100
KWASA Singapore (Duo) Pte Ltd	Singapore	Property development	100	100
KWASA Singapore (Trio) Pte Ltd	Singapore	Property development	100	100
KWASA Australia Pty Ltd	Australia	Trust holding	100	100
KWASA Australia Trust	Australia	Trust holding	100	100
KWASA Capital Limited	Cayman Island	Investment holding	100	100
KWASA Europe S.à.r.l	Luxembourg	Investment holding	100	100
KWASA Infrastructure 1	Cayman Island	Investment holding	100	100
KWASA Capital Partners Limited	Cayman Island	Investment holding	100	100
KWASA Asia	Cayman Island	Investment holding	100	100
KWASA Logistics Sdn Bhd	Malaysia	Investment holding	100	100
Merbau Investors Offshore L.P.	Cayman Island	Investment holding fund	99.5	99.5
Merbau Investors Offshore II L.P.	Cayman Island	Investment holding fund	99.18	99
Cengal Private Equity Investments plc	Dublin, Ireland	Investment holding fund	99.5	99.5
Cengal Private Equity Investments II plc	Dublin, Ireland	Investment holding fund	99.47	99.34
Cengal Private Equity Investments III plc ^	Dublin, Ireland	Investment holding fund	99.34	-
Meranti Fund L.P.	Cayman Island	Investment holding fund	99.25	99.25
Meranti Fund II L.P. ^	Cayman Island	Investment holding fund	99.25	-
Jati Private Equity Fund L.P.	Cayman Island	Investment holding fund	99	99
Jati Private Equity Fund II L.P.	Cayman Island	Investment holding fund	99	99
Jati Private Equity Fund III L.P. ^	Cayman Island	Investment holding fund	99	-
Kwasa US ^	Cayman Island	Investment holding	100	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Direct Subsidiaries - EPF: (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest	
			2017 %	2016 %
Yarra Development Holdings (Australia) Sdn Bhd ^	Malaysia	Property development	100	-
Alpha Real Estate Investment Trust ^	Malaysia	Investment holding fund	100	-
Kwasa Europe I S.à.r.l ^	Luxembourg	Investment holding	100	-
Kwasa Global I (Jersey) Limited ^	Jersey	Investment holding	100	-
Kwasa Infrastructure Alpha ^	Cayman Island	Investment holding	100	-
Kwasa Infrastructure Beta ^	Cayman Island	Investment holding	100	-
Kwasa Emerald ^	Dublin, Ireland	Investment holding	100	-
Kwasa Korea Ltd ^	Jersey	Investment holding	100	-
ADF Kwasa Korea Professional Investment Private Real Estate Investment LLC ^	Korea	Investment holding	100	-
Rashid Hussain Berhad #	Malaysia	Investment holding	98.33	98.33

Subsidiaries Held Through Malaysia Building Society Berhad (MBSB):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By MBSB		Through MBSB's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
MBSB Properties Sdn Bhd	Malaysia	Rental property	100	100	-	-
MBSB Development Sdn Bhd	Malaysia	Property development	100	100	-	-
Prudent Legacy Sdn Bhd	Malaysia	Dormant	92	92	-	-
Sigmaprise Sdn Bhd	Malaysia	Hotel operation	100	100	-	-
Ganesha Sdn Bhd #	Malaysia	In liquidation process	100	100	-	-
MBSB Project Management Sdn Bhd	Malaysia	Ceased operation	100	100	-	-
Definite Pure Sdn Bhd	Malaysia	Dormant	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through Malaysia Building Society Berhad (MBSB): (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By MBSB		Through MBSB's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
Malaya Borneo Building Society Limited (MBBS)	Singapore	Dormant	100	100	-	-
Farawide Sdn Bhd	Malaysia	Hotel operation	100	100	-	-
Idaman Usahamas Sdn Bhd	Malaysia	Property development	100	100	-	-
Ombak Pesaka Sdn Bhd	Malaysia	Hotel operation	100	100	-	-
MBSB Tower Sdn Bhd	Malaysia	Property development	100	100	-	-
Home Approach Sdn Bhd #	Malaysia	In liquidation process	100	100	-	-
Jana Kapital Sdn Bhd	Malaysia	Investment holding	100	100	-	-
88 Legacy Sdn Bhd	Malaysia	Property development	100	100	-	-

Subsidiaries Held Through KWASA Land Sdn Bhd (KLSB):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By KLSB		Through KLSB's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA Sentral Sdn Bhd	Malaysia	Property development	-	100	-	-
KWASA Development (3) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (4) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (5) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (6) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (7) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (8) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (9) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (10) Sdn Bhd	Malaysia	Property development	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Land Sdn Bhd (KLSB): (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By KLSB		Through KLSB's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA Development (11) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (12) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (13) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (14) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (15) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Development (16) Sdn Bhd	Malaysia	Property development	100	100	-	-
KWASA Holdings (1) Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Holdings (3) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
KWASA Holdings (4) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
KWASA Holdings (5) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
KWASA Holdings (2) Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Holdings (6) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
KWASA Holdings (7) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
KWASA Holdings (8) Sdn Bhd	Malaysia	Investment holding	-	-	100	100

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43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Global (Jersey) Limited (KGJL): (Cont'd)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By KGJL		Through KGJL's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA Links Malaysia Eight Sdn Bhd	Malaysia	Property investment	-	-	100	100
KWASA Links Malaysia Nine Sdn Bhd	Malaysia	Property investment	-	-	100	100
KWASA Links Malaysia Ten Sdn Bhd	Malaysia	Property investment	-	-	100	100
KWASA Links Malaysia Eleven Sdn Bhd	Malaysia	Property investment	-	-	100	100
KWASA Global Finco Limited	Jersey	Dormant	-	-	100	100

Subsidiaries Held Through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, KWASA UK Limited (K. UK):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. UK		Through K. UK's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA UK Solo Limited	Jersey	Investment holding	100	100	-	-
Portman Square (No. 1) Limited	Jersey	Investment holding	-	-	100	100
Portman Investments Unit Trust	Jersey	Property investment	-	-	100	100
- Portman Investments Nominee 1 Limited	Jersey	Property investment	-	-	100	100
- Portman Investments Nominee 2 Limited	Jersey	Property investment	-	-	100	100
Portman Square (No. 2) Limited	Jersey	Investment holding	-	-	100	100
Whitefriars Limited	Jersey	Property investment	-	-	-	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, KWASA UK Limited (K. UK): (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. UK		Through K. UK's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA Arena Limited	Jersey	Investment holding	100	100	-	-
Knightlights Property S.A	Jersey	Dormant	100	-	-	100
KWASA UK Duo Limited	Jersey	Investment holding	100	100	-	-
Knightlights Property International S.A	Luxembourg	Property holding	-	-	-	100
Bridge Unit 2 Limited	Jersey	Property holding	-	-	100	100
The Bridge LP Limited *	Isle of Man	Property investment	-	-	-	100
- The Bridge GP Limited *	Isle of Man	Property investment	-	-	-	100
- The Bridge Nominee Limited *	Isle of Man	Property investment	-	-	-	100
K2 Tower Bridge Limited	Jersey	Property holding	-	-	100	100
Reading Management (Jersey) Limited	Jersey	Investment holding	-	-	100	100
Reading No. 1 Limited	Jersey	Investment holding	-	-	100	100
Reading (Jersey) Unit Trust	Jersey	Property holding	-	-	100	100
- Reading Nominee 1 Limited	Jersey	Property holding	-	-	100	100
- Reading Nominee 2 Limited	Jersey	Property holding	-	-	100	100
Reading No. 2 Limited	Jersey	Investment holding	-	-	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, KWASA UK Limited (K. UK): (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. UK		Through K. UK's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA UK Trio Limited	Jersey	Investment holding	100	100	-	-
KWASA Fulham No. 1 Limited (Jersey)	Jersey	Investment holding	-	-	100	100
Fulham Broadway Unit Trust	Jersey	Trust company	-	-	100	100
KWASA Fulham No. 2 Limited (Jersey)	Jersey	Investment holding	-	-	100	100
KWASA Hammersmith Limited (Jersey)	Jersey	Property holding	-	-	100	100
KWASA UK Quattro Limited	Jersey	Investment holding	100	100	-	-
KWASA Qube Limited	Jersey	Investment holding	-	-	100	100
Speke Point Limited	Jersey	Property holding	-	-	100	100
KWASA Super Norwich Limited	Jersey	Property holding	-	-	100	100
KWASA Super Limited	Jersey	Investment holding	-	-	100	100
KWASA UK Sixmo Limited	Jersey	Investment holding	100	100	-	-
KWASA Super Ashton Limited	Jersey	Property holding	-	-	100	100
KWASA Super Cannock Limited	Jersey	Property holding	-	-	100	100
KWASA Super Bursledon Limited	Jersey	Property holding	-	-	100	100
KWASA Super Grantham Limited	Jersey	Property holding	-	-	100	100
KWASA Super Leeds Limited	Jersey	Property holding	-	-	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, KWASA UK Limited (K. UK): (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. UK		Through K. UK's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA Super Newcastle Limited	Jersey	Property holding	-	-	100	100
KWASA Logix No. 1 Limited	Jersey	Property holding	-	-	100	100
KWASA Logix No. 2 Limited	Jersey	Property holding	-	-	100	100
KWASA Logix No. 3 Limited	Jersey	Property holding	-	-	100	100
KWASA Logix No. 4 Limited	Jersey	Property holding	-	-	100	100

Subsidiaries Held Through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, KWASA Australia II Trust (KAT II):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By KAT II		Through KAT II's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA Goodman Industrial Trust	Australia	Investment holding	60	60	-	-
KWASA Sub-Trust (Australia)	Australia	Trust holding	-	-	60	60
Sub-Trust 1A	Australia	Property holding	-	-	60	60
Sub-Trust 1B	Australia	Property holding	-	-	60	60
Sub-Trust 1C	Australia	Property holding	-	-	60	60
Sub-Trust 1D	Australia	Property holding	-	-	60	60
Sub-Trust 1E	Australia	Property holding	-	-	60	60
Sub-Trust 2A	Australia	Property holding	-	-	60	60
Sub-Trust 2B	Australia	Property holding	-	-	60	60
Sub-Trust 2C	Australia	Property holding	-	-	60	60

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, KWASA Australia II Trust (KAT II): (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By KAT II		Through KAT II's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
Sub-Trust 2D	Australia	Property holding	-	-	60	60
Sub-Trust 2E	Australia	Property holding	-	-	60	60
Sub-Trust 2F	Australia	Property holding	-	-	60	60

Subsidiaries Held Through KWASA Global 2 (Jersey) Limited (KGJL 2):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By KGJL 2		Through KGJL 2's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA UK Quinto Limited	Jersey	Investment holding	100	100	-	-
KWASA Rugby Limited	Jersey	Investment holding	-	-	100	100
BLSSP (PHC 27) Limited	United Kingdom	Property holding	-	-	100	100
KWASA Nottingham Limited	Jersey	Investment holding	-	-	100	100
BLSSP (PHC 30) Limited	United Kingdom	Property holding	-	-	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Europe S.à r.l. (K. Europe):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. Europe		Through K. Europe's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
KWASA Delta S.à r.l	Luxembourg	Investment holding	100	100	-	-
KWASA DH Moncheng S.à r.l	Luxembourg	Property investment	100	100	-	-
KWASA Strauss Erfurt S.à r.l	Luxembourg	Property investment	100	100	-	-
KWASA Strauss Wiesbaden S.à r.l	Luxembourg	Property investment	100	100	-	-
KWASA Quattro Holdco S.à r.l	Luxembourg	Investment holding	100	100	-	-
KWASA Quattro Berlin S.à r.l	Luxembourg	Property investment	-	-	100	100
KWASA Quattro Hamburg S.à r.l	Luxembourg	Property investment	-	-	100	100
KWASA Quattro Munich S.à r.l	Luxembourg	Property investment	-	-	100	100
KWASA Quattro Frankfurt S.à r.l	Luxembourg	Property investment	-	-	100	100
KWASA Prisma 1 S.à r.l	Luxembourg	Investment holding	100	100	-	-
Pershore sp z.o.o.	Poland	Property investment	100	100	-	-
KWASA Deurne S.à r.l	Luxembourg	Property investment	100	100	-	-
KWASA Breda S.à r.l	Luxembourg	Property investment	100	100	-	-
KWASA Venlo S.à r.l	Luxembourg	Property investment	100	100	-	-
KWASA Korbach S.à r.l	Luxembourg	Property investment	100	100	-	-
Kymin sp z.o.o.	Poland	Property investment	100	100	-	-
Kitwood sp z.o.o.	Poland	Property investment	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Europe S.à r.l. (K. Europe): (Cont'd.)

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. Europe		Through K. Europe's Subsidiary Company	
			2017	2016	2017	2016
			%	%	%	%
KWASA Strauss - DHL Finco S.à r.l	Luxembourg	Property financing	100	100	-	-
KWASA Europe Finco S.à r.l	Luxembourg	Property financing	100	100	-	-
KWASA Jeden Finco S.à r.l	Luxembourg	Property financing	100	-	-	-
KWASA Moerdijk S.à r.l	Luxembourg	Property investment	100	-	-	-
Haxley Sp Z.o.o	Poland	Property investment	100	-	-	-
PDC Industrial Center 70 Sp Z.o.o	Poland	Property investment	100	-	-	-

Subsidiaries Held Through KWASA Europe (K. Europe) Direct Subsidiary, KWASA Prisma 1 S.à r.l (K. Prisma 1):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. Prisma 1		Through K. Prisma 1's Subsidiary Company	
			2017	2016	2017	2016
			%	%	%	%
KWASA Prisma 2 S.à r.l	Luxembourg	Investment holding	100	100	-	-
KWASA IRE France OPCI	France	Investment holding	-	-	100	100
SCI Prisma Tour	France	Property investment	-	-	100	100
SCI Espace Lumiere	France	Property investment	-	-	100	100
SCI Ris Orangis	France	Property investment	-	-	100	100
Midi de la Plaine EURL (Brie)	France	Property investment	-	-	100	100
Midi de la Plaine 3 EURL (Brie)	France	Property investment	-	-	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through KWASA Infrastructure 1 (K. Infra 1):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. Infra 1		Through K. Infra 1's Subsidiary Company	
			2017	2016	2017	2016
			%	%	%	%
Macquarie Hyperion Ltd	Cayman Island	Investment holding	60	60	-	-
Macquarie Helios Holding Ltd	Cayman Island	Investment holding	-	-	100	100

Subsidiaries Held Through Symphony Insight Sdn Bhd (SISB):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By SISB		Through SISB's Subsidiary Company	
			2017	2016	2017	2016
			%	%	%	%
Absolute Insight Sdn Bhd	Malaysia	Investment holding	100	100	-	-
Ivory Insight Sdn Bhd	Malaysia	Investment holding	100	100	-	-

Subsidiaries Held Through KWASA Asia (K. Asia):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. Asia		Through K. Asia's Subsidiary Company	
			2017	2016	2017	2016
			%	%	%	%
KWASA China	Cayman Island	Investment holding	100	100	-	-

Subsidiaries Held Through KWASA US (K. US):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. US		Through K. US's Subsidiary Company	
			2017	2016	2017	2016
			%	%	%	%
KWASA Liberty ^	Cayman Island	Investment holding	100	-	-	-

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43. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2017 (CONT'D.)

Information about principal subsidiaries are as follows: (Cont'd.)

Subsidiaries Held Through Yarra Development Holdings (Australia) Sdn Bhd (Yarra):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By Yarra		Through Yarra's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
Yarra Australia Development Pty.Ltd ^	Australia	Investment holding	100	-	-	-

Subsidiaries Held Through KWASA Europe I S.A.R.L (K. Europe I):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. Europe I		Through K. Europe I's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
Kwasa Europe Finco-I S.a.r.l ^	Luxembourg	Property financing	100	-	-	-
Kwasa Maasvlaicte-I BV ^	Luxembourg	Property investment	100	-	-	-

Subsidiaries Held Through KWASA Global I (Jersey) Ltd (KGJL I):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By KGJL I		Through KGJL I's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
Kwasa Global Finco-I S.a.r.l ^	Jersey	Property financing	100	-	-	-

Subsidiaries Held Through KWASA Emerald (K. Emerald):

Name Of Company	Country Of Incorporation	Principal Activities	Effective Interest			
			Directly By K. Emerald		Through K. Emerald's Subsidiary Company	
			2017 %	2016 %	2017 %	2016 %
Kwasa Breccia ^	Dublin, Ireland	Investment holding	100	-	-	-
Kwasa Mica ^	Dublin, Ireland	Investment holding	100	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

44. LIST OF ASSOCIATES AND JOINT VENTURES AS AT 31 DECEMBER 2017 (CONT'D.)

a. Details of associates directly held by EPF are as follows: (Cont'd.)

No	Name Of Entity	Country Of Incorporation	Principal Activity	Ownership Interest On Voting Rights	
				2017 %	2016 %
7	Jelas Puri Sdn Bhd	Malaysia	Investment, management and property development	30	30
8	Panca Pesona Sdn Bhd	Malaysia	Developer of industrial project and housing	30	30
9	Columbia Asia Sdn Bhd *	Malaysia	Hospital operation, health care services and investment holding	29.72	29.72
10	HSBC Amanah Takaful (M) Berhad	Malaysia	Insurance	20	20
11	Iskandar Investment Berhad	Malaysia	Investment holding, property investment and development, and provision of partnership services to its subsidiaries	20	20
12	Sunway South Quay Sdn Bhd ^^	Malaysia	Property development	-	20
13	Iskandar Capital Sdn Bhd	Malaysia	Investment holding	29.27	29.27
14	Konsortium Lebuhraya Utara - Timur (KL) Sdn Bhd ^	Malaysia	Highway concession operator	40	-

b. Details of associates held through EPF's subsidiaries are as follows:

No	Name Of Entity	Country Of Incorporation	Principal Activity	Ownership Interest On Voting Rights	
				2017 %	2016 %
Pinggiran Ventures Sdn Bhd					
1	TEI Sdn Bhd	Malaysia	Investment holding with major investment in highway concession operator	49	49
2	SWM Environment Holdings Sdn Bhd	Malaysia	Investment holding with major investment in the waste collection management company	35	35
KWASA Land Sdn Bhd					
3	Kwasa Sentral Sdn Bhd ^	Malaysia	Property development	30	-
Naungan Sentosa Sdn Bhd					
4	BBCC Development Sdn Bhd	Malaysia	Investment and property development	20	20
5	MFBC Retail Mall Sdn Bhd	Malaysia	Investment and property development	6	6

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

44. LIST OF ASSOCIATES AND JOINT VENTURES AS AT 31 DECEMBER 2017 (CONT'D.)

b. The associates held through EPF's subsidiaries are as follows: (Cont'd.)

No	Name Of Entity	Country Of Incorporation	Principal Activity	Ownership Interest On Voting Rights	
				2017 %	2016 %
	Ekuiti Merdu Sdn Bhd				
6	Aspire Insight Sdn Bhd	Malaysia	Dormant	40	40
	Kwasa Singapore (Solo) Pte Ltd				
7	Wallich Residence Pte Ltd (formerly known as Perfect Eagle Pte Ltd)	Singapore	Property development	20	20
	Kwasa Singapore (Duo) Pte Ltd				
8	TPC Hotel Pte. Ltd. (formerly known as Guston Pte Ltd)	Singapore	Property development	20	20
	Kwasa Singapore (Trio) Pte Ltd				
9	TPC Commercial Pte Ltd (formerly known as Belmeth Pte Ltd)	Singapore	Property development	20	20

c. Details of joint venture directly held by EPF is as follows:

No	Name Of Entity	Country Of Incorporation	Principal Activity	Ownership Interest On Voting Rights	
				2017 %	2016 %
1	PLUS Malaysia Berhad "	Malaysia	Investment holding	49	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

44. LIST OF ASSOCIATES AND JOINT VENTURES AS AT 31 DECEMBER 2017 (CONT'D.)

d. The joint ventures held through EPF's subsidiaries are as follows:

No	Name Of Entity	Country Of Incorporation	Principal Activity	Ownership Interest On Voting Rights	
				2017 %	2016 %
KWASA Global (Jersey) Ltd					
KWASA Global Development Limited					
1	Battersea Project Holding Company Ltd	Jersey	Investment holding	20	20
2	Battersea Power Station Development Company	United Kingdom	Investment holding	20	20
3	Battersea Power Station Development Company Limited	United Kingdom	Investment holding	20	20
4	BPS Malaysia Sdn Bhd	United Kingdom	Marketing Battersea development project in Malaysia and South-East Asia	20	20
KWASA Global (Jersey) Ltd					
KWASA UK Limited					
KWASA Arena Limited					
5	The Arena Unit Trust	Jersey	Property investment	50	50
KWASA Europe S.à r.l.					
6	KG Finance (Lux) S.à r.l	Luxembourg	Property financial services	70	70
7	Goodman Basil Logistics (Lux) S.à r.l	Luxembourg	Property investment	70	70
8	Goodman Tumbleweed Logistics (Lux) S.à r.l	Luxembourg	Property investment	70	70
9	Goodman Pearl Logistics (Lux) S.à r.l	Luxembourg	Property investment	70	70
10	Goodman Cardamom Logistics (Lux) S.à r.l	Luxembourg	Property investment	70	70
11	Goodman Cyan Logistics (Lux) S.à r.l	Luxembourg	Property investment	70	70
12	Goodman Korbach (Lux) S.à r.l.	Luxembourg	Property investment	70	70
13	Goodman Melanite Logistics (Lux) S.a.r.l	Luxembourg	Property investment	70	70
14	Goodman Aqua Logistics (Lux) S.a.r.l	Luxembourg	Property investment	70	70
15	KG Finance Two (Lux) S.à r.l.	Luxembourg	Property financial services	90	90
16	Goodman Canopic Logistics (Lux) S.à r.l. (Graben)	Luxembourg	Property investment	90	90
17	Goodman Ventura Logistics (Lux) S.à r.l. (Delitzsch)	Luxembourg	Property investment	90	90
18	Goodman Cardinal Logistics (Lux) S.à r.l. (Lahr)	Luxembourg	Property investment	90	90
19	Goodman Cadet Logistics Sarl ^	Luxembourg	Property investment	90	-
20	Goodman Melon Logistics Sarl ^	Luxembourg	Property investment	90	-
21	Goodman Opera Logistics Sarl ^	Luxembourg	Property investment	90	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

44. LIST OF ASSOCIATES AND JOINT VENTURES AS AT 31 DECEMBER 2017 (CONT'D.)

d. The joint ventures held through EPF's subsidiaries are as follows: (Cont'd.)

No	Name Of Entity	Country Of Incorporation	Principal Activity	Ownership Interest On Voting Rights	
				2017 %	2016 %
	KWASA Europe S.à r.l.				
	KWASA Delta S.à r.l.				
22	KWASA Dietz Germany GmbH	Germany	Investment holding	84.3	84.3
	Kwasa Capital Limited				
23	Melati Asia Holdings Limited	Cayman Island	Investment holding	51	51
	Kwasa Australia Trust				
24	Everest Property Trust	Australia	Trust company	80	80
25	Gotham Trust	Australia	Trust company	70	70
	Symphony Insight Sdn Bhd				
	Ivory Insight Sdn Bhd				
26	Epsilon1 Tokutei Mokuteki Kaisha	Japan	Investment holding	80	80
27	Epsilon2 Tokutei Mokuteki Kaisha	Japan	Investment holding	80	80
	Pinggiran Ventures Sdn Bhd				
28	Pinggiran Muhibah Sdn Bhd	Malaysia	Infrastructure and utilities	50	50
	Kwasa Logistics Sdn Bhd				
29	VM Andaman Sdn Bhd	Malaysia	Investment holding	50	50
30	Best Kingdom Sdn Bhd #	Malaysia	Investment holding	50	50
	Tanjung Wibawa Sdn Bhd				
31	Paragon Pinnacle Sdn Bhd	Malaysia	Property development	40	40
32	Ecohorizon Sdn Bhd ^	Malaysia	Investment holding	40	-
	Yarra Development Holdings (Australia) Sdn Bhd				
33	Yarra Park City Pty Ltd	Australia	Property development	49	-

^ The company was held in 2017.

^^ Shareholdings in the company was disposed in 2017.

* Shareholdings in the company will be disposed and has been re-classified as asset held for sale as at 31 December 2017.

The above company is in the process of voluntary winding up as at 31 December 2017.

" The company has been re-classified from Investment in Associate to Investment in Joint Ventures in 2017.

EPF PROPERTIES IN MALAYSIA

No	Location	Freehold Land		Leasehold Land		Nett Book Value of Land (RM)	Nett Book Value of Buildings (RM)
		Acreage	Square Feet	Acreage	Square Feet		
1.	Federal Territory						
	a. Kuala Lumpur	14.34	624,687.80	3.53	153,766.80	61,032,443.66	495,646,701.23
	b. Labuan	-	-	0.59	25,700.40	2,185,965.14	4,028,328.00
	c. Putrajaya	-	-	-	-	-	-
2.	Selangor	15.09	657,378.00	32.86	2,649,079.62	3,298,287.04	499,470,624.82
3.	Perlis	-	-	1.01	43,995.60	4,505,090.43	8,743,895.53
4.	Perak	-	-	1.45	63,457.60	1,845,778.29	23,812,357.35
5.	Pulau Pinang	0.74	32,397.00	6.66	290,002.10	16,655,326.77	101,552,060.65
6.	Kedah	-	-	-	-	-	-
7.	Johor	0.18	7,804.00	1.51	65,908.80	9,260,732.00	50,500,747.18
8.	Melaka	-	-	2.11	91,911.60	2,007,262.92	6,590,648.18
9.	Negeri Sembilan	0.12	5,295.00	5.51	239,979.97	6,434,569.25	50,583,889.92
10.	Terengganu	0.18	8,000.00	2.90	126,324.00	2,426,952.49	13,797,217.49
11.	Kelantan	0.19	8,400.00	-	-	-	10,559,812.13
12.	Pahang	-	-	1.15	54,181.39	8,133,587.12	14,547,094.10
13.	Sabah	-	-	6.77	298,387.60	10,473,220.07	40,050,031.97
14.	Sarawak	-	-	0.65	28,267.40	23,909.23	16,960,580.17
	Grand Total	30.84	1,343,961.80	66.70	4,130,962.88	128,283,124.41	1,336,843,988.72

GLOSSARY

MEMBER

An EPF member according to the EPF Act is an individual who has an account and savings with the EPF. Members comprise private and non-pensionable public sector employees, and those who have opted to contribute.

ACCOUNT 1

70 per cent of a member's savings, which is dedicated specifically for retirement.

ACCOUNT 2

30 per cent of a member's savings which can be utilised for pre-retirement withdrawals to enhance retirement well-being.

STRATEGIC ASSET ALLOCATION (SAA)

The primary goal of the EPF's Strategic Asset Allocation is to create an asset mix that will provide optimal balance between expected risk and return for long-term investments.

CONTRIBUTION

Contribution is the amount of money paid into a member's EPF account every month based on the monthly salary of the employee. EPF contributions are made by both employees and employers (on behalf of their employees).

DIVIDEND

Dividend is the return to members' savings from investment activities. The dividend for every member's account is calculated based on an aggregate daily balance.

i-Akaun

i-Akaun refers to a member's or employer's EPF online account.

SOCIAL SECURITY

Social Security refers to the government's programmes to promote the welfare of the population, ensuring adequate resources such as food and shelter, while promoting the health and well-being of everyone, including children, the elderly, sick and unemployed.

EMPLOYER

An employer is a person or party who employs an employee to work under a contract of service or apprenticeship. Employers include:

- Managers, agents or any persons responsible for the payment of wages to an employee;
- Any group of persons, whether statutory or non-statutory or incorporated; and
- The government and any government department, statutory body, local authority or other body as specified in the Second Schedule of the EPF Act 1991.

EMPLOYEE

An employee is a person employed by an employer under a contract of service or apprenticeship.

PRE-RETIREMENT WITHDRAWALS

Pre-Retirement Withdrawals have been approved by the EPF to allow members to take out a certain amount from their savings prior to the retirement age. The savings can be withdrawn from Account 2 for Housing Withdrawal, Education Withdrawal, Medical Withdrawal, Age 50 Years Withdrawal, Withdrawal of Savings of more than RM 1 Million and Hajj Withdrawal. This is to help them prepare for retirement.

RETIREMENT WITHDRAWAL

Retirement Withdrawals allow members to withdraw all of their savings upon reaching age, or upon death, incapacitation or leaving the country. Pensionable employees or those opting for retirement can also make retirement withdrawals. Retirement withdrawals at age 55 or 60, members can opt to be paid either in lump-sum, in monthly instalments, in a partial sum, through annual dividends, or a combination of monthly, partial and annual dividends.

GLOSSARY

NOMINATION

A nomination is a written declaration in Form KWSP 4 to elect/nominate one or more individuals to be beneficiaries (for non-Muslim members) or executors/administrators (for Muslim members) of members' EPF savings upon their death.

FINANCIAL PLANNING

Financial planning is an ongoing process to help individuals make sensible decisions about money with the ultimate objective of achieving long-term goals.

RETIREMENT PLANNING

Retirement planning is the process of determining retirement income goals and the actions necessary to achieve those goals. It includes identifying sources of income, estimating expenses, implementing a savings programme and managing assets. Future cash flows are estimated to determine if the retirement income goal can be achieved.

RETURN ON INVESTMENT (ROI)

Return on Investment (ROI) is the ratio of realised income gained or lost against the average fund size (at cost) for the year.

BASIC SAVINGS

Basic savings refers to the minimum amount of savings in Account 1 that a member should have upon reaching age 55, as determined by the EPF. As of 1 January 2017, the basic savings quantum has been set at RM228,000, which is equivalent to a monthly retirement income of RM950 for 20 (240 months) years from age 55 to 75.

WAGES

Wages are all monetary remuneration due to an employee under his/her contract of service or apprenticeship, whether it was agreed to be paid monthly, weekly, daily or otherwise.

MULTI-PILLAR PENSION FRAMEWORK

The World Bank advocates a multi-pillar pension framework, envisaging retirement income from at least five sources (or pillars) to ensure a comfortable retirement. The sources or pillars are:

- i) means-tested social assistance for poor elderly or retirees;
- ii) basic monthly income provided by the government;
- iii) retirement income from mandatory savings;
- iv) retirement income from voluntary savings; and
- v) informal financial and non-financial support such as the healthcare system, having a home as shelter, as well as financial support and non-financial support from family members.

RETIREMENT ADVISORY SERVICE (RAS)

The EPF began providing free retirement advisory services (RAS) for members at selected EPF offices. This includes providing information on the EPF's services in general, options on retirement savings, and tips on how to create a retirement plan and boost retirement savings to achieve a reasonable level of comfort during golden years.

www.kwsp.gov.my