



A member of the OCBC Group

# LIVING GREAT CELEBRATING LIFE

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD  
ANNUAL REPORT 2017

# LIVING GREAT CELEBRATING LIFE

At Great Eastern, we have made it our LIFE company purpose to empower generations of customers to live healthier and better so that they can live life to the fullest.

The motif applied across this year's report symbolises our multi-faceted value-added customer offerings. From our comprehensive suite of insurance and financial solutions to our innovative LIVE GREAT Programme, we are committed to delivering our best to our customers and the community. Be it celebrating life's simple moments or commemorating life's major milestones, every day, in many ways, we inspire those around us to live great and celebrate life.

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## WHO WE ARE

We are a LIFE company.

## WHAT WE BELIEVE IN

Our customers are at the heart of all that we do.

## WHAT WE DO

Inspiring people to LIVE GREAT.

## VISION

To be the leading financial service provider in Asia, recognised for our excellence.

## MISSION

To make life great by providing financial security, and promoting good health and meaningful relationships.

## CORE VALUES

INTEGRITY • INITIATIVE • INVOLVEMENT

## ETHOS

Great Eastern is always acting in the best interests of our customers with Fair Dealing as the basis of our business.

## KEY FIGURES

### PERFORMANCE HIGHLIGHTS FY2017

**RM792.6**  
**MILLION**

PROFIT ATTRIBUTABLE  
TO SHAREHOLDERS

**RM7,615.4**  
**MILLION**

GROSS PREMIUMS

**RM79,577.3**  
**MILLION**

Total assets

**RM2,129.2**  
**MILLION**

Shareholders fund

**RM7.93**

Distribution per share

**RM4,505.0**  
**MILLION**

Investment income and capital gain



**OPTIMISING  
POTENTIAL**

**ENHANCING  
SYNERGIES**

At Great Eastern, we strive to bring out the best in our people. We believe in nurturing an engaging environment that fosters effective synergy, helping our people grow with the company and realise their fullest potential.





# REWARDING WELLNESS

# ENRICHING LIVES

We are a LIFE company committed to enriching lives by helping our customers and the community achieve their financial and wellness goals. From providing innovative financial solutions to empowering and rewarding them to live healthier and better, we have made it our purpose to champion living life to the fullest.





GREAT EASTERN VIPER CHALLENGE CYBERJAYA

**START**



# REACHING OUT

# EMPOWERING COMMUNITIES

We believe in making a positive difference in the communities we work in and adding value to the lives around us. Through our corporate and community initiatives, we strive to inspire others to go the extra mile for the good and betterment of society.







GREAT EASTERN LIFE  
**CHILDCARE**  
EDUCATION • HEALTH • DEVELOPMENT

# GREAT IS INSPIRING POSSIBILITIES

Not e  
or ha  
Great  
help  
ta  
discovering to  
Education



## LETTER FROM THE CHAIRMAN AND CEO



**Norman Ka Cheung Ip**  
Chairman

**Y Bhg Dato Koh Yaw Hui**  
Chief Executive Officer

**“ At Great Eastern, our customers are at the heart of everything we do. We created more compelling value propositions for them, by harnessing customer information, through the use of data analytics to develop innovative products that were customised and hence more responsive to their needs. ”**

Dear Shareholders,

We are pleased to report that as a result of our strategy to shift our focus to non-participating and investment linked products, our Malaysian operations registered good results in 2017. New business embedded value rose by 39%, while our net profit after tax rose by 2.8% to RM792.6 million. We also grew our asset size to RM79.6 billion, from RM72.9 billion.

Our disciplined execution of this business strategy, our strong business model and focus on building a sustainable long-term business helped us to continue the good growth momentum, which in turn allowed us to maintain our market leadership position in the conventional Life insurance business.

Guided by our core values and unwavering commitment to our customers, we leveraged our brand equity, financial strength, multiple distribution channels and high performing workforce to achieve the success we currently enjoy.

We remain committed to enhancing shareholder value. To this end, the Board has recommended a second and final single tier dividend of RM4.25 per ordinary share. Total dividends for the financial year 2017 would amount to RM5.50 per ordinary share, including the interim single tier dividend of RM1.25 per ordinary share paid in September 2017.

#### **ENHANCING OUR CUSTOMER PROPOSITION**

At Great Eastern, our customers are at the heart of everything we do. We created more compelling value propositions for them, by harnessing customer information, through the use of data analytics to develop innovative products that were customised and hence more responsive to their needs.

To help customers better manage the increasing cost of private healthcare, we removed the lifetime limit for our best-selling medical plan, Smart Medic Xtra. Additionally, we introduced a comprehensive and affordable medical plan, Great Medic Xtra and Great Extender, to allow more customers access to medical protection.



**RM792.6  
MILLION**  
**PROFIT  
ATTRIBUTABLE TO  
SHAREHOLDERS**

To give our customers greater financial protection and the ability to leave their beneficiaries a substantial legacy, we launched Smart Legacy, an affordable investment-linked plan with coverage from RM500,000.

For the senior market, we offered Great Cherish 80, which provides life protection with no medical underwriting requirement and money back upon maturity. We also introduced Great Flexi Wealth, a savings plan with easy enrolment, to help customers grow their wealth in the medium to long term.

#### **STRENGTHENING OUR CUSTOMER ENGAGEMENT**

We continued to promote the importance of living healthier and better through our LIVE GREAT Programme. Leveraging events under the LIVE GREAT banner, we deepened our engagement with key market segments to strengthen brand affinity, improve brand recall and increase brand loyalty.

The Great Eastern LIVE GREAT Run 2017 enthused the 13,000 participants of all ages to run the extra mile for health. In addition to the 12km route, it featured a new 5km Triple Fun Run with three zones that showered runners with foam, water and colour powder, which further enhanced the experience.

## LETTER FROM THE CHAIRMAN AND CEO

The Great Eastern Viper Challenge 2017 kicked off its inaugural event in Penang, attracting some 11,000 participants. Subsequent legs were held in Genting and Shah Alam, culminating in a final event in Cyberjaya. All in all, over 40,000 competitors pitted their strength and endurance in one of Asia's most gruelling obstacle events.

We partnered The Star for the sixth consecutive year, as the main sponsor of the FitForLife health fairs in Kuala Lumpur and Penang. Drawing a 70,000 turnout, the twin events amplified our LIVE GREAT theme as visitors were immersed in the experience of the message.

We further extended our brand presence with our exclusive sponsorship of Asia's Got Talent Season 2. The popular talent show provided a platform to meaningfully engage Malaysians, as we inspired them to strive for their dreams through a series of contests held in various major cities.

### **LEVERAGING AND STRENGTHENING OUR DIGITAL CAPABILITIES**

We have expanded our digital capabilities significantly to improve productivity, increase operational efficiency and tap new business opportunities. Centred on elevating customer experience to a new level, our digital strategy is also helping us meet new metrics in Bank Negara Malaysia's (BNM) LIFE Framework Balanced Scorecard.

To enhance the professional standards of our agents and better align their service levels with the scorecard guidelines, we developed a new mobile point of sales (MPOS) platform that provides a seamless end-to-end user experience – from managing customer profiles, conducting fact finding, generating sales illustrations, to submitting insurance proposals.

We were the first insurance company in Malaysia to provide customers with the convenience of an e-payment gateway through our collaboration with OCBC Bank for mobile point-of-sales applications. Over 600 MPOS training programmes will be conducted throughout 2018 to fulfil our 100% conversion target by early 2019.

In support of BNM's drive towards electronic payments, we added another premium payment collection channel via JomPAY, which benefitted our customers.

We also upgraded our e-Connect portal to provide customers an integrated view of their insurance portfolio and the ability to perform selected online transactions.

### **BOOSTING OUR DISTRIBUTION CAPABILITIES**

Our agency force remains our main distribution channel, contributing more than 90% to new business sales annually. We maintained our focus on elevating agency productivity and professionalism, while striving for service excellence, which is the foundation of our success.

At the Great Eastern Supremacy Summit 2017, we recognised a record 2,903 achievers, including 166 Million Dollar Round Table qualifiers, for their exceptional performance. We also marked the 10th graduation ceremony of our Life Planning Advisor Programme, with the largest number of graduates since its inception. More than 3,153 agents have enhanced their professional standards and acquired competencies for building successful advisory relationships through the programme.

Our bancassurance partnership with OCBC Bank continued to register good results. The strong performance was driven by the bank's goal-based advisory initiative, as well as our enhancement of the product suite for the Bank's customers, which enabled us to offer more compelling propositions to their customers.

**“ We have expanded our digital capabilities significantly to improve productivity, increase operational efficiency and tap new business opportunities. Centred on elevating customer experience to a new level, our digital strategy is also helping us meet new metrics in Bank Negara Malaysia’s (BNM) LIFE Framework Balanced Scorecard. ”**

### **RESPONDING TO REGULATORY CHANGES**

During the year, BNM introduced changes to Malaysia’s financial regulatory landscape, as part of its efforts to better protect consumers. We recognise the positive impact these developments will have on the industry in the long term and support efforts to uphold high standards of professionalism and transparency with responsible corporate practices.

To improve the accessibility of insurance products and address the growing segment of technology-savvy and self-directed consumers, BNM issued Guidelines on Direct Distribution Channels for Pure Protection Products. In response, we have offered a protection term product over the counter and on our online platform. We will also be offering pure protection critical illness and medical products via our online platform in 2018.

To provide greater flexibility for the management of operating expenses and to encourage innovation and competition under the LIFE Framework, BNM issued Guidelines on Operating Cost Controls for Life Insurance and Family Takaful Business for gradual deregulation of operating cost control limits. A Steering Committee, comprising key members of our senior management team, has been formed to oversee the implementation and ensure compliance with the LIFE Framework stipulations.

BNM further issued two regulations to protect customer data and secure sensitive data in removable storage devices. We are putting in place enhanced procedures to meet the new requirements.

The Companies Act 2016, which promotes enhanced corporate accountability and a more dynamic business environment, came into force on 31 January 2017. We have completed a company-wide initiative to review relevant policies and procedures to ensure compliance with the requirements.

In May 2017, a new accounting standard, IFRS 17, was issued. From 1 January 2021, it will replace IFRS 4 on accounting for insurance contracts. This standard significantly changes the way insurers recognise revenue, measure the value of insurance contracts and present financial statements, including disclosures. We are at the planning phase for the project.

Additionally, we have adopted FRS 109 on Financial Instruments with effect from 1 January 2018 and successfully implemented systems and measures required by the new accounting standard.

### **NURTURING OUR TALENT**

Our people strategy is focused on developing leadership and organisational effectiveness, while championing performance and employee engagement. Guided by our core values, we continued our efforts to create an environment that empowers our people and allows them to succeed.

To build a high-performing workforce and cultivate a forward-thinking culture, we implemented the Great Eastern Career Framework, a structured and targeted learning programme, to enable employees to manage their own career paths.

Since 1998, we have supported deserving, talented, young Malaysians in their pursuit of scholastic and career excellence through our Great Eastern Supremacy Scholarship Award programme. To date, we have awarded more than RM12 million to 170 recipients. Scholarships worth RM835,000 were given out in 2017.

## LETTER FROM THE CHAIRMAN AND CEO

In recognition of our commitment to being an employer of choice, we were selected as the 'Most Popular Graduate Employer in Insurance' for the eighth time among Malaysia's 100 Leading Graduate Employers. We were also honoured with the award for HR Asia's Best Employers to Work for in Asia for the second consecutive year.

Our continued high level of employee engagement earned us the Aon Best Employers Malaysia award for Commitment to Leadership for the second consecutive year. Additionally, we were named the Silver Winner for Best Candidate Experience and Best On-boarding Experience at the Human Resources Asia Recruitment Awards 2017 for our talent acquisition initiatives.

### CONTRIBUTING TO OUR COMMUNITY

We are committed to responsible corporate citizenship and making a positive difference within the community. One of our key CSR programmes is ChildrenCare, which supports underprivileged children in Malaysia. Since its inception 22 years ago, we have donated over RM2.4 million to more than 180 children's charities.

Through ChildrenCare, we initiated Program Aspirasi Gemilang 'A' with the support of Jabatan Kebajikan Masyarakat (JKM) in 2013. The programme motivates underprivileged students to do their best academically by offering a cash incentive for every 'A' they achieve in the national examinations. Since its inception, we have awarded close to RM60,000 to 312 children for their outstanding results.

We organised two VEX Educational Robotics Workshops for 210 children from JKM-registered homes and introduced them to the concepts of designing, building and programming robots using VEX Robotics, an educational curriculum developed by Carnegie Mellon Robotics Academy.

In conjunction with our 109th anniversary, we sponsored 109 underprivileged children to participate in our ChildrenCare Environment Workshop, with the aim of sparking their interest in science and care for our ecosystem.

We also supported Karnival Kewangan Kuching, a BNM initiative to educate Malaysians, including our ChildrenCare beneficiaries, in managing their finances more effectively.

### ACCOLADES

Our commitment to corporate sustainability and corporate responsibility won us the prestigious Global Responsible Business Leadership Award in Insurance Excellence from the Asia Pacific CSR Council and United Nations Global Compact.

In addition, we were voted one of Malaysia's most trusted and favourite brands by consumers and earned the Reader's Digest Trusted Brand Gold Award in Life Insurance for the 14th consecutive year.

Further accolades included the BrandLaureate Best Performing Brand of the Year 2016 - 2017 and BrandLaureate Industry Champion Brand ICON Award 2017 for consistently delivering good performance and championing the insurance industry respectively.

## OUTLOOK

Global synchronised growth is expected to continue in 2018, as central banks around the world take steps to normalise monetary policy. We expect economic growth in the US to remain positive, with improvements in the job market and corporate profitability. The Federal Reserve has embarked on a gradual path to increase interest rates. A similar economic expansion is underway in Europe and Asia.

We remain cautiously optimistic and will continue to be vigilant in managing our market exposures and costs, as we further strengthen our business model and seek new ways to enhance our service level and customer propositions.

We remain positive on the long-term prospects for our business and expect our growth momentum to be sustained, as our fundamentals and the demand for insurance in Malaysia remain strong. We will continue to expand our distribution capabilities, optimise our bancassurance partnership with OCBC Bank, and accelerate our digitalisation efforts to grow our business and better serve our customers.

We are pleased to welcome Mr Koh Poh Tiong, who joined the Board as an Independent Director on 1 October 2017. Mr Koh brings with him a wealth of experience and expertise, and we look forward to his active participation on the Board.

We would like to express our sincere gratitude to BNM, Great Eastern Holdings Limited and OCBC Bank for their valued support, the Board of Directors and Management Team for their astute guidance, as well as our employees and agency force for their dedication and hard work. Our heartfelt appreciation also goes to our customers and shareholders for their confidence and trust in us.

As we celebrate our 110th anniversary this year, we reaffirm our commitment to deliver long-term sustainable value to our shareholders and to take Great Eastern to the next level of growth. We are confident our well-established brand, strong financial position, large customer base and experienced team will stand us in good stead for continued success.



**NORMAN KA CHEUNG IP**  
Chairman



**DATO KOH YAW HUI**  
Chief Executive Officer

## BOARD OF DIRECTORS



### MR NORMAN KA CHEUNG IP

Chairman

Mr Ip was appointed to the Board of Directors (“Board”) of Great Eastern Life Assurance (Malaysia) Berhad (the “Company”) on 8 August 2014 as an Independent Director and Chairman of the Board. He was re-elected as the Company Director on 6 April 2016. He is also the Chairman of Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad) as well as a Director of Great Eastern Takaful Berhad.

Mr Ip is the Chairman of WBL Corporation Limited and also serves as a Director in AIMS AMP Capital Industrial REIT Management Limited. He is the Deputy Chairman of Building and Construction Authority. He was previously Chairman of Malaysia Smelting Corporation Berhad (until 1 July 2014) and a Director of United Engineers Limited (until 18 October 2017) and Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange (until 22 June 2011). He retired as the President and Group CEO and ED of The Straits Trading Company Limited group of companies on 31 October 2009.

Mr Ip graduated with a BSc (Econs) from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Certified Public Accountants of Singapore.



### MR TAN YAM PIN

Mr Tan was appointed to the Company’s Board on 3 January 2017 as an Independent Director.

Mr Tan is also a Director of Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad), Great Eastern Holdings Limited, Keppel Land Limited and Lee Kuan Yew Scholarship Fund. He has been a Member of the Singapore Public Service Commission since 1990 and is currently holding the position of Deputy Chairman.

Mr Tan holds a Bachelor of Arts (Hons) from the University of Singapore and a Master of Business Administration from the University of British Columbia, Canada. He is a Fellow of the Canadian Institute of Chartered Accountants, Canada.





## MR KOH POH TIONG

Mr Koh was appointed to the Company's Board on 1 October 2017 as an Independent Director. He is also a Director of Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad).

Mr Koh is currently the Chairman of Bukit Sembawang Estates Limited, National Kidney Foundation, Singapore Kindness Movement, Times Publishing Limited and Yunnan Yulinquan Liquor Co Ltd. He also serves as a Director in several companies, including Delfi Limited, Fraser and Neave Limited, Raffles Medical Group Limited and SATS Ltd. Mr Koh previously served as Chief Executive Officer of Asia Pacific Breweries Limited and Fraser and Neave Limited's Food & Beverage Division for 15 years and 3 years respectively.

Mr Koh holds a Bachelor of Science from the University of Singapore.



## MR KHOR HOCK SENG

Mr Khor was appointed to the Company's Board on 1 March 2016 as a Non-Independent Non-Executive Director. He was redesignated as an Executive Director on 3 August 2016. Mr Khor is also a Director of Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad) and Great Eastern Takaful Berhad.

Mr Khor presently sits on the Board of several companies within the Great Eastern Group in Singapore and Malaysia.

Mr Khor holds a Bachelor of Arts with a major in Actuarial Science and Statistics from Macquarie University, Australia and a Certificate of Actuarial Techniques from the London Institute of Actuaries.

## BOARD OF DIRECTORS



### YBHG. DATUK KAMARUDDIN BIN TAIB

YBhg. Datuk Kamaruddin Taib was appointed to the Company's Board on 1 March 2010 as an Independent Director and he was re-elected as the Company Director on 25 March 2015. He is also the Chairman of Great Eastern Takaful Berhad and a Director of Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad).

YBhg. Datuk Kamaruddin is currently the Independent Chairman of GHL Systems Berhad and HSBC Amanah Malaysia Berhad. He also serves as a Director in several companies, namely FIDE Forum, BFC Exchange Malaysia Sdn Bhd, DNV GL Malaysia Sdn Bhd, Maksud Sdn Bhd and Harta Maksud Sdn Bhd as well as an Executive Committee Member of the Malaysian Oil & Gas Service Council. He is well experienced in merchant banking, corporate finance and mergers & acquisition. Apart from the experience serving on the board of companies listed on Bursa Malaysia, his experiences include serving on the board of companies listed on the Stock Exchange of India as well as on the NASDAQ (USA).

YBhg. Datuk Kamaruddin holds a Bachelor of Science Degree in Mathematics from the University of Salford, UK.

### YBHG. DATO' ALBERT YEOH BEOW TIT

YBhg. Dato' Albert Yeoh was appointed to the Company's Board on 31 January 2002. He became an Independent Director on 1 August 2010 and was last re-elected as the Company Director on 13 April 2017. He was redesignated as a Non-Independent Non-Executive Director on 21 March 2016. He is also a Director of Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad) since 2002.

YBhg. Dato' Albert Yeoh is currently a Director in several companies, namely Cagamas MBS Berhad, Cagamas SRP Berhad, Alliance Investment Bank Berhad and Danajamin Nasional Berhad. Dato' Albert Yeoh was a Director of Corporate Banking Group for Citibank Berhad before joining OCBC Bank (Malaysia) Berhad in March 1996. He held various senior management positions within the OCBC Group, including the Chief Executive Officer of OCBC Bank (Malaysia) Berhad, a position which he held until his retirement on 31 July 2008.

YBhg. Dato' Albert Yeoh holds a Bachelor of Economics (Double Major in Economics and Operations Research) from Monash University, Australia and a Master of Science in Management from University of Salford, England. He was conferred Fellow to the Institute of Bankers Malaysia by the Governor of Bank Negara Malaysia in April 2002.



### MR NG HON SOON

Mr Ng was appointed to the Company's Board on 1 November 2014 as an Independent Director. He was re-elected as the Company Director on 13 April 2017. He is also a Director of Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad).

Mr Ng is currently a Director in several companies, namely Pac Lease Berhad, RAM Rating Services Berhad, and OCBC Al-Amin Bank Berhad. He was previously attached to Bank Negara Malaysia from 1984 to 1994 before joining Nomura Services (M) Sdn Bhd. He joined Pacific Bank Berhad (renamed PacificMas Berhad) in 1995 and later assumed the position of General Manager of PacificMas Berhad in 2001. He was seconded to Pacific Insurance Berhad as its CEO in November 2002 and was appointed CEO of PacificMas Berhad in 2004, a post he held until October 2012.

Mr Ng holds a Bachelor of Applied Science (Computer Technology) from Universiti Sains Malaysia and Masters in Public Administration from Harvard University, USA.



### MDM TAN FONG SANG

Mdm Tan was appointed to the Company's Board on 10 March 2017 as an Independent Director. She is also a Director of Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad).

Mdm Tan is currently a Director of Crystal Coast Sdn Bhd. She was previously a Director in several subsidiaries of Oversea-Chinese Banking Corporation Limited ("OCBC"), namely e2 Power Sdn Bhd, OCBC Credit Berhad, OCBC Capital (Malaysia) Sdn Bhd and OCBC Advisers (M) Sdn Bhd. She held various executive positions in the OCBC Bank (Malaysia) Berhad, including the Chief Financial Officer, a position which she held until her retirement in 2012.

Mdm Tan holds a Bachelor of Accounting from the National University of Malaysia. She is a Chartered Accountant registered with the Malaysian Institute of Accountants.

## SENIOR MANAGEMENT TEAM



Standing from left:

CHAN CHEE WEI (*Senior Vice President and Head, Bancassurance*),  
LESLIE CHOW KHEE LEONG (*Executive Vice President and Head, Employee Benefits*),  
SONG HOCK WAN (*Chief Distribution Officer*), FOONG CHEE KWAN (*Vice President and Head, Affinity*)

Seated from left:

CHEONG SOO CHING (*Chief Risk Officer*), Y BHG DATO KOH YAW HUI (*Chief Executive Officer*),  
LIZA HANIM BINTI ZAINAL ABIDIN (*Senior Vice President and Company Secretary, Company Secretariat and Legal*)



Standing from left:

NICHOLAS KUA CHOO MING (*Chief Marketing Officer*),  
LOKE CHANG YUEH (*Appointed Actuary*), RICHARD LIN KWOK WING (*Chief Investment Officer*),  
VINCENT CHIN KOK LEAN (*Senior Vice President and Head, Information Technology*),  
DENNIS TAN KOH TIONG (*Senior Vice President and Head, Human Capital*)

Seated from left:

JEFFREY YEM VOON CHEAT (*Chief Operations Officer*),  
AUDRA CHUNG KIT LI (*Chief Internal Auditor*)

# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

Mr Norman Ka Cheung Ip (Chairman)  
Mr Tan Yam Pin  
Mr Koh Poh Tiong  
Mr Khor Hock Seng  
Y Bhg Datuk Kamaruddin Bin Taib  
Y Bhg Dato' Albert Yeoh Beow Tit  
Mr Ng Hon Soon  
Mdm Tan Fong Sang

## **BOARD AUDIT COMMITTEE**

Y Bhg Datuk Kamaruddin Bin Taib  
(Chairman)  
Y Bhg Dato' Albert Yeoh Beow Tit  
Mdm Tan Fong Sang

## **BOARD NOMINATIONS AND REMUNERATION COMMITTEE**

Mr Tan Yam Pin (Chairman)  
Mr Norman Ka Cheung Ip  
Y Bhg Datuk Kamaruddin Bin Taib  
Y Bhg Dato' Albert Yeoh Beow Tit  
Mr Ng Hon Soon

## **BOARD RISK MANAGEMENT COMMITTEE**

Mr Ng Hon Soon (Chairman)  
Y Bhg Dato' Albert Yeoh Beow Tit  
Mdm Tan Fong Sang

## **CHIEF EXECUTIVE OFFICER**

Y Bhg Dato Koh Yaw Hui

## **APPOINTED ACTUARY**

Loke Chang Yueh

## **COMPANY SECRETARY**

Liza Hanim Binti Zainal Abidin

## **REGISTERED OFFICE**

Level 20, Menara Great Eastern  
303 Jalan Ampang  
50450 Kuala Lumpur

## **AUDITORS**

Messrs Ernst & Young

## **ENGAGEMENT PARTNER**

Yeo Beng Yean

# KEY FUNCTIONAL DIVISIONS

## CUSTOMER ACQUISITION DIVISION

**Song Hock Wan**  
Chief Distribution Officer

**Andy Ng Yen Heng**  
Senior Vice President and Head  
Centre for Excellence, Agency Recruitment  
and Group Synergy

**Susan Tan San San**  
Vice President and Head  
Agency Distribution (Affluent Segment)

**James Pang Shau Hwa**  
Vice President and Head  
Agency Distribution (Emerging Segment)

**Koh Ken Yong**  
Vice President and Head  
Agency Distribution (Mass Segment)

**Eric Soo Hong Kee**  
Vice President and Head  
Business Operations and Planning

**Sean Loo Ping Nam**  
Vice President and Head  
Events and Promotions

## CHIEF MARKETING OFFICER'S OFFICE

**Nicholas Kua Choo Ming**  
Chief Marketing Officer

**Mandy Wong Sook Man**  
Vice President and Head  
Marketing and Customer Management

**Wong Mei Chim**  
Vice President and Head  
Product Management

**Juliet Wong Poh Choo**  
Assistant Vice President and Head  
Brand and Communications

## GROUP INSURANCE

**Leslie Chow Khee Leong**  
Executive Vice President  
and Head  
Employee Benefits

**Foong Chee Kwan**  
Vice President and Head  
Affinity

## BANCASSURANCE

**Chan Chee Wei**  
Senior Vice President  
and Head

**ACTUARIAL**  
**Loke Chang Yueh**  
Appointed Actuary

## COMPANY SECRETARIAT AND LEGAL

**Liza Hanim Binti Zainal Abidin**  
Senior Vice President and Company  
Secretary

**Mazlin Haslinda Mohammed**  
Vice President and Head  
Legal

**Wendy Chin Loong Ying**  
Assistant Vice President  
Company Secretariat

## PROPERTY

**Yip Swee Chang**  
Assistant Vice President

## KEY FUNCTIONAL DIVISIONS

### CHIEF FINANCIAL OFFICER'S OFFICE

**Mah Poon Keong**  
Vice President and Head  
Finance

**Lo Chin Loon**  
Assistant Vice President  
Strategic Planning

**Gan Geok Lai**  
Manager  
Investment Operations

### CHIEF RISK OFFICER'S OFFICE

**Cheong Soo Ching**  
Chief Risk Officer

**Helen Quat Li Huang**  
Assistant Vice President and Head  
Compliance

### HUMAN CAPITAL

**Dennis Tan Koh Tiong**  
Senior Vice President and Head

**Kwon Yen May**  
Assistant Vice President and Head  
Office Services

### INTERNAL AUDIT

**Audra Chung Kit Li**  
Chief Internal Auditor

**INFORMATION  
TECHNOLOGY**  
Vincent Chin Kok Lean  
Senior Vice President  
and Head

### INVESTMENT

**Richard Lin Kwok Wing**  
Chief Investment Officer

**Alexis Jong Kian Wei**  
Senior Vice President  
and Head  
Fixed Income

**Goh Pei Kuan**  
Vice President and Head  
Equity

### CHIEF OPERATIONS OFFICER'S OFFICE

**Jeffrey Yem Voon Cheat**  
Chief Operations Officer

**Dr Ang Tze Yeow**  
Vice President and Head  
HealthCare Services

**Tee Teik Chuang**  
Vice President and Head  
Branch Operations, Policy  
Processing, Customer Service  
and Contact Centre and Group  
Multiple Benefit Scheme Admin

**Kong Siew Choe**  
Vice President and Head  
Operations Support

**Ng Li Yan**  
Vice President and Head  
New Business

**Dr. CM Anne a/p CT Mathews**  
Medical Director and Head  
Life Claims



# 2017 AGENTS' HONOUR ROLL

## CEO'S EXCELLENCE AWARD



From left:

Dato' Gan Ai Ling (*Top Unit Sales Manager*)

Dato' Toh Chun Shiong (*Top Group Sales Manager*)

Ng Sheau Fern (*Top Career Agent*)

Koh Lay Chern (*Top Agent*)

## TOP PRODUCERS



From left:

Dato' Gan Ai Ling (*Top Unit Sales Manager and Top Personal Producer*)

Dato' Toh Chun Shiong (*Top Group Sales Manager*)

Ng Sheau Fern (*Top Career Agent*)

Koh Lay Chern (*Top Agent*)

# 2017 AGENTS' HONOUR ROLL

## TOP 3 GROUP SALES MANAGERS (WHOLE GROUP)

Name	Award
DATO' TOH CHUN SHIONG	Champion
TAN LAY SEONG	1st Runner Up
BENNIE HOO WEI CHUAN	2nd Runner Up

## TOP 3 AGENTS

Name	Award
KOH LAY CHERN	Champion
YIP PUI YEAN	1st Runner Up
ANG CHING YEE	2nd Runner Up

## TOP 3 GROUP SALES MANAGERS (DIRECT GROUP)

Name	Award
DATO' TOH CHUN SHIONG	Champion
DATO' GUI SIEW LUANG	1st Runner Up
BENNIE HOO WEI CHUAN	2nd Runner Up

## MDRT TOP OF THE TABLE

Name	Years
DATO' TOH CHUN SHIONG	18 Q&L
DATO' GAN AI LING	8 Q

## TOP 3 UNIT SALES MANAGERS (GROUP)

Name	Award
DATO' GAN AI LING	Champion
BO CHIN HOONG	1st Runner Up
CHONG YEW CHUNG	2nd Runner Up

## MDRT COURT OF THE TABLE

Name	Years
HENG SHOOU JU	21 Q&L
KIU SIU UNG	21 Q&L
DATO' GUI SIEW LUANG	18 Q&L
DATO' CHEN FOONG LING	16 Q&L
SOH SOON HUAT	6 Q
TEH CHUI ANN	5 Q
YAP YIN ROU	3 Q

## TOP 3 PERSONAL PRODUCERS

Name	Award
DATO' GAN AI LING	Champion
DATO' TOH CHUN SHIONG	1st Runner Up
NG SHEAU FERN	2nd Runner Up

## QUARTER CENTURY CLUB

Name
ROBERT CHEAH BOOY
G SATHEESAN
CHONG MOAN LAM @ CHEONG MOON LAM
V MAHALINGAM

## TOP 3 CAREER AGENTS

Name	Award
NG SHEAU FERN	Champion
WATT SOO KIANG	1st Runner Up
HENG SHOOU JU	2nd Runner Up

## 2017 AGENTS' HONOUR ROLL

### HONOUR ROLL

#### Name

G SATHEESAN  
 ROBERT CHEAH BOOY  
 V MAHALINGAM  
 GAN SING SHOO  
 A UTHAY KUMARAN  
 LAI KOK FUNG  
 CHEAH HAR MOOI  
 HENG SHOOU JU  
 KIU SIU UNG  
 N PARTHIBAN  
 LAW KIM NOI  
 LEE MOI CHIN  
 CHENG WAN LENG  
 DATO' GUI SIEW LUANG  
 DATO' TOH CHUN SHIONG  
 TANG YET KIEW  
 FOO KWAI KHENG  
 KHO SIANG KIT  
 LIEW SIEW YUN  
 LIM CHIN HONG  
 PUA LIAN KENG  
 DATO' CHEN FOONG LING  
 CHONG CHING SHON  
 LAW SUOK UNG  
 DATO' K SELVA KUMAR  
 TAN CHOO MENG  
 BENNIE HOO WEI CHUAN  
 GAN CHOON WAH  
 LIM LAY HEONG  
 YU SIONG CHOO

### MDRT QUALIFYING & LIFE MEMBERS

#### Name

#### Years

V MAHALINGAM 26  
 A UTHAY KUMARAN 24  
 LAW KIM NOI 23  
 CHEAH HAR MOOI 22  
 LEE MOI CHIN 21  
 N PARTHIBAN 21  
 YU SIONG CHOO 19  
 CHENG WAN LENG 18  
 FOO KWAI KHENG 17  
 KHO SIANG KIT 17  
 LIEW SIEW YUN 17  
 PUA LIAN KENG 17  
 TAN CHOO MENG 17  
 CHONG CHING SHON 16  
 DATO' K SELVA KUMAR 16  
 LAW SUOK UNG 16  
 BENNIE HOO WEI CHUAN 15  
 DATO' CHAN MON CHI 15  
 GAN CHOON WAH 15  
 LIM LAY HEONG 15  
 AW AY FONG 14  
 CHEN LAI LI 14  
 KONG KAH LUN 14  
 WONG CHEN SEONG 13  
 LO NYOK MOOI 12  
 SIAH LEE HUAT 12  
 TAN HUI HUANG 11  
 TIEW WAY CHIN 11  
 CHEW CHAI WANT 10  
 CHIA SIEW PIO 10  
 GOON MEI LEAN 10  
 WONG MOOI FONG 10

## MDRT LIFE MEMBERS

Name	Years
ROBERT CHEAH BOOY	35
G SATHEESAN	33
CHONG MOAN LAM @ CHEONG MOON LAM	27
GAN SING SHOO	24
LAI KOK FUNG	23
YAP MEE LEN	21
CHEONG KIM CHEE	20
TANG YET KIEW	20
DATIN TAN PO MOI	19
TAN KIM KOK	19
PHANG BOON CHAI	18
TAN LAY SEONG	18
KOH KER LIK	16
LIM CHIN HONG	16
CHEH YOKE LENG	15
NG YOKE HWA	15
CHONG PUI KIM	13
K R RAJU	13
OO HUEI YING	12
R GAJAINDAREN	11
NGO LIANG CHIAU	11

\* The above is subjected to their application and official acceptance by MDRT 2018 - names printed are based on Company's Life Production record only.

\* Information is accurate at time of printing.

# CALENDAR OF EVENTS



## JANUARY

- 2017 Central Region Head Start at Genting International Convention Centre (GICC)
- ChildrenCare Christmas Cheers 2016 – Donated gift vouchers worth RM12,500 to five underprivileged children's homes under JKM
- Karnival Kewangan Malaysia – Sponsored 30 underprivileged children from two homes under JKM for an educational trip on financial savings and basic investment tips

## FEBRUARY

- Chinese New Year celebration during Townhall
- GELM and the agency force celebrated Chinese New Year with the Chinese New Year Prosperity Dip held at Centre for Excellence, Menara Great Eastern



### MARCH

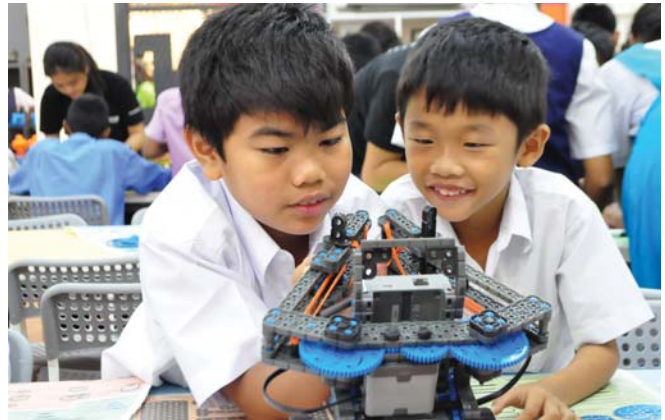
- 2016 Great Eastern Supremacy Summit held at Genting International Convention Centre (GICC)
- GELM held the inaugural edition of the Great Eastern Viper Challenge Penang at Stadium Batu Kawan, which attracted 10,000 participants
- GELM won the Global Responsible Business Leadership Awards – Insurance Excellence by the Asia Pacific CSR Council and United Nations Global Compact (UNGC)
- GELM won the Human Resources Asia Recruitment Award 2017 – Silver Winner for Best Candidate Experience and Best On-Boarding Experience
- ChildrenCare VEX Educational Robotics Workshop (2nd Series) – Sponsored 105 underprivileged children to a half-day robotics workshop to learn how to design, build and programme robots



### APRIL

- The three-day FitForLife Fair, held in Kuala Lumpur for the 6th consecutive year, attracted 60,000 visitors
- GELM won the Reader's Digest Trusted Brand Gold Award for the 14th consecutive year

## CALENDAR OF EVENTS



### MAY

- Life Planning Advisors 2016 Graduation – 403 members graduated from the Class of 2016, making a total of 3,153 LPA graduates to date
- GELM won the Best Performing Brand of the Year 2016-2017 (Insurance) at The BrandLaureate Best Brands Awards

### JUNE

- ChildrenCare VEX Educational Robotics Workshop (3rd Series) – Sponsored 105 underprivileged children to a half-day robotics workshop to learn how to design, build and programme robots
- ChildrenCare contributed a total of RM25,000 to 11 children's homes under JKM to celebrate Hari Raya Aidilfitri





**JULY**

- GELM organised Great Eastern Viper Challenge Genting for the second year and attracted 10,000 participants
- Hari Raya Aidilfitri celebration during Townhall
- GELM launched Great Term Direct, an affordable protection plan that provides essential coverage till the age of 80 years next birthday with death benefit

**AUGUST**

- ChildrenCare conducted the Let's Score 'A' Workshop (PT3) for 73 underprivileged children
- GELM celebrated its 109th Anniversary
- GELM awarded scholarships worth RM835,000 to 13 deserving students through the Great Eastern Supremacy Scholarship Award
- GELM won the Aon Best Employer Award for Commitment to Effective Leadership for two consecutive years
- GELM won The BrandLaureate Industry Champion Brand ICON Awards 2017
- Overseas Assurance Corporation (Malaysia) Berhad (OACM) was rebranded to Great Eastern General Insurance (Malaysia) Berhad (GEGM)

## CALENDAR OF EVENTS



### SEPTEMBER

- ChildrenCare Environmental Workshop – In conjunction with GELM 109th anniversary, 109 underprivileged children were sponsored to attend the half-day workshop on the importance of the ecosystem and terrarium-making
- ChildrenCare conducted the Let's Score 'A' Workshop (SPM) for 96 underprivileged children
- LIAM Nationwide Blood Donation Campaign held in branches attracted more than 1,200 donors for the campaign
- GELM held Great Eastern Viper Challenge Shah Alam at Stadium Shah Alam and attracted 10,000 participants

### OCTOBER

- Great Eastern Life Annual Dinner and Dance, themed 'Secret Garden', held in Grand Lagoon Ballroom, Sunway Resort Hotel & Spa
- Great Eastern Live Great Run 2017 held at Merdeka Square, Kuala Lumpur attracted over 13,000 participants
- GELM awarded HR Asia Best Companies to Work for in Asia 2017 for two consecutive years by Business Media International
- GELM launched Smart Legacy, a regular premium investment-linked insurance plan that gives access to professionally-managed unit funds and booster reward if all premiums due are paid up to date



## NOVEMBER

- FitForLife health and wellness fair held in Penang for the third time
- ChildrenCare Deepavali Donation – Donated gift vouchers worth RM14,000 to seven children’s homes under JKM
- ChildrenCare Program Aspirasi Gemilang ‘A’ – GELM awarded a total of RM9,400 to 53 underprivileged children
- GELM sponsored Asia’s Got Talent Season 2 and initiated Road to Greatness to bring all Malaysians together to support local acts in the reality show. The event was held at High Street, 1 Utama Shopping Centre
- GELM won the award for Most Popular Graduate Employer in Insurance for the eighth time among Malaysia’s 100 Leading Graduate Employers
- ChildrenCare sponsored three underprivileged children’s homes for a Financial Literacy Programme worth RM45,000
- GELM launched Great Early Triple Care, a comprehensive plan that provides high coverage for critical illnesses with maturity benefit and up to two claims from different critical illness categories

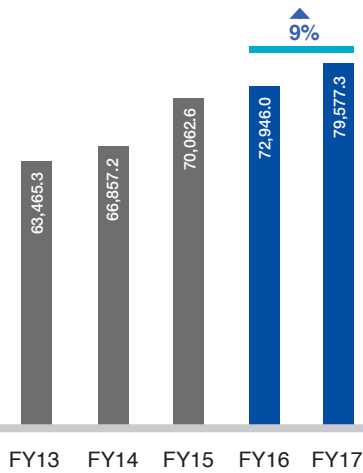


## DECEMBER

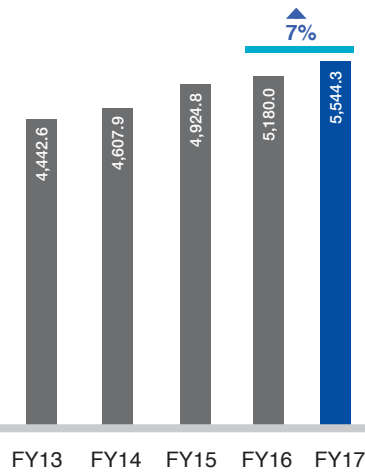
- GELM held Great Eastern Viper Challenge 2017 Series Finale at Cyberjaya and attracted 15,000 participants
- ChildrenCare Christmas Celebration – Sponsored Christmas lunch and gifts for 109 children, as well as donated RM7,000 worth of gift vouchers and 10 much-needed bunk beds with mattresses to a children’s home under JKM

# FINANCIAL SYNOPSIS 2017

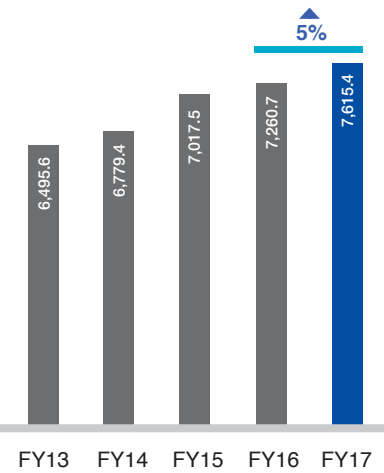
**Total assets**  
RM millions



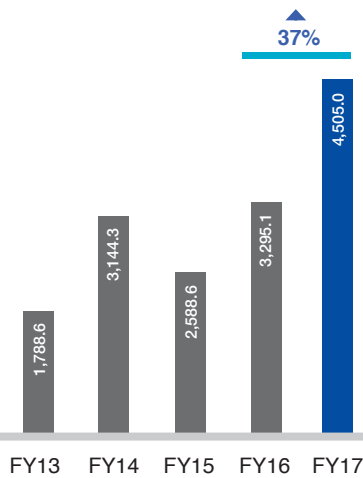
**Benefits to policy owners**  
RM millions



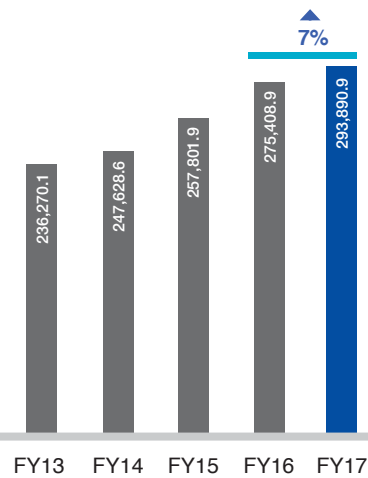
**Gross premium income**  
RM millions



**Investment income & capital gain**  
RM millions



**Business in force**  
RM millions



# DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2017.

## PRINCIPAL ACTIVITY

The Company is engaged principally in the underwriting of life insurance business including investments-linked business.

## RESULTS

	<b>RM'000</b>
Net profit for the year	792,564

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

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

## ULTIMATE HOLDING COMPANY

The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public listed company incorporated in the Republic of Singapore.

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2016 were as follows:

	<b>RM'000</b>
In respect of financial year ended 31 December 2016:	
Final single tier dividend of RM3.40 per ordinary share on 100,000,005 ordinary shares declared on 22 March 2017 and paid on 21 April 2017	340,000
In respect of financial year ended 31 December 2017:	
Interim single tier dividend of RM1.25 per ordinary share on 100,000,005 ordinary shares paid on 28 September 2017	125,000
	<b>465,000</b>

At the forthcoming Annual General Meeting, a second and final single tier dividend in respect of the current financial year ended 31 December 2017 on 100,000,005 ordinary shares amounting to a total dividend of RM425,000,021 (RM4.25 per share) will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

# DIRECTORS' REPORT

## DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Mr Norman Ka Cheung Ip (Chairman)  
Mr Tan Yam Pin  
Mr Koh Poh Tiong (Appointed on 1 October 2017)  
Mr Khor Hock Seng  
Y Bhg Datuk Kamaruddin bin Taib  
Y Bhg Dato' Yeoh Beow Tit  
Mr Ng Hon Soon  
Mdm Tan Fong Sang

In accordance with Article 66 of the Company's Constitution, Mr Norman Ka Cheung Ip, Mr Khor Hock Seng and Y Bhg Datuk Kamaruddin Taib would retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 70 of the Company's Constitution, Mr Koh Poh Tiong would retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares in the Company's ultimate holding company as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 24(b) and 31(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed under Fifth Schedule, Part 1 Section 3 of the Companies Act, 2016.

A Director and officer's liability insurance has been entered into by the Company for financial year ended 31 December 2017 pursuant to Section 289 of the Companies Act 2016. The cost of insurance effected for the Director and officer of the Company amounted to RM140,003.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") during the financial year were as follows:

	Shareholdings in which Directors have a direct interest			31.12.2017
	1.1.2017	Acquired	Disposed	
<b>(a) Ordinary shares in the capital of OCBC Bank</b>				
Mr Norman Ka Cheung Ip	4,201	-	-	4,201
Mr Khor Hock Seng	141,521	122,859	-	264,380
Y Bhg Dato' Yeoh Beow Tit	342,906	76,830	(113,000)	306,736
Mdm Tan Fong Sang	37,936	-	-	37,936

	Shareholdings in which Directors are deemed to have an interest			31.12.2017
	1.1.2017	Granted	Vested	
Mr Khor Hock Seng	245,718	96,289	(122,859)	219,148 <sup>(1)</sup>

Notes:

<sup>(1)</sup> Deemed interest from Remuneration Trust to be released annually on 31 March 2016 to 2018. Deemed interest arising from employment contract is 122,859 and OCBC Deferred Share Plan is 96,289.

	Shareholdings in which Directors have a direct interest			31.12.2017
	1.1.2017	Acquired	Disposed	
<b>(b) 5.1% non cumulative non convertible Preference Shares in OCBC Capital Corporation (2008)</b>				
Mr Tan Yam Pin	2,000	-	-	2,000

	Options held by Directors in their own name					
	Expiry Date	Exercise Price S\$	1.1.2017	Granted	Exercised	31.12.2017
<b>(c) Options to subscribe for ordinary shares in the capital of OCBC Bank</b>						
Mr Khor Hock Seng	22.3.2027	9.60	-	327,082	-	327,082
Y Bhg Dato' Yeoh Beow Tit	13.3.2017	8.35	25,415	-	(25,415)	-
	13.3.2018	7.31	51,415	-	(51,415)	-
Mdm Tan Fong Sang	14.3.2020	8.52	10,283	-	-	10,283
	13.3.2021	9.09	9,113	-	-	9,113
	13.3.2022	8.56	10,079	-	-	10,079

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS (CONTINUED)

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

## CORPORATE GOVERNANCE DISCLOSURES

The Company has taken concerted steps to comply with Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance issued on 3 August 2016. The Company is committed to the standards and practices prescribed in this policy document.

## OTHER STATUTORY INFORMATION

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



# DIRECTORS' REPORT

## OTHER STATUTORY INFORMATION (CONTINUED)

- (g) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital Framework for insurers issued by BNM.

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

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office. Details of Auditor's remuneration for their services as auditors are disclosed in Note 24 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2018.

Kamaruddin bin Taib  
Kuala Lumpur

Ng Hon Soon

# STATEMENT OF CORPORATE GOVERNANCE

## **CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**

The Board of Directors (the "Board") and Management of Great Eastern Life Assurance (Malaysia) Berhad (the "Company") place great importance on high standards of corporate conduct and are committed to upholding values of integrity, honesty and proper corporate conduct at all times in the business operations and dealings of the Company.

The Company adopts corporate governance practices which are in conformity with Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance issued on 3 August 2016 (the "CG PD") and is continually enhancing its standards of the overall governance.

## **THE BOARD'S CONDUCT OF AFFAIRS**

### **Board's responsibilities and accountability**

The Board provides strategic directions to the Company and its principal roles and functions include the following:

- (a) setting and overseeing the implementation of business and risk objectives, as well as strategies and in doing so, shall have regard to the long term viability of the Company and reasonable standards of fair dealing;
- (b) approving the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- (c) overseeing the implementation of the Company's governance and internal control frameworks, and periodically reviewing the frameworks to ensure they remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
- (d) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), control function heads and other members of Senior Management, such that the Board is satisfied with their collective competence to effectively lead the operations of the Company;
- (e) ensuring that there is a reliable and transparent financial reporting process within the Company;
- (f) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and to maintain or preserve critical operations and services when they come under stress;
- (g) promoting, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (h) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies; and
- (i) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

The matters requiring Board approval include but are not limited to the overall business strategy and direction, significant policies governing the operations of the Company, strategic or significant acquisitions and disposal of assets by the Company, corporate restructuring, major corporate initiatives and other activities of a significant nature, dividend policy and dividend declaration, all material and special related party transactions, authority levels for the Company's core functions and outsourcing of core business functions.

# STATEMENT OF CORPORATE GOVERNANCE

## THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

### Board Committees

The Board has established a number of Board committees ("Board Committees") to assist it in carrying out effective oversight of the operations and business affairs of the Company. These Board Committees consist of the Board Nominations and Remuneration Committee, Board Audit Committee and Board Risk Management Committee. All the Board Committees have been constituted with clear Board-approved written terms of reference.

The Company's Board Committees, in carrying out responsibilities pursuant to their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the roles and principal responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of all Board Committees meetings, which provide fair and accurate record of the discussions, key deliberations and decisions taken during the meetings, are maintained, and are circulated to the Board on a regular basis.

### Meetings and Directors' Attendance

The Board meets regularly during the year to review the business performance and key activities of the Company, and to consider business proposals of a significant nature. All members of the Board participated actively in Board discussions, and decisions are made objectively in the interests of the Company. The Board guided Management with strategic directions to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstances, *ad hoc* Board or Board Committee meetings will be convened. In 2017, the Board convened seven scheduled Board meetings and organised one Board Retreat. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Constitution. Director who is unable to attend any Board or Board Committee meeting will still be provided with all meeting papers for information. Directors are equipped with electronic tablets that allow secured access to Board and Board Committee meeting materials.

All Directors have complied with the minimum 75% meeting attendance requirement at Board meetings as stipulated in the CG PD and Board Charter.

The number of meetings of the Board and Board Committees held in 2017 and the attendance of the Director at those meetings are tabulated below:

### Directors' attendance at Board and Board Committees' meetings in 2017

Name of Director	Board	
	Held	Attended
Mr Norman Ka Cheung Ip	7	7
Mr Tan Yam Pin <sup>(1)</sup>	7	6
Mr Koh Poh Tiong <sup>(2)</sup>	1	1
Mr Khor Hock Seng	7	7
Y Bhg Datuk Kamaruddin bin Taib	7	7
Y Bhg Dato' Yeoh Beow Tit	7	7
Mr Ng Hon Soon	7	7
Mdm Tan Fong Sang <sup>(3)</sup>	5	5

# STATEMENT OF CORPORATE GOVERNANCE

## THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

### Meetings and Directors' Attendance (continued)

#### Directors' attendance at Board and Board Committees' meetings in 2017 (continued)

Name of Director	Board Nominations and Remuneration Committee		Board Audit Committee		Board Risk Management Committee	
	No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip	6	6	3	3 <sup>(6)</sup>	-	-
Mr Tan Yam Pin <sup>(1)</sup>	6	6	3	3 <sup>(5)</sup>	-	-
Mr Koh Poh Tiong <sup>(2)</sup>	1	1 <sup>(5)</sup>	-	-	-	-
Mr Khor Hock Seng	6	6 <sup>(5)</sup>	7	7 <sup>(5)</sup>	5	5 <sup>(5)</sup>
Y Bhg Datuk Kamaruddin bin Taib	6	6	7	7	2	2 <sup>(7)</sup>
Y Bhg Dato' Yeoh Beow Tit	6	6	7	7	5	5
Mr Ng Hon Soon	6	6	3	3 <sup>(5)</sup>	5	5
Mdm Tan Fong Sang <sup>(3)</sup>	3	3 <sup>(5)</sup>	4	4	3	3

#### Notes:

- (1) Appointed as Director and Chairman of the Board Nominations and Remuneration Committee on 3 January 2017.
- (2) Appointed as Director on 1 October 2017.
- (3) Appointed as Director and Member of the Board Audit Committee and Board Risk Management Committee on 10 March 2017.
- (4) A total of 7 Board meetings were held in 2017.
- (5) Attendance by Invitation.
- (6) Stepped down as a Member of the Board Audit Committee on 10 March 2017.
- (7) Stepped down as a Member of the Board Risk Management Committee on 10 March 2017.
- (8) Not applicable to the Non-Member of the respective Board Committees.

Directors' attendance at the Annual General Meeting of the Company is not included in the above table.

There were 2 Joint Board Audit Committee-Board Risk Management Committee meetings held in 2017. Directors' attendance at these meetings is not included in the above table.

The number of meetings indicated in "Held" above reflects the number of meetings held during the time the respective Directors held office.

# STATEMENT OF CORPORATE GOVERNANCE

## BOARD COMPOSITION AND GUIDANCE

### Board Membership

The Company's present Board comprises eight Directors with an Independent Chairman, Mr Norman Ka Cheung Ip, five other Independent Directors, one Non-Independent Non-Executive Director and one Executive Director.

Mr Tan Yam Pin and Mdm Tan Fong Sang were appointed to the Board on 3 January 2017 and 10 March 2017 respectively. They were re-appointed to the Board at the Company's Annual General Meeting on 13 April 2017 pursuant to the Company's Constitution.

Mr Koh Poh Tiong was appointed to the Board on 1 October 2017 and will be subject to re-appointment at the Company's Annual General Meeting scheduled for 17 April 2018 pursuant to the Company's Constitution.

Mr Ng Hon Soon and Y Bhg Dato' Yeoh Beow Tit were re-elected to the Board at the Company's Annual General Meeting on 13 April 2017.

All appointments and re-appointments of Directors of the Company are subject to the approval of BNM. The composition of the Board was as follows:

### Members of the Board

Mr Norman Ka Cheung Ip, Chairman  
Mr Tan Yam Pin  
Mr Koh Poh Tiong  
Mr Khor Hock Seng  
Y Bhg Datuk Kamaruddin bin Taib  
Y Bhg Dato' Yeoh Beow Tit  
Mr Ng Hon Soon  
Mdm Tan Fong Sang

### Status of directorship

Independent Director  
Independent Director  
Independent Director  
Executive Director  
Independent Director  
Non-Independent Non-Executive Director  
Independent Director  
Independent Director

### Key Information on Directors

The key information on each Director is set out under the sections "Board of Directors" and "Further Information on Directors" of the Company's Annual Report<sup>1</sup>. The Directors' membership in the various Board Committees is set out herein. Directors' interests in shares and share options in the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2017 ("FY2017"). The Directors do not hold any shares in the Company or its penultimate holding company, Great Eastern Holdings Limited ("GEH").

### Board Composition and Independence

The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, an Independent Director of the Company is one who himself or any person linked to him is independent from Management, the substantial shareholders of the Company or any of its affiliates, and has no significant business or other contractual relationship with the Company or any of its affiliates within the last two years; and has not served for more than nine years on the Board<sup>2</sup>.

Notes:

- <sup>1</sup> Available at the Company's website
- <sup>2</sup> CG PD provides for tenure limits of independent directors to generally not exceed nine years except under exceptional circumstances or as part of the transitional arrangement.

# STATEMENT OF CORPORATE GOVERNANCE

## BOARD COMPOSITION AND GUIDANCE (CONTINUED)

### Board Composition and Independence (continued)

Under the CG PD, the Board is required to have a majority of Independent Directors<sup>3</sup>. The current Board comprises a majority of Independent Directors. The Board Nominations and Remuneration Committee determines annually whether a Director is independent. Taking into consideration the definition of “independence” of a Director under the CG PD, the Board Nominations and Remuneration Committee has determined that the Company’s Independent Directors are currently Mr Norman Ka Cheung Ip, Mr Tan Yam Pin, Mr Koh Poh Tiong, Y Bhg Datuk Kamaruddin bin Taib, Mr Ng Hon Soon and Mdm Tan Fong Sang. Under the CG PD, Dato’ Yeoh Beow Tit is deemed non-independent as he has served for more than nine years on the Board. However, he is independent from Management, the substantial shareholders of the Company or any of its affiliates, and has no significant business or other contractual relationship with the Company or any of its affiliates. Mr Khor Hock Seng is an Executive Director as he is the Group Chief Executive Officer of GEH.

The Board, through its Board Nominations and Remuneration Committee, is of the view that the current Board size is appropriate to facilitate effective decision making, taking into account the scope and nature of the Company’s operations.

The Board members of the Company are from diverse backgrounds and qualifications, and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.

With the knowledge, objectivity and balance contributed by the Non-Executive Directors, the Board constructively challenges and enhances proposals on strategy, reviews the performance of Management against agreed goals and objectives, and monitors the reporting of performances.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman, Mr Norman Ka Cheung Ip, and the CEO, Y Bhg Dato Koh Yaw Hui, are distinct and separate, with clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Chairman and the CEO are not related to each other.

The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its roles and responsibilities, approving agendas of the Board meetings, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between the Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management. He also leads efforts to address the Board’s developmental needs.

The CEO manages the Company and oversees the Company’s operations and implementation of the Company’s strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Company’s businesses, including implementing the Board’s decisions, is carried out with the assistance of the Senior Management of the Company. He is primarily responsible for the day-to-day operations and administration of the Company, ensuring, inter alia, operational and organisational efficiency, profitable performance, regulatory compliance, good corporate governance and effective risk management.

### Notes:

- <sup>3</sup> Transitional arrangements are allowed for Independent Directors to make up at least half of the board membership by 3 August 2019 and Independent Directors to make up a majority of the board membership by 3 August 2021.

# STATEMENT OF CORPORATE GOVERNANCE

## PROCESS FOR APPOINTMENT OF NEW DIRECTORS

### BOARD NOMINATIONS AND REMUNERATION COMMITTEE

The Board Nominations and Remuneration Committee is to consist of at least three Non-Executive Directors, with a majority of Independent Directors and chaired by an Independent Director.

The Board Nominations and Remuneration Committee comprises the following Directors:

- Mr Tan Yam Pin, Chairman
- Mr Norman Ka Cheung Ip, Member
- Y Bhg Datuk Kamaruddin bin Taib, Member
- Y Bhg Dato' Yeoh Beow Tit, Member
- Mr Ng Hon Soon, Member

The responsibilities of the Board Nominations and Remuneration Committee are set out in its Board-approved terms of reference, amongst others the responsibilities include identifying, reviewing and recommending candidates for nominations and recommending the re-appointment and re-election of Directors on the Board and Board Committees. It also reviews and recommends nominations of Senior Management positions in the Company to the Board.

The Board Nominations and Remuneration Committee has a key role in carrying out the formal and transparent process established for the appointment and re-appointment of Directors to the Board. Proposals for the appointment of new Directors are reviewed by the Board Nominations and Remuneration Committee. The Board Nominations and Remuneration Committee meets with the candidates to assess their suitability and commitment. Amongst others, the Board Nominations and Remuneration Committee takes into consideration the candidate's professional qualifications, integrity, financial and commercial business experience, and expertise relevant to the Company, as well as his/her potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board. Competent individuals will be nominated and recommended to the Board for appointment.

In addition, the Board Nominations and Remuneration Committee further determines the proposed candidate's independence status under the CG PD, and ensures that the proposed candidate would satisfy the criteria under the CG PD in that his/her appointment would not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he/she is fit and proper for the position, taking into account his/her track record, age, experience, capabilities, skills and other relevant factors as may be determined by the Board Nominations and Remuneration Committee. Similar checks are also conducted on an annual basis to ensure that each Director remains qualified for the office based on the above criteria.

The Board Nominations and Remuneration Committee held a total of six meetings in 2017.

### Re-appointment/Re-election of Directors

All Directors subject themselves for re-appointment and/or re-election upon the expiry of their BNM Appointment Term or by rotation at the Annual General Meeting of the Company pursuant to the Company's Constitution, where applicable. The Board Nominations and Remuneration Committee is responsible to recommend the re-appointment and/or re-election of Directors to the Board, taking into account the comprehensive evaluation of the Directors in addition to the Directors' attendance at meetings, their expertise, knowledge, commitment, and contributions to Board discussions and to the overall effectiveness of the Board.

# STATEMENT OF CORPORATE GOVERNANCE

## PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONTINUED)

### BOARD NOMINATIONS AND REMUNERATION COMMITTEE (continued)

#### Board Orientation and Training

A formal appointment letter will be issued to every new Director. Newly-appointed Directors will be apprised of their statutory duties and obligations and issued with a Director's Orientation Kit which will include key information on the Company, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations. As part of the induction programme for new Directors, the Senior Management will brief new Directors on the Company's principal activities, business operations, staff strengths, and applicable rules and regulations. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which affect the Directors and to enable them to have a more comprehensive understanding of the Company.

There is a continuous professional development programme for all Directors, so that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Directors are continually updated on developments affecting the insurance industry. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management staff on topics relevant to the insurance industry and provides updates on developments in the industry locally. Industry-related and topical articles are regularly circulated to Directors as part of the Company's continuous development programme for Directors. Continued training and development programmes for Directors are more flexible and Directors may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the FIDE FORUM, where relevant. The Company has dedicated sufficient resources towards the on-going development of its Directors.

The Company arranges for and fund the training and development programmes for existing and new Directors. The Company also maintains formal records of the training and development received by its Directors.

During the financial year, the Directors, collectively or on their own, attended seminars, courses and briefing organized by professional bodies and regulatory authorities as well as those conducted in-house, including the following:

- 4th BNM – FIDE FORUM Annual Dialogue with the Governor of BNM
- Big Data and Artificial Intelligence in Financial Services
- Board Educational Series: Customer Due Diligence
- Board Educational Series: Criteria of Individual Target Capital Level Determination
- Board Educational Series: International Financial Reporting Standards & The Directors' and Officers' Liability Insurance
- Board Educational Series: Key Drivers of Profit
- Board Educational Series: Key Financial Aspects of the Insurance Business: Life
- Board Educational Series: Malaysian Companies Act, 2016
- Board Educational Series: The use of Inherited Estate in a Participating Fund
- Briefing Session on BNM Annual Report 2016/Financial Stability and Payment System Report 2016
- Cryptocurrency and Blockchain Technology
- Cyber Security Advance Capabilities
- Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection – Engagement with Potential Directors
- FIDE Core Programme – Module A & B
- Fintech: Opportunities for the Financial Services Industry in Malaysia
- Great Eastern: International Financial Reporting Standards ("IFRS") training session for Audit Committee Members of Singapore, Malaysia and Indonesia
- Perspectives on Digital Financial Services
- Ping An Insurance's Innovations in the Internet Era
- Risk and Reward: What Must Boards Know About A Sustainable FI Remuneration System for Senior Management and Material Risk Takers?
- Update on China Insurance Industry



# STATEMENT OF CORPORATE GOVERNANCE

## BOARD PERFORMANCE

The Board has an annual performance evaluation process, carried out by the Board Nominations and Remuneration Committee, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees. The assessment of the contributions of individual directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year. The purpose of the evaluation is to increase the overall effectiveness of the Board. The Board has found the evaluation process useful and constructive since its implementation several years ago. The peer assessment was facilitated by an external consultant. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Directors provide declarations of changes in their other appointments which are disseminated to all Board members. The Company has established guidelines on meeting attendance and the extent of other appointments outside the Company that a Director may assume. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than four listed companies and fifteen unlisted companies, while a Director who does not have any full-time employment shall have appointments in no more than seven listed companies and fifteen unlisted companies. The Board Nominations and Remuneration Committee annually assesses each Director's attendance record.

## Senior Management Appointment and Performance

The Board Nominations and Remuneration Committee also recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversees the appointment and succession planning of the Senior Management of the Company.

Additionally, it is responsible to oversee performance evaluation of CEO and Senior Management. Whenever applicable and consistent with the prescribed internal Remuneration Framework, the Board Nominations and Remuneration Committee's recommendations on the CEO and Senior Management would be made in consultation with the input from the Chairman of the Board Audit Committee and Board Risk Management Committee.

Further, the Board Nominations and Remuneration Committee is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements, in line with the Fit and Proper Policy for KRPs.

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

The Board Nominations and Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of individual Directors and Senior Management.

It is also responsible to recommend to the Board, Policy on Remuneration for Directors, CEO and Senior Management; and its review thereof from time to time. This will ensure that the Company remains competitive along with the industry and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the remuneration packages are not excessive, and consistent with the prudent management of the Company's affairs.

## Remuneration of Non-Executive Directors

The Non-Executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at and frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his/her own remuneration.

The Board Nominations and Remuneration Committee performs an annual review of the fee structure for Directors' fees and of the computation of the aggregate Directors' fees based on the Board-approved fee structure. The Directors' fees proposed by the Board each year are subject to the shareholders' approval at the Company's Annual General Meeting.

# STATEMENT OF CORPORATE GOVERNANCE

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)

### Remuneration of Non-Executive Directors (continued)

The Board has considered the market practices for Non-Executive Director remuneration, and has decided to use the same fee structure for computing the fee for each Non-Executive Director for the FY2017 as that used in the previous financial year:

		<b>Annual Retainer</b>
<b>Board</b>	Chairman	RM130,000
	Member	RM65,000
<b>Board Committee</b>	<u>Chairman:</u>	RM50,900
	• Board Audit Committee	
	• Board Risk Management Committee	
	<u>Member:</u>	RM25,400
	• Board Audit Committee	
	• Board Risk Management Committee	
	<u>Chairman:</u>	RM45,000
• Board Nominations and Remuneration Committee		
<u>Member:</u>	RM27,000	
• Board Nominations and Remuneration Committee		
<b>Attendance fees per Board or Board Committee meeting</b>		RM2,600

### Remuneration of Non-Executive Directors

The attendance fee is paid to Non-Executive Directors to recognise their commitment, contribution, and time spent in attending meetings.

### Disclosure of Directors' and CEO Remuneration

The total Directors' Remuneration from the Company in respect of FY2017 is shown under Note 24(b) in the Company's financial statements. Fees for Non-Executive Directors totaling RM1,212,850.00 in respect of FY2017 will be tabled for approval at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2017 are disclosed under Note 24(b) in the Company's financial statements.

### Remuneration policy in respect of executive Director and Senior Officers ("SOs") of the Company

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel. The remuneration policy is approved by the Board and is subject to annual review taking into account changes in the remuneration practices and/or regulator's requirements from time to time.

The remuneration of the CEO and the respective SOs of the Company are reviewed annually by the Board Nominations and Remuneration Committee, based on the overall remuneration framework approved by the Board. SOs comprises the Senior Management Team and such other executives as the Board of Directors and/or regulator should determine. Currently, there are fifteen identified SOs.

Staff engaged in all control functions including Compliance, Risk, Actuarial, Audit and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.

# STATEMENT OF CORPORATE GOVERNANCE

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)

### Remuneration policy in respect of executive Director and Senior Officers (“SOs”) of the Company (continued)

Besides the Senior Management Team, the Company has identified another key segment of officers; i.e. Other Material Risk Takers (“OMRT”). OMRT is defined to include an officer who can materially commit or control significant amounts of the Company’s resources or whose actions are likely to have a significant impact on the Company’s risk profile. There are five identified OMRTs who are subject to risk control Key Performance Indicators and risk adjusted variable compensation commencing from FY2017.

The basic component of the remuneration package comprises a monthly basic salary. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Board Nominations and Remuneration Committee and the Board. Such components comprise a performance-based variable bonus and long-term incentives, which are generally paid/awarded once a year. SOs are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

In such annual remuneration reviews, the Board Nominations and Remuneration Committee takes into consideration factors such as market competitiveness and benchmark, and that the remuneration packages commensurate with individual performance and contribution. The Board Nominations and Remuneration Committee also takes into account the time horizon of risks, such as ensuring that variable compensation payments shall not be finalised over short periods when risks are realised over longer periods.

The Board Nominations and Remuneration Committee reviews the annual budget for salary increment, performance-related variable bonus and long-term incentives, before submitting their recommendation to the Board for approval. The competitiveness of the Company’s compensation structure is reviewed annually, relative to a peer group of companies that is considered to be relevant for benchmarking purposes to ensure continued appropriateness. The review is done through comparison to data source from various remuneration surveys conducted independently by remuneration consultants.

As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has adopted compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it also continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to sustain business performance. In its deliberations, the Board Nominations and Remuneration Committee also takes into account the remuneration principles, practices and standards issued by the regulator from time to time.

In collaboration with the Board Nominations and Remuneration Committee, the Company has designed and developed its Remuneration Practice Guide, which takes into consideration the prevailing regulatory requirements, and with the input from the Senior Management. The Remuneration Practice Guide is independently reviewed by the Board Audit Committee and Board Risk Management Committee. The Board Risk Management Committee may with the assistance of Risk Management Department assess how the Remuneration Practice Guide affects the Company’s risk profile.

The Company’s variable compensation varies in line with its financial performance and the meeting of corporate governance requirements.

The Company does not have any share option scheme or share plan in place. Instead, the Company’s ultimate holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 and awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Company.

A significant proportion of the SOs’ compensation may be deferred under deferral arrangements over a period of years and the deferred amount increases with the seniority/rank and bonus amount. The cash bonus paid to the SOs and OMRTs is subject to claw back by the Company. Details of the remuneration granted to the eligible executives are disclosed in table below.

# STATEMENT OF CORPORATE GOVERNANCE

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)

### Remuneration policy in respect of executive Director and Senior Officers (“SOs”) of the Company (continued)

Total value of remuneration awards for FY2017 are as follows:

	Unrestricted		Deferred	
	No. of pax	RM	No. of pax	Units
Fixed remuneration				
- Cash-based	16	8,244,089	-	-
- Other	3	51,911	-	-
Variable remuneration				
- Cash-based	16	3,524,393	14	-
- Shares and share-linked instruments	13	1,508,612	-	153,609 units (Deferred Share, Share Option and Employee Share Purchase Plan (ESPP))
- Other*	16	1,909,768	-	-

\*Include SOs and Head of Compliance.

## ACCESS TO INFORMATION

The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. In respect of matters for approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget (if applicable) and Management’s recommendation. The Senior Management who are in charge of the matter will usually be present during discussion on such matters, to provide additional information and insight, or clarifications to queries raised. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board or Board Committees, where relevant. All Board and Board Committees’ members have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

Directors have separate and independent access to the Company Secretary and to Senior Management of the Company at all times.

The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, she ensures good information flows within the Board and Board Committees and between Senior Management and Directors. The Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of Company Secretary is considered to be a matter for the Board as a whole.

The Director may take independent professional advice as and when necessary to enable them to discharge their duties effectively, at the expense of the Company. Similarly, the Board and each Board Committee may obtain the professional advice that it requires to assist in its work.

# STATEMENT OF CORPORATE GOVERNANCE

## BOARD AUDIT COMMITTEE

The Board Audit Committee is to consist of at least three Non-Executive Directors, with a majority of Independent Directors and chaired by an Independent Director.

The Board Audit Committee comprises the following Directors:

- Y Bhg Datuk Kamaruddin bin Taib, Chairman
- Y Bhg Dato' Yeoh Beow Tit, Member
- Mdm Tan Fong Sang, Member

The function performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2017 included the following:

- (a) Reviewed with the Internal Auditors –
  - (i) their audit plans, their evaluation of the system of internal controls and their audit reports;
  - (ii) the scope and results of the internal audits; and
  - (iii) the assistance given by the officers of the Company to the internal auditors.
- (b) Reviewed with the External Auditors –
  - (i) their audit plans prior to the commencement of the annual audit;
  - (ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval thereafter;
  - (iii) the scope and results of the audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them (if any);
  - (iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies and regulatory requirements on the financial statements together with the Senior Management Team;
  - (v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and
  - (vi) the assistance given by the officers of the Company, including the internal auditors, to the external auditors.
- (c) Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company, including financial, operational, compliance and information technology controls and systems established by Management.
- (d) Reviewed the effectiveness of the internal audit function of the Company.
- (e) Maintained an appropriate relationship with both the internal and external auditors, and in separate sessions met at least annually with the Management; internal and external auditors (without the presence of Management); to consider any other matters which may be raised privately.
- (f) Reviewed and approved among others, the appointment, remuneration and performance evaluation of the Chief Internal Auditor.
- (g) Made recommendation to the Board on the re-appointment of the external auditor, their remuneration and terms of engagement.

# STATEMENT OF CORPORATE GOVERNANCE

## BOARD AUDIT COMMITTEE (CONTINUED)

- (h) Reviewed and updated the Board on all related-party transactions, as well as reviewed the write-off of material and special related party transaction and recommended to the Board for approval.
- (i) Monitored compliance with the Directors' Conflict of Interest Guide.

The Board Audit Committee held a total of seven meetings in 2017, and its members' attendance at these meetings is disclosed herein. The Board Audit Committee meetings were attended by the internal and external auditors.

The Company has instituted a whistle-blowing policy whereby employees of the Company or any other persons may raise genuine concerns about possible improprieties in matters of financial reporting or other malpractices at the earliest opportunity. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Board Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Board Audit Committee would be updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith. The Board Audit Committee Chairman is responsible for the effective implementation of the whistle-blowing policy which includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing periodic review of the effectiveness of the policy.

The Board Audit Committee has explicit authority to investigate any matters within its terms of reference and has full cooperation of and access to Management. The Board Audit Committee has full discretion to invite any Director or Senior Management to attend its meetings.

The auditors, both internal and external, have unrestricted access to the Board Audit Committee, and to information and such persons within the Company as necessary to conduct the audit.

## RELATED PARTY TRANSACTION

The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflict of interest are excluded from the approval process of granting related party transactions. Material related party transactions are reported to the Board Audit Committee for review and to the Board for approval. Details of the Company's related party transactions during FY2017 are set out in Note 31 of the Notes to the Financial Statements.

## INTERNAL AUDIT

The internal audit function ("Internal Audit") serves to provide the Board and Management with independent and objective assessments of the adequacy and effectiveness of the governance, risk management and internal control processes as designed and implemented by Management. The Internal Audit Charter is approved by the Board Audit Committee. Internal Audit resides in-house and is independent of the activities it audits.

Internal Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, which include financial, strategic, reputational, operational, technology, legal and regulatory risks. The work undertaken by Internal Audit involves the assessment of the adequacy and effectiveness of the Company's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring that significant financial, managerial and operating information is accurate, reliable and timely, operations and programs are effective and efficient, and assets are safeguarded. Reviews conducted by Internal Audit also focus on the Company's compliance with relevant laws and regulations, adherence to established policies and whether Management has taken appropriate measures to address control deficiencies.

# STATEMENT OF CORPORATE GOVERNANCE

## BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee is to consist at least three Non-Executive Directors, with a majority of Independent Directors and chaired by an Independent Director.

The Board Risk Management Committee comprises the following Directors:

- Mr Ng Hon Soon, Chairman
- Y Bhg Dato' Yeoh Beow Tit, Member
- Mdm Tan Fong Sang, Member

The Board Risk Management Committee is responsible for the oversight of market, credit, liquidity, insurance, operational, technology, regulatory and compliance risks; and any other category of risks as delegated by the Board or as deemed necessary by the committee, to manage the financial and reputational impact arising from these risks. It reviews the overall risk management philosophy, including, the risk profile, risk tolerance level, and risk and capital management strategy, guided by the overall corporate strategy and risk appetite as set and approved by the Board. The Board Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management processes and systems set up by the Company.

The Board Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. Such terms of reference include the review and endorsement or review and approval of (where applicable) frameworks, policies and charters; as well as strategies for effective risk management, investment management and asset-liability management. The terms of reference also include the review of major risk management initiatives, significant investment, property and other financial transactions that exceed the authorisation limits of the Management Committees that the Board Risk Management Committee oversees. Material investment-related activities and transactions are reviewed by the Board Risk Management Committee and recommended to the Board for information or approval, as applicable.

The Board Risk Management Committee reviews the appointment, annual performance evaluation, remuneration and resignation of the (i) Chief Risk Officer, who reports directly to the Board Risk Management Committee and the CEO, as well as (ii) Head of Compliance; before submitting its recommendation to the Board Nominations and Remuneration Committee for endorsement, and the Board for approval.

The Board Risk Management Committee meets with the Chief Risk Officer and the Head of Compliance at least once a year without the presence of Management to discuss matters which may be raised privately.

The Risk Management Department has adequate resources and is staffed by experienced and qualified employees who are sufficiently independent to perform their duties objectively. The Risk Management Department regularly engages Senior Management to develop enterprise-wide risk controls and risk mitigation procedures.

The Board Risk Management Committee held a total of five meetings in 2017.

The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 33 to the Financial Statements.

# STATEMENT OF CORPORATE GOVERNANCE

## INTERNAL CONTROL FRAMEWORK

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and is equipped with effective and efficient operations and risk management, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard assets of the Company and stakeholders' interests.

The system of internal controls provides reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, it is noted that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; frameworks, policies and procedures; risk and compliance self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their systems of internal controls and their level of compliance with applicable rules and regulations; and a monitoring and reporting process.

### Infrastructure

While the Board is ultimately responsible for the management of risks within the Company, several risk oversight committees have been established over the years to facilitate in depth review of the risks associated with specific aspects of the business such as the Board Risk Management Committee, the Senior Management Team, the Asset Liability Committee, the Information Technology Steering Committee and the Product Development Committee. The duties and scope of work of these committees are documented in their respective terms of reference.

The authority delegated by the Board to the Board Committees and the CEO are formalised in the Company's Authority Grid. There are other documents which serve as guidance to the delegation of the CEO's authority such as underwriting limits, claim limits and investment limits.

The segregation of duties is paramount in ensuring that members of staff are not assigned with potential conflicting responsibilities, relating to, among others, approvals, disbursements and administration of policies, execution and recording of investment matters, operational and internal audit/compliance functions, underwriting and credit control.

### Frameworks, Policies and Procedures

The Company has established risk management frameworks and policies that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The frameworks outline the common risk management process across all risk types within the Company.

A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the board. These cover key areas of risk such as:

- Investments
- Insurance operations
- Information technology and information security
- Fraud and market conduct
- Anti-money laundering and countering the financing of terrorism
- Capital management, capital contingency and stress testing
- Related party and interested party transactions
- Outsourcing
- Reinsurance management
- Business continuity management



# STATEMENT OF CORPORATE GOVERNANCE

## INTERNAL CONTROL FRAMEWORK (CONTINUED)

### Frameworks, Policies and Procedures (continued)

The frameworks, policies and procedures are reviewed each year to ensure continued relevance and to capture the latest regulatory, statutory and Group requirements. They are then approved by the Board or relevant Board or Management Committees, as appropriate, to formalise their application within the Company.

### Self-assessment Process

A mature self-assessment process that is supported by the use of the Risk Control Self-assessment and Compliance Requirements Self-assessment tools is entrenched in the Company. The results of the assessment are reviewed by the Senior Management, who in turn would provide an annual assurance to the CEO on the adequacy and effectiveness of the Company's operational risk management and internal control systems and in compliance with the relevant statutory and regulatory requirements. In 2017, an Own Risk and Solvency Assessment report was submitted to the Board Risk Management Committee to apprise them on the Company's risk profile, the manner in which the Company determines its solvency and the various measures put in place to ensure that the solvency requirements are met at all times. The said report was also submitted to the Board for information. Commencing from 2017, this self-assessment process would be further supplemented by an assurance report on risk management and internal controls.

### Monitoring and Reporting

An Enterprise Risk Dashboard that features the Company's risk profile from five perspectives (namely strategic, financial, operational, technology and compliance) is submitted to the Board, Board Risk Management Committee and Senior Management Team for notation.

Stress test scenarios and the corresponding stress factors are developed and reviewed by the Board annually and thereafter, the scenarios and factors are used to stress the financial positions at least annually.

Regulatory breach and operational incidents are reported in the Enterprise Risk Dashboard while investment breaches are reported via the limits report and compliance examination reports. Respective business units are required to provide the corrective and preventive measures once a regulatory breach or operational incident is discovered. The Company has a process to collate statistics for several Key Risk Indicators for reporting to BNM on a regular basis.

## STATEMENT BY DIRECTORS

pursuant to section 251(2) of the Companies Act, 2016

We, Kamaruddin bin Taib and Ng Hon Soon, being two of the Directors of Great Eastern Life Assurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 60 to 156 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2018.

**Kamaruddin bin Taib**

Kuala Lumpur

**Ng Hon Soon**

## STATUTORY DECLARATION

pursuant to section 251(1)(b) of the Companies Act, 2016

I, Koh Yaw Hui, being the officer primarily responsible for the financial management of Great Eastern Life Assurance (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 60 to 156 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Koh Yaw Hui  
at Kuala Lumpur in the Federal Territory  
on 29 March 2018

**Koh Yaw Hui**

Before me,

# INDEPENDENT AUDITORS' REPORT

to the member of Great Eastern Life Assurance (Malaysia) Berhad (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### **Opinion**

We have audited the financial statements of Great Eastern Life Assurance (Malaysia) Berhad (“the Company”), which comprise the balance sheet as at 31 December 2017, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### **Basis for opinion**

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

### **Independence and other ethical responsibilities**

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

### **Information other than the financial statements and auditors' report thereon**

The directors of the Company are responsible for the other information. The other information comprises the Directors’ Report, Statement of Corporate Governance and the other information contained in the Annual Report, but does not include the financial statements of the Company and our auditors’ report thereon.

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

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

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

# INDEPENDENT AUDITORS' REPORT

to the member of Great Eastern Life Assurance (Malaysia) Berhad (Incorporated in Malaysia)

## ***Responsibilities of the directors for the financial statements***

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## ***Auditors' responsibilities for the audit of the financial statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

# INDEPENDENT AUDITORS' REPORT

to the member of Great Eastern Life Assurance (Malaysia) Berhad (Incorporated in Malaysia)

## Other matters

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Brandon Bruce Sta Maria  
No. 02937/09/2019 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
29 March 2018

# BALANCE SHEET

as at 31 December 2017

	Note	2017 RM'000	2016 RM'000
<b>Assets</b>			
Property and equipment	3	463,258	445,405
Investment properties	4	601,421	603,810
Prepaid land lease payments	5	16,390	16,528
Investments	6	77,060,341	70,204,256
Derivatives	12	13,063	-
Reinsurance assets	7	52,892	83,683
Insurance receivables	8	260,740	270,358
Other receivables	9	911,336	1,258,697
Cash and bank balances		197,888	63,245
<b>Total assets</b>		<b>79,577,329</b>	<b>72,945,982</b>
<b>Equity</b>			
Share capital	10	100,000	100,000
Retained earnings		2,020,146	1,692,582
Available-for-sale fair value reserves		9,069	9,807
<b>Total equity</b>		<b>2,129,215</b>	<b>1,802,389</b>
<b>Liabilities</b>			
Insurance contract liabilities	11	74,723,658	68,555,859
Derivatives	12	47,131	285,082
Agents' retirement benefits	13	829,311	813,130
Deferred tax liabilities	14	771,729	523,135
Other financial liabilities	15	89,304	51,385
Insurance payables	16	262,887	224,879
Provision for taxation		97,382	95,395
Other payables	17	626,712	594,728
<b>Total liabilities</b>		<b>77,448,114</b>	<b>71,143,593</b>
<b>Total equity and liabilities</b>		<b>79,577,329</b>	<b>72,945,982</b>

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

# INCOME STATEMENT

for the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Gross earned premiums	18(a)	7,615,384	7,260,678
Earned premiums ceded to reinsurers	18(b)	(185,106)	(150,704)
<b>Net earned premiums</b>		<b>7,430,278</b>	<b>7,109,974</b>
Investment income	19	3,136,712	2,899,084
Realised gains and losses	20	284,307	221,943
Fair value gains and losses	21	1,269,875	385,670
Decrease/(increase) in provision for impairment of:			
Insurance receivables	8	464	2,858
Other receivables	9	26	(243)
Property and equipment	3	(799)	-
Quoted investments	6	(185,900)	(211,353)
Fees and commission income	22	17,363	16,508
Other operating revenue		209,093	103,311
<b>Other revenue</b>		<b>4,731,141</b>	<b>3,417,778</b>
Gross benefits and claims paid	23(a)	(5,544,289)	(5,180,021)
Claims ceded to reinsurers	23(b)	87,527	69,004
Gross change in contract liabilities	23(c)	(3,665,137)	(2,683,103)
Change in contract liabilities ceded to reinsurers	23(d)	(24,906)	10,905
<b>Net benefits and claims</b>		<b>(9,146,805)</b>	<b>(7,783,215)</b>
Fees and commission expense		(1,114,673)	(1,030,291)
Management expenses	24	(584,857)	(541,753)
Other operating expenses		(1,160)	(3,087)
Taxation of life insurance business	25(a)	(320,070)	(221,491)
<b>Other expenses</b>		<b>(2,020,760)</b>	<b>(1,796,622)</b>
<b>Profit before taxation</b>		<b>993,854</b>	<b>947,915</b>
Taxation	25(b)	(201,290)	(177,104)
<b>Net profit for the year</b>		<b>792,564</b>	<b>770,811</b>
<b>Earnings per share (sen)</b>			
Basic and diluted	26	793	771

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

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017 RM'000	2016 RM'000
<b>Net profit for the year</b>	<b>792,564</b>	<b>770,811</b>
<b>Other comprehensive loss:</b>		
<b>Other comprehensive loss to be reclassified to income statement in subsequent periods:</b>		
Available-for-sale fair value reserves:		
Net gain arising during the year	57,048	2,584
Net realised gain transferred to Income Statement	(60,934)	(23,203)
Impairment losses transferred to the Income Statement	2,948	4,854
	(938)	(15,765)
Tax effects thereon (Note 14)	200	3,729
	(738)	(12,036)
<b>Total comprehensive income for the year</b>	<b>791,826</b>	<b>758,775</b>

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



# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share Capital	Non-Distributable			Distributable			Total Equity
		Available-for-sale Fair Value Reserves			Retained Earnings			
		Non-participating Fund	Shareholder's Fund	Sub-total	Non-participating Fund*	Shareholder's Fund	Sub-total	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2016</b>	100,000	19,311	2,532	21,843	441,707	1,203,064	1,644,771	1,766,614
Net profit for the year	-	-	-	-	555,195	215,616	770,811	770,811
Other comprehensive (loss)/income for the year	-	(12,752)	716	(12,036)	-	-	-	(12,036)
Total comprehensive (loss)/income for the year	-	(12,752)	716	(12,036)	555,195	215,616	770,811	758,775
Transfer from non-participating fund as recommended by Appointed Actuary (net of tax)	-	-	-	-	(463,408)	463,408	-	-
Dividends paid during the year (Note 27)	-	-	-	-	-	(723,000)	(723,000)	(723,000)
<b>At 31 December 2016</b>	100,000	6,559	3,248	9,807	533,494	1,159,088	1,692,582	1,802,389
<b>At 1 January 2017</b>	100,000	6,559	3,248	9,807	533,494	1,159,088	1,692,582	1,802,389
Net profit for the year	-	-	-	-	554,804	237,760	792,564	792,564
Other comprehensive (loss)/income for the year	-	(6,464)	5,726	(738)	-	-	-	(738)
Total comprehensive (loss)/income for the year	-	(6,464)	5,726	(738)	554,804	237,760	792,564	791,826
Transfer from non-participating fund as recommended by Appointed Actuary (net of tax)	-	-	-	-	(445,874)	445,874	-	-
Dividends paid during the year (Note 27)	-	-	-	-	-	(465,000)	(465,000)	(465,000)
<b>At 31 December 2017</b>	<b>100,000</b>	<b>95</b>	<b>8,974</b>	<b>9,069</b>	<b>642,424</b>	<b>1,377,722</b>	<b>2,020,146</b>	<b>2,129,215</b>

\* The non-distributable retained earnings represent the unallocated surplus from the Non-participating Funds. In accordance with Section 83 *Withdrawal from insurance funds* of the Financial Services Act, 2013, the unallocated surplus of Non-participating Funds is only available for distribution to the shareholder upon approval/recommendation by the Appointed Actuary.

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

# CASH FLOW STATEMENT

for the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
<b>Operating Activities</b>			
Cash used in operating activities	28	(2,043,995)	(1,799,420)
Dividend/distribution income received		777,283	560,130
Interest/profit income received		2,316,037	2,297,696
Rental income on investment properties received		61,794	63,343
Agents' retirement benefits paid	13	(99,721)	(37,155)
Income tax paid		(422,013)	(353,294)
<b>Net cash flow generated from operating activities</b>		<b>589,385</b>	<b>731,300</b>
<b>Investing Activities</b>			
Proceeds from disposal of property and equipment		2	17
Purchase of property and equipment	3	(83,020)	(59,327)
Purchase of investment properties	4	(27)	-
<b>Net cash flows used in investing activities</b>		<b>(83,045)</b>	<b>(59,310)</b>
<b>Financing Activity</b>			
Dividends paid to equity holder		(465,000)	(723,000)
<b>Net cash flows used in financing activity</b>		<b>(465,000)</b>	<b>(723,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>41,340</b>	<b>(51,010)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,264,032</b>	<b>2,315,042</b>
<b>Cash and cash equivalents at end of year</b>		<b>2,305,372</b>	<b>2,264,032</b>
<b>Cash and cash equivalents comprise of:</b>			
Cash and bank balances		197,888	63,245
Short term deposits with original maturity periods of less than 3 months	6(a)	2,107,484	2,200,787
		<b>2,305,372</b>	<b>2,264,032</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The principal activity of the Company is the underwriting of life insurance business including investment-linked business.

There has been no significant change in the principal activity during the financial year.

The immediate holding company is Great Eastern Capital (Malaysia) Sdn Bhd, a company incorporated in Malaysia. The intermediate holding company is Great Eastern Life Assurance Company Limited, a company incorporated in the Republic of Singapore. The ultimate holding company is Oversea-Chinese Banking Corporation Limited (“OCBC Bank”), a public-listed company incorporated in the Republic of Singapore.

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Company had adopted the amended MFRSs and new MFRSs as described fully in Note 2.3.

The financial statements of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The Company has met the minimum capital requirements as prescribed by the Risk-based Capital (“RBC”) Framework as at the balance sheet date.

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

#### **Enactment of Companies Act, 2016**

Companies Act, 2016 (“CA2016”) was enacted to replace the Companies Act, 1965 (“CA1965”), and all of the provisions in CA2016 other than Section 241 and Division 8 of Part III came into operations on 31 January 2017.

Amongst others, CA2016 abolished the concept of par or nominal value of shares that was applied under CA1965. Concepts tied to par value under CA1965, such as authorised share capital, share premium and capital redemption reserve have been similarly abolished.

In addition, the disclosure requirements under the Ninth Schedule of CA1965 have also been removed upon the commencement of CA2016. This change is applicable to all financial statements for the financial year ended on or after 31 January 2017. Nevertheless, this change did not result in any significant impact to the financial statements of the Company for the financial year ended 31 December 2017 as a majority of the disclosure requirements under the Ninth Schedule of CA1965 are also required by the applicable approved accounting standards.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of property and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use.

Expenditure incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property and equipment.

Depreciation of property and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for freehold land as it has an unlimited useful life and capital work in progress as it is not ready for active use. The annual depreciation rates are:

Buildings - Owner occupied properties	2 %
Motor vehicles	20 %
Office machinery	6 - 20 %
Office furniture and fittings	10 %
Computer equipment	10 - 33 %

Leasehold buildings are depreciated over their estimated useful lives or over the remaining lease term of the leasehold land on which the building resides, if the remaining lease term of the leasehold land is shorter than the estimated useful life of the building.

Software costs refers to the life assurance administration system and the distribution channel management system. These costs are classified as part of property and equipment and depreciated over a period of 10 years on a straight line-basis from the date of system commissioning.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with the carrying amounts and are included in the income statement.

Included in the Life Insurance Fund's property and equipment are freehold land, and leasehold and freehold buildings occupied for own use for the operations of the Company. Leasehold land are classified as prepaid lease payments as described in Note 2.2(c).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

#### (c) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

##### (ii) Finance Leases - the Company as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Company at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance leases are recognised as assets in the Balance Sheet of the Company and measured in accordance with MFRS 116 - *Property, Plant and Equipment* and MFRS 140 - *Investment Properties*.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.2(a) and investment properties as described in Note 2.2(b).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Leases (continued)

##### (iii) Operating Leases - the Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Long term prepaid lease payments refer to leases with an unexpired period of fifty years or more.

##### (iv) Operating Leases - the Company as Lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(o)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis on the lease term.

#### (d) Investments and Financial Assets

The Company classifies its investments into financial assets at fair value through profit or loss ("FVTPL"), loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the investments were acquired or originated.

Financial assets are classified as FVTPL where the Company's documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis.

The AFS category is used when the relevant liabilities (including shareholder's funds) are passively managed and/or carried at amortised cost. All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

##### (i) FVTPL

Assets stated at FVTPL include financial assets held for trading and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as FVTPL.

For investments designated at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset liability mismatch, that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Investments and Financial Assets (continued)

##### (i) FVTPL (continued)

Financial assets classified as FVTPL include fixed income securities, derivatives and embedded derivatives.

Investments under unit-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategy and mandate.

Derivatives are financial instruments or contracts where its values vary according to changes in interest rate, foreign exchange rate, credit spread or other variables. Embedded derivatives are hybrid financial instruments that include a non-derivative host contract.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

##### (ii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

##### (iii) AFS Financial Assets

AFS are non-derivative financial assets not classified in any of the preceding asset categories.

After initial recognition, AFS are remeasured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in the fair value reserve in the Statement of Comprehensive Income or Insurance Contract Liabilities (for Participating Fund only), except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method, which are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

#### (e) Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement using the same process adopted for financial assets carried at amortised cost as described in Note 2.2(i). Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(j) have been met.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Derivatives

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### (g) Financial Liabilities and Insurance Payables

Financial liabilities and insurance payables are recognised on the balance sheet when the Company becomes a party to the contractual obligations of the financial instrument.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

##### (i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains and losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities as at FVTPL.

##### (ii) Other financial liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the income statement.

#### (h) Fair Value Measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 6(a).

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

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Fair Value Measurement (continued)

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable including quotes from brokers and market makers, discounted cash flows and other valuation techniques commonly used by market participants
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by the Properties Department. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. A valuation is done on an annual basis.

At each reporting date, Finance and Property Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

The Property Department and the Company's external valuers also compares the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

The valuation results, as performed by the Company's external valuers, are presented to the Board in the year the valuation is performed.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events like significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that financial asset because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an asset is impaired.

#### (i) Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of loss is recognised in the income statement.

#### (ii) Assets Carried at Cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

#### (iii) AFS Financial Assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income to the income statement. Reversals in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

Impairment for equity instrument is provided immediately upon meeting the significant or prolonged criteria in compliance with MFRS 139.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset has expired.
- The Company retains the contractual rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party.
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Impairment of Non-Financial Assets

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

#### (l) Insurance Contract

##### (i) Product Classification

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by considering whether upon the insured event the Company is required to pay additional benefits.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- (i) Likely to be a significant portion of the total contractual benefits.
- (ii) The amount or timing is contractually at the discretion of the issuer.
- (iii) That are contractually based on:
  - The performance of a specified pool of contracts or a specified type of contract
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer
  - The profit or loss of the company, fund or other entity that issues the contract

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (I) Insurance Contract (continued)

##### (i) Product Classification (continued)

Surpluses in the DPF funds can be distributed on an approximate 90/10 basis in accordance with BNM's guidelines - Management of Insurance Funds to the policyholders and the shareholder respectively. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contracts with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

For the purpose of product classification, the Company adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Company defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by the Company are considered insurance contracts as at the date of this balance sheet.

##### (ii) Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

###### (a) Life Assurance contract liabilities comprising:

- Participating Fund contract liabilities;
- Non Participating Fund contract liabilities; and
- Investment Linked Fund contract liabilities.

###### (b) Reinsurance contracts

##### (iii) Life Assurance Contract Liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are based on regulatory guidelines. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserve as the case may be, are recognised in the income statement of the respective funds.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Insurance Contract (continued)

##### (iii) Life Assurance Contract Liabilities (continued)

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and expected future management and distribution expenses, less the present value of future gross consideration arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policyholders, are set as the liabilities if the accumulated amount is higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits originating from margins of adverse deviations on run-off contracts, are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

The Company issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Company to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Company.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Company. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical cost incurred upon occurrence of the insured event.

Contracts which transfer significant insurance risk alone from policyholders to the Company are commonly known as investment-linked policies. As part of the pricing for these contracts, the Company includes certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholder accrue directly to the policyholder.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Insurance Contract (continued)

##### (iii) Life Assurance Contract Liabilities (continued)

A significant portion of insurance contracts issued by the Company contain discretionary participating features. These contracts are classified as participating policies. In addition to the guaranteed benefits payable upon occurrence of an insured event associated with human life such as death or disability, the contract entitles the policyholder to receive benefits which could vary according to investment performance of the fund. The Company does not recognise the guaranteed portion separately from the discretionary participating feature.

The valuation of insurance contract liabilities is determined according to BNM's RBC Framework for Insurers and MFRS 4 *Insurance Contracts*. The RBC Framework for Insurers issued by BNM meets the requirement of the Liability Adequacy Test under MFRS 4.

The Company performs liability adequacy tests on its life insurance liabilities to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

#### (m) Reinsurance Contracts

The Company cedes insurance risk in the normal course of its life insurance business. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive part or all outstanding amounts due under the terms of the contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired.

#### (n) Life Insurance Underwriting Results

The surplus transferable from the Life Insurance Fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders.

##### (i) Gross Premium Income

Premium is recognised as soon as the amount of the premium can be reliably measured. First year premium is recognised from inception date and subsequent premium is recognised when it is due. For single premium business, revenue is recognised on the date on which the policy is effective. Premiums from the investment-linked business are recognised as revenue when payment is received.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premium not received on due date are recognised as revenue in the income statement and reported as outstanding premiums in the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Life Insurance Underwriting Results (continued)

##### (ii) Reinsurance Premiums

Gross reinsurance premiums are recognised as an expense when payable or on the date when the policy is effective.

##### (iii) Creation of Units

Net creation of units, which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract, are reflected in the income statement. Net creation of units is recognised on a receipt basis.

##### (iv) Commission and Agency Expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the income statement in the period in which they are incurred.

##### (v) Claims and Policy Benefits

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or when the insurer is notified.

Policy benefits are recognised in the accounts when the policyholder exercises the option to deposit the cash bonus and survival benefit with the Company when the benefits fall due. Policy benefits bear fixed interest rates as determined by the Company from time to time.

Claims and provisions for claims arising on life insurance policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- (b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- (c) benefits payable under investment-linked business include net cancellation of units and are recognised as surrender; and
- (d) bonus on non-participating life policies upon declaration.

#### (o) Other Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Interest income is recognised on a time proportion basis that takes into account the effective yield of the asset.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Other Revenue Recognition (continued)

Rental is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on a receipt basis until all arrears have been paid.

Dividend is recognised when the right to receive payment is established.

All sales of investments are recognised on their trade dates i.e., the date the Company commits to sell the assets. Gains or losses arising from the sale of investments are calculated as the difference between net sales proceeds and the original or carrying amount and are credited or charged to the income statement.

#### (p) Fees and Commission Income

Fees and commission income comprise mainly of management fee and reinsurance commission income. Management fee includes income earned from provision of investment management services for investment linked businesses. These fees income are recognised as revenue over the period in which the services are rendered.

#### (q) Agents' Retirement Benefits

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions in the respective Life Assurance Sales Representative's Agreements ("Agreements").

The terms and conditions of the Agreements stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Company shall allocate to the agent a deferred benefit/retirement benefit.

The deferred benefit/retirement benefit accumulated at the balance sheet date includes an element of accrued interest, which is calculated at the Participating fund rate of return for the year/dividend rate as announced by the Employees' Provident Fund for that year.

The accrued deferred benefit shall only become payable provided the Agreements have been in force for certain continuous contract years.

#### (r) Foreign Currencies

##### (i) Functional and Presentation Currency

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

##### (ii) Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Foreign Currencies (continued)

##### (ii) Foreign Currency Transactions (continued)

The principal exchange rates of foreign currency ruling at balance sheet date used are as follows:

	2017 RM	2016 RM
Singapore Dollar	3.03	3.10
United States Dollar	4.06	4.48
British Pound	5.46	5.54
Australian Dollar	3.16	3.23
Hong Kong Dollar	0.52	0.58
Japanese Yen	0.04	-

#### (s) Income Tax

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

In addition to paying tax on shareholder's profit, the life insurance business pays tax on policyholders' investment returns at a tax rate of 8%. Tax on policyholders is recognised as an expense and disclosed separately under taxation of life insurance business in the Income Statement.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is 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 balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

#### (t) Employee Benefits

##### (i) Defined Contribution Plans Under Statutory Regulations

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

##### (ii) Employee Leave Entitlements

An employee's entitlement to annual leave is estimated and accrued according to the Company's Human Resource policy.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Employee Benefits (continued)

##### (iii) Share Options

Senior executives of the Company are granted share options in the OCBC Bank's Share Option Scheme as consideration for services rendered. Options granted generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from date of grant. The cost of these equity-settled share based payment transactions with the senior executives is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. The cost is recognised in the income statement of the respective insurance funds, with a corresponding increase in the intercompany balance with the ultimate holding company, over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Company or the senior executives, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the income statement upon cancellation.

##### (iv) Deferred Share Plan

In addition to the OCBC Bank's Share Option Scheme, certain employees within the Company are granted OCBC shares under the OCBC Deferred Share Plan ("DSP"). There are 2 types of deferred share awards. Deferred share awards granted as part of long term incentive compensation will vest three years from the grant date and will lapse if the staff ceases employment during the vesting period. For deferred share awards granted as part of variable performance bonus, half of the share awards will vest two years from the grant date and the remaining half will vest at the end of three years from the grant date. The cost of the DSP is recognised in the income statement on the straight-line basis over the vesting period of the DSP.

At each balance sheet date, the cumulative expense is adjusted for the estimated number of shares granted under the DSP that have vested and/or lapsed.

##### (u) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision is discounted using a current pre-tax rate that reflects the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (w) Offsetting of Financial Assets and Financial Liabilities

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

#### (x) Goods and Service Tax ("GST")

GST is a multistage consumption tax on domestic consumption.

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

#### (y) Investment in subsidiary

A subsidiary is an entity over which the Company has all the following:

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

In the Company's financial statements, investment in subsidiary, which relates to investment in collective investment scheme, is carried at fair value.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised as gain or loss on disposal in the income statement.

The Company is exempted from presenting consolidated financial statements based on the criteria set out in paragraph 4 of MFRS 10 *Consolidated Financial Statements*.

The immediate holding company, Great Eastern Capital (Malaysia) Sdn. Bhd., prepares the consolidated financial statements in accordance with MFRS in Malaysia, which are available for inspection at the registered office of the immediate holding company.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Company adopted the following amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

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

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

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretations to standards, if applicable, when they become effective:

#### Effective for financial periods beginning on or after 1 January 2018

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

#### Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 cycle)*

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

#### Effective for financial periods beginning on or after 1 January 2019 (continued)

- Amendments to MFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Joint Arrangement (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 112 *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 cycle)*

#### Effective for financial periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

#### Deferred

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The management expects that the adoption of the above standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below:

#### MFRS 9 *Financial Instruments*

In July 2014, the MASB issued the final version of MFRS 9 *Financial Instruments* that replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial instruments and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial instruments are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on an expected credit loss model and replace the MFRS 139 incurred loss model.

Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied retrospectively with some limited exceptions. The Company plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The information below which is also illustrated in Table A in Note 2.4(d) reflects the Company's expectation of the impact arising from adoption of MFRS 9 based on currently available information. The impact may change when the transition adjustments are finalised upon adoption of MFRS 9 in 2018.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 9 *Financial Instruments* (continued)

#### (a) Classification and measurement (Figures are reported in RM'000)

The Company expects to have mixed business models. Based on business model, the Company intends to hold debt securities to collect contractual cash flows and to sell, and accordingly these will be measured at fair value through other comprehensive income ("FVOCI") when it applies MFRS 9. The total amount of debt securities to be measured at FVOCI amounts to approximately RM991,067<sup>N1</sup>. The Company intends to make an election to measure certain debt securities amounting to approximately RM37,391,987<sup>N2</sup> at FVTPL as doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases. Included in this number are debt securities where cash flows do not represent Solely Payments of Principal and Interest ("SPPI") amounting to approximately RM48,610 which will also be classified as at FVTPL. The Company intends to continue to measure its currently held-for-trading debt securities of about RM1,615,824<sup>N2</sup> at FVTPL.

For equity securities, the Company intends to continue to measure its currently held-for-trading equity securities of about RM4,932,667<sup>N3</sup> as at FVTPL. The Company intends to elect to measure its currently available-for-sale equity securities amounting to approximately RM427,075<sup>N4</sup> at FVOCI. The Company also intends to measure its currently available-for-sale equity securities amounting to approximately RM19,433,244<sup>N3</sup> as at FVTPL. The impairment loss of RM502,203\* previously recognised in profit or loss will be adjusted against opening retained earnings when the Company applies MFRS 9. In addition, the Company currently measures unquoted equity securities of RM8,466<sup>N5</sup> at cost less impairment. Under MFRS 9, the Company will be required to measure these securities at fair value. The difference between current carrying amount and fair value as at 31 December 2017, amounting to approximately RM23,606\* which has been recognised as impairment loss will be recognised together with the corresponding tax impact in the opening retained earnings when the Company applies MFRS 9.

For collective investment schemes ("CIS") amounting to RM150,881<sup>N6</sup>, the Company intends to continue to measure these instruments as at FVTPL. The Company intends to measure currently available-for-sale CIS amounting to RM2,810,535<sup>N6</sup> as at FVTPL. The impairment loss of RM2,338\* previously recognised in profit or loss will be adjusted against opening retained earnings when the Company applies MFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing SPPI. The Company analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

\* The sum of which makes up provision for impairment loss of RM528,147, as disclosed in Note 6.

#### (b) Impairment (Figures are reported in RM'000)

MFRS 9 requires the Company to record expected credit loss on its debt securities measured at FVOCI, loans measured at amortised cost, loan commitments and trade receivables either on a 12-month or lifetime basis. The expected credit loss is estimated to be RM26,627<sup>N7</sup> for loans measured at amortised cost, RM624<sup>N7</sup> for trade receivables and RM5,214<sup>N7</sup> for debt securities measured at FVOCI respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 9 *Financial Instruments* (continued)

#### (c) Hedge accounting

The Company currently does not apply hedge accounting and does not expect any impact to arise from the adoption of MFRS 9.

#### (d) Table A - Estimated impact from adoption of MFRS 9

	Before MFRS9 adjustments RM'000	Classification and Measurement RM'000	Expected Credit Loss ("ECL") Impairment RM'000	After MFRS9 adjustments RM'000	Ref No.
<b>Assets</b>					
Investments	77,060,341	-	(26,627)	77,033,714	
LAR	9,298,595	-	(26,627)	9,271,968	N7
AFS	22,801,295	(22,801,295)	-	-	
- Quoted equities	19,835,223	(19,835,223)	-	-	
- Unquoted equities	8,466	(8,466)	-	-	
- Debt securities	147,070	(147,070)	-	-	
- Collective investment schemes	2,810,536	(2,810,536)	-	-	
FVTPL	44,960,451	21,379,872	-	66,340,323	
- Quoted equities	4,957,763	19,408,149	-	24,365,911	N3
- Unquoted equities	-	5,185	-	5,185	N5
- Debt securities	39,851,807	(843,997)	-	39,007,811	N2
- Collective investment schemes	150,881	2,810,535	-	2,961,416	N6
FVOCI	-	1,421,423	-	1,421,423	
- Quoted equities	-	427,075	-	427,075	N4
- Unquoted equities	-	3,281	-	3,281	N5
- Debt securities	-	991,067	-	991,067	N1
Insurance receivables	260,740	-	(624)	260,116	N7
<b>Equity</b>					
Retained earnings	2,020,146	3,308	(8,843)	2,014,611	
AFS reserves	9,069	(9,069)	-	-	
FVOCI reserves	-	10,332	5,214	15,546	N7
<b>Liabilities</b>					
Insurance contract liabilities	74,723,658	(40,343)	(21,438)	74,661,877	
Deferred tax liabilities	771,729	35,772	(2,184)	805,317	

Other than the effects described above, the Company expects that the adoption of the new standard will have no material impact on the financial statements in the year of initial application.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

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

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the Amendments to IFRS 4 as issued by the IASB.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if:

- (i) it has not previously applied any version of MFRS 9 before; and
- (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

However, the Company has adopted MFRS 9 on the required effective date without applying any of the alternative options.

#### *MFRS 15 Revenue from Contracts with Customers*

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e, when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. Given insurance contracts are scoped out of MFRS 15, the Company expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. The Company does not expect the impact to be significant.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

#### MFRS 16 Leases

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

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

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach on transition to the new standard.

The Company is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

### 2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

#### (a) Critical Judgements Made in Applying Accounting Policies

The following are judgements made by management in the process of applying the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

##### (i) Classification Between Investment Properties and Property and Equipment (Notes 3 and 4)

The Company has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rental or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (a) Critical Judgements Made in Applying Accounting Policies (continued)

##### (ii) Impairment of AFS Financial Assets (Note 6(b))

Significant judgement is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

##### (iii) Insurance Contract Classification (Note 11)

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Company. The Company exercises judgement about the level of insurance risk transferred. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. These additional benefits include claims liability and assessment costs, but exclude loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable.

##### (iv) Impairment of Receivables (Notes 8 and 9)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting (BNM/RH/STD 032-5). According to the Guidelines, objective evidence of impairment is deemed to exist where the financial assets are individually assessed for impairment if past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement immediately.

#### (b) Key Sources of Estimation Uncertainty

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

##### (i) Valuation of Life Insurance Contract Liabilities (Note 11)

The estimation of the ultimate liability arising from claims made under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Company will ultimately be required to pay as claims.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (b) Key Sources of Estimation Uncertainty (continued)

##### (i) Valuation of Life Insurance Contract Liabilities (Note 11) (continued)

For life insurance contracts, estimates are made for future deaths, disabilities, morbidities, voluntary terminations, investment returns and administration expenses. The Company relies on standard industry and reinsurance tables which represent historical experiences, and makes appropriate adjustments for its respective risk exposures in deriving the mortality, disability and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders and ensure adequate provision of reserve which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance contract liabilities.

##### (ii) Agents' Retirement Benefits (Note 13)

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions of the agreement, which stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Company shall allocate to the agent a deferred benefit/retirement benefit. Interest will be accrued based on an estimated rate at the end of the financial year on the deferred benefit/retirement benefit accumulated with adjustment made subsequent to the year end when the participating fund rate of return is known or when the dividend rate is declared by the Employees Provident Fund ("EPF"). Additional provision is made to cover estimated liability for future benefits payable in the event of death or total and permanent disablement of the eligible agents and the estimates are made for future deaths, disabilities, investment returns and benefits payable. The agents' retirement benefits shall become vested and payable upon fulfilment of the stipulated conditions.

Judgement is required to estimate the provision to be made, based upon the likely fulfilment of the conditions and occurrence of the claimable event.

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

##### (iii) Deferred tax (Note 14)

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

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 3. PROPERTY AND EQUIPMENT

	← Properties →		Buildings on Leasehold Land RM'000	Buildings on Freehold Land RM'000	Capital Work-in- Progress RM'000	Motor Vehicles RM'000	Office Machinery RM'000	Office Furniture and Fitting RM'000	Computer Equipment RM'000	Total RM'000
	Freehold	Buildings								
	Land	on								
	RM'000	Freehold								
<b>Cost</b>										
At 1 January 2017	13,861	342,609	66,103	8,642	2,485	87,964	64,627	533,223	1,119,514	
Additions	-	255	33,798	1,414	-	2,873	2,301	42,379	83,020	
Disposals	-	-	-	-	-	(33)	-	-	(33)	
Reclassification	-	-	-	(217)	-	-	217	-	-	
Write-offs	-	-	-	(2)	-	(10,819)	(38,929)	(57,198)	(106,948)	
At 31 December 2017	13,861	342,864	99,901	9,837	2,485	79,985	28,216	518,404	1,095,553	
<b>Accumulated Depreciation and Impairment</b>										
At 1 January 2017	-	121,465	23,422	-	2,185	81,753	55,182	390,102	674,109	
Depreciation charge for the year	-	6,941	1,320	-	192	2,902	2,217	50,794	64,366	
Impairment	-	-	799	-	-	-	-	-	799	
Disposals	-	-	-	-	-	(33)	-	-	(33)	
Write-offs	-	-	-	-	-	(10,819)	(38,929)	(57,198)	(106,946)	
At 31 December 2017	-	128,406	25,541	-	2,377	73,803	18,470	383,698	632,295	
<b>Net Book Value</b>										
At 31 December 2017	13,861	214,458	74,360	9,837	108	6,182	9,746	134,706	463,258	
<b>Cost</b>										
At 1 January 2016	13,861	341,308	66,027	8,276	2,475	86,386	62,852	479,158	1,060,343	
Additions	-	1,301	76	366	70	1,578	1,775	54,161	59,327	
Disposal	-	-	-	-	(60)	-	-	(96)	(156)	
At 31 December 2016	13,861	342,609	66,103	8,642	2,485	87,964	64,627	533,223	1,119,514	
<b>Accumulated Depreciation and Impairment</b>										
At 1 January 2016	-	114,219	22,089	-	2,019	75,984	51,220	344,872	610,403	
Disposal	-	-	-	-	(60)	-	-	(96)	(156)	
Depreciation charge for the year	-	7,246	1,333	-	226	5,769	3,962	45,326	63,862	
At 31 December 2016	-	121,465	23,422	-	2,185	81,753	55,182	390,102	674,109	
<b>Net Book Value</b>										
At 31 December 2016	13,861	221,144	42,681	8,642	300	6,211	9,445	143,121	445,405	

Included in property and equipment are the cost of fully depreciated assets which are still in use amounting to RM398,800,981 (2016: RM317,292,517).

Included in property and equipment are properties with a total net book value amounting to RM34,800,367 (2016: RM6,458,543) for which title deeds are still in the process of being transferred to the Life Insurance Fund.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 4. INVESTMENT PROPERTIES

	2017 RM'000	2016 RM'000
<b>At 1 January</b>	<b>603,810</b>	601,810
Additions	27	-
Fair value (loss)/gain (Note 21)	<b>(2,416)</b>	2,000
<b>At 31 December</b>	<b>601,421</b>	603,810

The Company's investment properties consist of commercial and residential properties in Malaysia – based on the nature, characteristics and risks of each property.

As at 31 December 2017, the fair values of the properties are based on valuations performed by Messrs. Savills (Malaysia) Sdn. Bhd. (2016: Messrs. Savills (Malaysia) Sdn. Bhd.), an accredited independent firm of property valuers. The property valuers are specialists in valuing these types of investment properties. The valuation models applied are in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13 *Fair Value Measurements*.

The amount of rental income and expenses recorded in respect of investment properties of the Company, in the income statement is as follows:

	2017 RM'000	2016 RM'000
Rental income derived from investment properties	<b>31,934</b>	30,655
Direct operating expenses (including repairs and maintenance) generating rental income	<b>(10,731)</b>	(10,282)
	<b>21,203</b>	20,373

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

Fair value disclosures for investment properties have been provided in Note 34.

The Company has determined that the highest and best use of the properties used for commercial and residential purposes is its current use.

## 5. PREPAID LAND LEASE PAYMENTS

	2017 RM'000	2016 RM'000
<b>Long term leasehold land</b>		
<b>At 1 January</b>	<b>16,528</b>	16,666
Amortisation for the year	<b>(138)</b>	(138)
<b>At 31 December</b>	<b>16,390</b>	16,528

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 6. INVESTMENTS

	2017				2016			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
Malaysian government securities	-	6,403,918	53,240	6,457,158	7,715	7,130,488	257,450	7,395,653
Debt securities	182,143	31,796,994	1,562,582	33,541,719	409,617	32,270,583	1,427,456	34,107,656
Equity securities	192,245	19,676,540	4,932,667	24,801,452	69,983	14,391,810	3,322,873	17,784,666
Unit and property trust funds	-	2,402,746	150,881	2,553,627	16,248	815,371	165,350	996,969
Loans	36,555	7,064,556	-	7,101,111	45,066	7,441,759	-	7,486,825
Deposits with financial institutions	20,950	1,504,134	672,400	2,197,484	42,400	1,729,387	660,700	2,432,487
Investment in subsidiary: Collective investment schemes	407,790	-	-	407,790	-	-	-	-
	<b>839,683</b>	<b>68,848,888</b>	<b>7,371,770</b>	<b>77,060,341</b>	<b>591,029</b>	<b>63,779,398</b>	<b>5,833,829</b>	<b>70,204,256</b>

The Company's financial investments are summarised by categories as follows:

LAR (Note 6(a))	57,505	8,568,690	672,400	9,298,595	87,466	9,171,146	660,700	9,919,312
AFS (Note 6(b))	747,103	22,054,192	-	22,801,295	469,251	15,185,957	-	15,655,208
FVTPL (Note 6(c))	35,075	38,226,006	6,699,370	44,960,451	34,312	39,422,295	5,173,129	44,629,736
	<b>839,683</b>	<b>68,848,888</b>	<b>7,371,770</b>	<b>77,060,341</b>	<b>591,029</b>	<b>63,779,398</b>	<b>5,833,829</b>	<b>70,204,256</b>

The following investments mature after 12 months:

LAR	36,555	2,630,623	-	2,667,178	37,572	2,569,085	-	2,606,657
AFS	147,070	-	-	147,070	383,020	-	-	383,020
FVTPL	35,075	36,806,835	1,586,672	38,428,582	34,312	37,058,756	1,607,674	38,700,742
	<b>218,700</b>	<b>39,437,458</b>	<b>1,586,672</b>	<b>41,242,830</b>	<b>454,904</b>	<b>39,627,841</b>	<b>1,607,674</b>	<b>41,690,419</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 6. INVESTMENTS (CONTINUED)

### (a) LAR

	2017				2016			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At Amortised Cost/Cost:</b>								
Deposits with financial institutions:								
Licensed banks	20,950	1,504,134	672,400	2,197,484	42,400	1,684,387	660,700	2,387,487
Others	-	-	-	-	-	45,000	-	45,000
Policy loans	-	4,316,851	-	4,316,851	-	4,205,268	-	4,205,268
Mortgage loans	11,640	1,008,849	-	1,020,489	12,493	1,489,379	-	1,501,872
Secured loans	10,007	1,274,007	-	1,284,014	10,009	1,275,021	-	1,285,030
Unsecured loans	14,908	464,849	-	479,757	22,564	472,091	-	494,655
	<b>57,505</b>	<b>8,568,690</b>	<b>672,400</b>	<b>9,298,595</b>	<b>87,466</b>	<b>9,171,146</b>	<b>660,700</b>	<b>9,919,312</b>
<b>At Fair Value:</b>								
Deposits with financial institutions:								
Licensed banks	20,950	1,504,134	672,400	2,197,484	42,400	1,684,387	660,700	2,387,487
Others	-	-	-	-	-	45,000	-	45,000
Policy loans	-	4,316,851	-	4,316,851	-	4,205,268	-	4,205,268
Mortgage loans	11,825	1,027,991	-	1,039,816	12,638	1,502,871	-	1,515,509
Secured loans	10,007	1,274,007	-	1,284,014	10,009	1,275,021	-	1,285,030
Unsecured loans	15,615	486,931	-	502,546	23,756	491,400	-	515,156
	<b>58,397</b>	<b>8,609,914</b>	<b>672,400</b>	<b>9,340,711</b>	<b>88,803</b>	<b>9,203,947</b>	<b>660,700</b>	<b>9,953,450</b>

Included in deposits with financial institutions of the Company are short term deposits with original maturity periods of less than 3 months amounting to RM2,107,484,000 (2016: RM2,200,787,000), which have been classified as cash and cash equivalents for the purpose of the cash flow statement.

The carrying value of the deposits with financial institutions approximates fair value due to the relatively short term maturities. The carrying value of the policy loans, secured loans and unsecured loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The fair values of the mortgage loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the mortgage loans were first recognised together with appropriate market credit adjustments.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 6. INVESTMENTS (CONTINUED)

### (b) AFS

	2017				2016			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At Fair Value:</b>								
Equity securities:								
Quoted in								
Malaysia	112,191	16,473,152	-	16,585,343	47,696	10,678,596	-	10,726,292
Quoted outside								
Malaysia	79,760	3,170,120	-	3,249,880	21,995	3,683,816	-	3,705,811
Malaysian government securities	-	-	-	-	7,715	-	-	7,715
Debt securities:								
Unquoted in								
Malaysia	147,070	-	-	147,070	348,547	-	-	348,547
Quoted outside								
Malaysia	-	-	-	-	26,758	-	-	26,758
Unit and property trust funds:								
Quoted in								
Malaysia	-	602,606	-	602,606	13,526	547,153	-	560,679
Quoted outside								
Malaysia	-	1,800,140	-	1,800,140	2,722	268,218	-	270,940
Collective investment schemes								
- subsidiary								
Quoted in								
Malaysia	407,790	-	-	407,790	-	-	-	-
	<b>746,811</b>	<b>22,046,018</b>	<b>-</b>	<b>22,792,829</b>	<b>468,959</b>	<b>15,177,783</b>	<b>-</b>	<b>15,646,742</b>

### At Cost:

Equity securities:								
Unquoted in								
Malaysia	292	8,174	-	8,466	292	8,174	-	8,466
	<b>747,103</b>	<b>22,054,192</b>	<b>-</b>	<b>22,801,295</b>	<b>469,251</b>	<b>15,185,957</b>	<b>-</b>	<b>15,655,208</b>

	2017 RM'000	2016 RM'000
Movement in impairment allowance accounts:		
Provision for impairment loss:		
At 1 January	407,621	254,107
Charge for the year	185,900	211,353
Transfer to realised gain upon disposal	(65,374)	(57,839)
At 31 December	<b>528,147</b>	<b>407,621</b>

The impairment losses arose on equity securities for which there have been significant or prolonged decline in fair value.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 6. INVESTMENTS (CONTINUED)

### (c) FVTPL

	2017				2016			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At Fair Value:</b>								
<b>Held-for-Trading:</b>								
Equity securities:								
Quoted in								
Malaysia	-	24,739	4,844,512	4,869,251	-	21,224	3,251,663	3,272,887
Quoted outside								
Malaysia	2	355	88,155	88,512	-	-	71,210	71,210
Malaysian government securities								
	-	-	53,240	53,240	-	-	257,450	257,450
Debt securities:								
Quoted outside								
Malaysia	-	-	20,623	20,623	-	-	-	-
Unquoted in								
Malaysia	35,073	3,269,018	1,541,959	4,846,050	34,312	1,768,752	1,427,456	3,230,520
Unit and property trust funds:								
Quoted in								
Malaysia	-	-	117,418	117,418	-	-	139,251	139,251
Quoted outside								
Malaysia	-	-	33,463	33,463	-	-	26,099	26,099
	<b>35,075</b>	<b>3,294,112</b>	<b>6,699,370</b>	<b>10,028,557</b>	<b>34,312</b>	<b>1,789,976</b>	<b>5,173,129</b>	<b>6,997,417</b>
<b>Designated upon initial recognition:</b>								
Malaysian government securities								
	-	6,403,918	-	6,403,918	-	7,130,488	-	7,130,488
Debt securities:								
Quoted outside								
Malaysia	-	185,608	-	185,608	-	836,819	-	836,819
Unquoted in								
Malaysia	-	28,255,673	-	28,255,673	-	29,536,410	-	29,536,410
Unquoted outside								
Malaysia	-	86,695	-	86,695	-	128,602	-	128,602
	-	<b>34,931,894</b>	-	<b>34,931,894</b>	-	<b>37,632,319</b>	-	<b>37,632,319</b>
	<b>35,075</b>	<b>38,226,006</b>	<b>6,699,370</b>	<b>44,960,451</b>	<b>34,312</b>	<b>39,422,295</b>	<b>5,173,129</b>	<b>44,629,736</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 6. INVESTMENTS (CONTINUED)

### (d) Investment in subsidiary - collective investment scheme

	2017 RM'000	2016 RM'000
<b>At fair value:</b>		
AFS (Note 6(b))	407,790	-

Details of the Company's investment in subsidiary - collective investment scheme in Malaysia are as follows:

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company	
		2017	2016
Affin Hwang Wholesale Income Fund	Investment in debt securities and money market	88.89%	-

In July 2017, the Company invested RM400 million in a collective investment scheme in Malaysia, namely Affin Hwang Wholesale Income Fund ("the Fund"). The Funds' investment strategy is to invest a minimum of 70% of its Net Asset Value ("NAV") in fixed income securities and a maximum of 30% of its NAV in money market instruments. As at 31 December 2017, the investments of the Fund are mainly in fixed income instruments.

The Company has determined that it has control over the Fund, based on the following rationale:

By virtue of clause 17.1.2 of the Trust Deed signed between TMF Trustees Malaysia Berhad ("the Trustee") and Affin Hwang Asset Management Berhad ("the Fund Manager"), the Unitholders of the Fund may apply to the Fund Manager to summon a meeting for any purpose, without limitation, for the purpose of requiring the retirement or removal of the Fund Manager.

The Company has determined that it is able to exert its power in order to influence returns from its investment in the Fund by virtue of clause 17.1.2 as disclosed above.

The Company by virtue of holding the units in the Fund also has exposure, or rights to variable returns from the investment.

## 7. REINSURANCE ASSETS

### Life Insurance Fund

	2017 RM'000	2016 RM'000
Reinsurance of insurance contracts (Note 11)	52,892	83,683

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 8. INSURANCE RECEIVABLES

### Life Insurance Fund

	2017 RM'000	2016 RM'000
Due premiums including agents/brokers and co-insurers balances	256,153	272,962
Due from reinsurers	6,727	-
	<b>262,880</b>	272,962
Allowance for impairment	<b>(2,140)</b>	(2,604)
	<b>260,740</b>	270,358

Movement in impairment allowance account:

Individual impairment:

At 1 January	2,604	5,462
Reversal for the year	<b>(464)</b>	(2,858)
At 31 December	<b>2,140</b>	2,604

There were no collectively impaired insurance receivables for the years ended 31 December 2017 and 2016.

The carrying amounts disclosed above approximate fair values due to their relatively short term nature.

The Company's amounts due from reinsurers that have been offset against amount due to reinsurers are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
<b>31 December 2017</b>			
Premiums ceded	(20,651)	-	(20,651)
Commissions receivable	-	1,761	1,761
Claims recoveries	-	25,617	25,617
	<b>(20,651)</b>	<b>27,378</b>	<b>6,727</b>
<b>31 December 2016</b>			
Commissions receivable	(22,973)	22,973	-
Claims recoveries	(79,607)	79,607	-
	<b>(102,580)</b>	<b>102,580</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 9. OTHER RECEIVABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At 31 December 2017</b>				
<u>Non-financial assets</u>				
Prepayments	-	12,043	-	12,043
<u>Financial assets</u>				
Income due and accrued	35,572	703,657	44,992	784,221
Progress payment for property under development	-	108,815	-	108,815
Other receivables	62	3,856	-	3,918
Amount due from:				
- related companies	3,089	-	-	3,089
- holding company	1	-	-	1
	38,724	816,328	44,992	900,044
Allowance for impairment	-	(751)	-	(751)
	38,724	815,577	44,992	899,293
<b>Total other receivables</b>	<b>38,724</b>	<b>827,620</b>	<b>44,992</b>	<b>911,336</b>
Receivable after 12 months	60	114,018	-	114,078
<b>At 31 December 2016</b>				
<u>Non-financial assets</u>				
Prepayments	-	11,107	-	11,107
<u>Financial assets</u>				
Income due and accrued	4,622	1,094,363	27,442	1,126,427
Progress payment for property under development	-	115,484	-	115,484
Other receivables	60	2,002	-	2,062
Amount due from related companies	4,394	-	-	4,394
	9,076	1,211,849	27,442	1,248,367
Allowance for impairment	-	(777)	-	(777)
	9,076	1,211,072	27,442	1,247,590
<b>Total other receivables</b>	<b>9,076</b>	<b>1,222,179</b>	<b>27,442</b>	<b>1,258,697</b>
Receivable after 12 months	54	113,850	-	113,904

Related companies in these financial statements refer to companies within the OCBC Group. The amounts due from related companies and holding company are unsecured, interest-free and are repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 9. OTHER RECEIVABLES (CONTINUED)

	2017 RM'000	2016 RM'000
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	777	534
(Reversal)/Charge for the year	(26)	243
At 31 December	751	777

There were no collectively impaired other receivables for the years ended 31 December 2017 and 2016.

The carrying amounts disclosed above approximate fair values due to their relatively short term nature.

## 10. SHARE CAPITAL

	2017		2016	
	No. of shares (‘000)	RM'000	No. of shares (‘000)	RM'000
Ordinary shares				
At beginning and end of year	100,000	100,000	100,000	100,000

## 11. INSURANCE CONTRACT LIABILITIES

### Life Insurance Fund

	2017			2016		
	Gross Reinsurance RM'000	Net RM'000	Net RM'000	Gross Reinsurance RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	8,931,744	(23,290)	8,908,454	8,216,667	(29,175)	8,187,492
Actuarial liabilities	49,578,048	(29,602)	49,548,446	49,050,781	(54,508)	48,996,273
Unallocated surplus	3,505,344	-	3,505,344	1,872,531	-	1,872,531
Available-for-sale fair value reserves	5,369,996	-	5,369,996	3,582,411	-	3,582,411
Net asset value attributable to unitholders	7,338,526	-	7,338,526	5,833,469	-	5,833,469
	74,723,658	(52,892)	74,670,766	68,555,859	(83,683)	68,472,176

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 11. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			Net
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
<b>At 1 January 2017</b>	<b>59,993,215</b>	<b>8,562,644</b>	<b>68,555,859</b>	<b>(10,825)</b>	<b>(72,858)</b>	<b>(83,683)</b>	<b>68,472,176</b>
Premiums received	3,556,456	1,121,282	4,677,738	(71,132)	(113,974)	(185,106)	4,492,632
Liabilities paid for death, maturities, surrenders, benefits and claims	(4,009,484)	(464,024)	(4,473,508)	26,377	61,151	87,528	(4,385,980)
Policy movements	2,140,824	233,939	2,374,763	-	14,976	14,976	2,389,739
Interest rate	697	74,868	75,565	-	(309)	(309)	75,256
Adjustments due to changes in assumptions:							
Mortality/morbidity	(38,142)	(30,030)	(68,172)	-	10,217	10,217	(57,955)
Expenses	(39,562)	(23,683)	(63,245)	-	22	22	(63,223)
Lapse	(58)	3,681	3,623	-	-	-	3,623
Others	(1,777,207)	(8,292)	(1,785,499)	-	-	-	(1,785,499)
Model change	(6,817)	(2,952)	(9,769)	-	-	-	(9,769)
Claims benefit experience variation	700,875	14,201	715,076	50,040	53,423	103,463	818,539
Net asset value attributable to unitholders	-	847,799	847,799	-	-	-	847,799
Available-for-sale fair value reserves	1,943,130	-	1,943,130	-	-	-	1,943,130
Unallocated surplus	2,085,842	-	2,085,842	-	-	-	2,085,842
Deferred tax effects:							
Available-for-sale fair value reserves	(155,544)	-	(155,544)	-	-	-	(155,544)
<b>At 31 December 2017</b>	<b>64,394,225</b>	<b>10,329,433</b>	<b>74,723,658</b>	<b>(5,540)</b>	<b>(47,352)</b>	<b>(52,892)</b>	<b>74,670,766</b>

Policy benefits bear interest at 5% per annum.

	Gross			Reinsurance			Net
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
<b>At 1 January 2016</b>	<b>57,521,153</b>	<b>7,941,069</b>	<b>65,462,222</b>	<b>(11,071)</b>	<b>(89,914)</b>	<b>(100,985)</b>	<b>65,361,237</b>
Premiums received	3,897,255	960,255	4,857,510	(66,389)	(84,315)	(150,704)	4,706,806
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,847,211)	(387,686)	(4,234,897)	24,357	44,647	69,004	(4,165,893)
Policy movements	1,663,029	127,802	1,790,831	-	(12,224)	(12,224)	1,778,607
Interest rate	593	(17,459)	(16,866)	-	196	196	(16,670)
Adjustments due to changes in assumptions:							
Mortality/morbidity	(5,277)	(3,003)	(8,280)	-	162	162	(8,118)
Expenses	10,325	1,277	11,602	-	-	-	11,602
Lapse	887,266	(7,129)	880,137	-	(75)	(75)	880,062
Others	2,195,895	4,691	2,200,586	-	1,035	1,035	2,201,621
Model change	(25,297)	(6,620)	(31,917)	-	-	-	(31,917)
Claims benefit experience variation	700,572	8,952	709,524	42,278	67,630	109,908	819,432
Net asset value attributable to unitholders	-	(59,505)	(59,505)	-	-	-	(59,505)
Available-for-sale fair value reserves	(324,945)	-	(324,945)	-	-	-	(324,945)
Unallocated surplus	(2,706,098)	-	(2,706,098)	-	-	-	(2,706,098)
Deferred tax effects:							
Available-for-sale fair value reserves	25,955	-	25,955	-	-	-	25,955
<b>At 31 December 2016</b>	<b>59,993,215</b>	<b>8,562,644</b>	<b>68,555,859</b>	<b>(10,825)</b>	<b>(72,858)</b>	<b>(83,683)</b>	<b>68,472,176</b>

Policy benefits bear interest at 5% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 12. DERIVATIVES

	Asset		Liability	
	Notional Principal RM'000	Fair Value RM'000	Notional Principal RM'000	Fair Value RM'000
<b>31 December 2017</b>				
<b>Life Insurance Fund</b>				
Derivatives held for trading:				
Currency swaps	105,800	8,520	60,220	47,131
Forward currency	84,812	3,634	-	-
	<b>190,612</b>	<b>12,154</b>	<b>60,220</b>	<b>47,131</b>
<b>Unit-linked</b>				
Derivatives held for trading:				
Forward currency	21,203	909	-	-
	<b>211,815</b>	<b>13,063</b>	<b>60,220</b>	<b>47,131</b>
<b>31 December 2016</b>				
<b>Life Insurance Fund</b>				
Derivatives held for trading:				
Currency swaps	-	-	613,641	284,614
<b>Shareholder's Fund</b>				
Derivatives held for trading:				
Currency swaps	-	-	4,218	468
	-	-	<b>617,859</b>	<b>285,082</b>

## 13. AGENTS' RETIREMENT BENEFITS

	2017 RM'000	2016 RM'000
At 1 January	813,130	760,436
Provision for the year	115,902	89,849
Utilised during the year	(99,721)	(37,155)
At 31 December	<b>829,311</b>	<b>813,130</b>
Payable after 12 months	<b>553,490</b>	<b>572,364</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 14. DEFERRED TAXATION

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At 1 January 2017</b>	<b>164,710</b>	<b>342,987</b>	<b>15,438</b>	<b>523,135</b>
Recognised in:				
Income statement (Note 25)	35,090	7,215	50,945	93,250
Other comprehensive income	(200)	-	-	(200)
Insurance contract liabilities	-	155,544	-	155,544
<b>At 31 December 2017</b>	<b>199,600</b>	<b>505,746</b>	<b>66,383</b>	<b>771,729</b>
At 1 January 2016	152,512	353,247	20,317	526,076
Recognised in:				
Income statement (Note 25)	15,927	15,695	(4,879)	26,743
Other comprehensive income	(3,729)	-	-	(3,729)
Insurance contract liabilities	-	(25,955)	-	(25,955)
At 31 December 2016	164,710	342,987	15,438	523,135

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
Presented after appropriate offsetting as follows:				
<b>At 31 December 2017</b>				
Deferred tax liabilities	201,457	547,977	66,383	815,817
Deferred tax assets	(1,857)	(42,231)	-	(44,088)
	<b>199,600</b>	<b>505,746</b>	<b>66,383</b>	<b>771,729</b>
At 31 December 2016				
Deferred tax liabilities	167,391	375,320	15,438	558,149
Deferred tax assets	(2,681)	(32,333)	-	(35,014)
	164,710	342,987	15,438	523,135

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. DEFERRED TAXATION (CONTINUED)

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

### Deferred Tax Liabilities

	Fair value of investment assets RM'000	Unallocated Surplus of Non-Participating Funds RM'000	Total RM'000
<b>Shareholder's Fund</b>			
<b>At 1 January 2017</b>	<b>5,780</b>	<b>161,611</b>	<b>167,391</b>
Recognised in other comprehensive income	(200)	-	(200)
Recognised in income statement	331	33,935	34,266
<b>At 31 December 2017</b>	<b>5,911</b>	<b>195,546</b>	<b>201,457</b>
At 1 January 2016	9,710	147,235	156,945
Recognised in other comprehensive income	(3,729)	-	(3,729)
Recognised in income statement	(201)	14,376	14,175
At 31 December 2016	5,780	161,611	167,391

	Fair value of investment properties RM'000	Fair value of investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Total RM'000
<b>Life Insurance Fund</b>				
<b>At 1 January 2017</b>	<b>19,006</b>	<b>349,636</b>	<b>6,678</b>	<b>375,320</b>
Recognised in insurance contract liabilities	-	155,544	-	155,544
Recognised in income statement	(27)	20,319	(3,179)	17,113
<b>At 31 December 2017</b>	<b>18,979</b>	<b>525,499</b>	<b>3,499</b>	<b>547,977</b>
At 1 January 2016	18,659	348,948	5,031	372,638
Recognised in insurance contract liabilities	-	(25,955)	-	(25,955)
Recognised in income statement	347	26,643	1,647	28,637
At 31 December 2016	19,006	349,636	6,678	375,320

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 14. DEFERRED TAXATION (CONTINUED)

### Deferred Tax Liabilities (continued)

	Fair value of investment assets RM'000	Total RM'000
<b>Unit-linked</b>		
<b>At 1 January 2017</b>	<b>15,438</b>	<b>15,438</b>
Recognised in income statement	50,945	50,945
<b>At 31 December 2017</b>	<b>66,383</b>	<b>66,383</b>
At 1 January 2016	20,317	20,317
Recognised in income statement	(4,879)	(4,879)
At 31 December 2016	15,438	15,438

The components and movements of deferred tax assets during the financial year prior to offsetting are as follows:

### Deferred Tax Assets

	Accretion of discounts on investments RM'000	Provision for impairment of investments RM'000	Total RM'000
<b>Shareholder's Fund</b>			
<b>At 1 January 2017</b>	<b>(1,861)</b>	<b>(820)</b>	<b>(2,681)</b>
Recognised in income statement	4	820	824
<b>At 31 December 2017</b>	<b>(1,857)</b>	<b>-</b>	<b>(1,857)</b>
At 1 January 2016	(1,962)	(2,471)	(4,433)
Recognised in income statement	101	1,651	1,752
At 31 December 2016	(1,861)	(820)	(2,681)

	Provision for impairment of investments RM'000
<b>Life Insurance Fund</b>	
<b>At 1 January 2017</b>	<b>(32,333)</b>
Recognised in income statement	(9,898)
<b>At 31 December 2017</b>	<b>(42,231)</b>
At 1 January 2016	(19,391)
Recognised in income statement	(12,942)
At 31 December 2016	(32,333)

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. OTHER FINANCIAL LIABILITIES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2017</b>				
Deposits received from reinsurers	-	534	-	534
Outstanding purchases of investment securities	24,031	48,152	16,587	88,770
	<b>24,031</b>	<b>48,686</b>	<b>16,587</b>	<b>89,304</b>
<b>31 December 2016</b>				
Deposits received from reinsurers	-	579	-	579
Outstanding purchases of investment securities	1,617	38,906	10,283	50,806
	<b>1,617</b>	<b>39,485</b>	<b>10,283</b>	<b>51,385</b>

The carrying amounts disclosed above approximate fair values at the balance sheet date due to their relatively short term nature.

## 16. INSURANCE PAYABLES

	2017 RM'000	2016 RM'000
<b>Life Insurance Fund</b>		
Due to reinsurers	34,912	15,164
Due to agents and intermediaries	227,975	209,715
	<b>262,887</b>	<b>224,879</b>

The carrying amounts disclosed above approximate fair value at the balance sheet date.

The Company's amount due to reinsurers that have been offset against amount due from reinsurers are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
<b>31 December 2017</b>			
Premiums ceded	121,696	-	121,696
Commissions receivable	-	(21,908)	(21,908)
Claims recoveries	-	(64,876)	(64,876)
	<b>121,696</b>	<b>(86,784)</b>	<b>34,912</b>
<b>31 December 2016</b>			
Premiums ceded	117,744	-	117,744
Commissions receivable	-	(22,973)	(22,973)
Claims recoveries	-	(79,607)	(79,607)
	<b>117,744</b>	<b>(102,580)</b>	<b>15,164</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. OTHER PAYABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2017</b>				
<u>Non-financial liabilities</u>				
Accrued expenses	13	110,513	74	110,600
Premium suspense	-	27,949	-	27,949
	<b>13</b>	<b>138,462</b>	<b>74</b>	<b>138,549</b>
<u>Financial liabilities</u>				
Deposits from tenants	-	17,097	-	17,097
Dividends payable	133,687	-	-	133,687
Advance premium	-	177,793	-	177,793
Amount due to ultimate holding company	731	-	-	731
Amount due to intermediate holding company	14,015	-	-	14,015
Others	-	144,543	297	144,840
	<b>148,433</b>	<b>339,433</b>	<b>297</b>	<b>488,163</b>
<b>Total payables</b>	<b>148,446</b>	<b>477,895</b>	<b>371</b>	<b>626,712</b>
<b>31 December 2016</b>				
<u>Non-financial liabilities</u>				
Accrued expenses	12	104,428	51	104,491
Premium suspense	-	20,793	-	20,793
	<b>12</b>	<b>125,221</b>	<b>51</b>	<b>125,284</b>
<u>Financial liabilities</u>				
Deposits from tenants	-	17,787	-	17,787
Dividends payable	133,677	-	-	133,677
Advance premium	-	188,056	-	188,056
Amount due to ultimate holding company	1,148	-	-	1,148
Amount due to intermediate holding company	13,578	-	-	13,578
Amount due to holding company	1,816	-	-	1,816
Others	39	113,085	258	113,382
	<b>150,258</b>	<b>318,928</b>	<b>258</b>	<b>469,444</b>
<b>Total payables</b>	<b>150,270</b>	<b>444,149</b>	<b>309</b>	<b>594,728</b>

The amounts due to the holding, intermediate holding and ultimate holding companies are unsecured, interest-free and are repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

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## 18. NET EARNED PREMIUMS

### Life Insurance Fund

	2017 RM'000	2016 RM'000
<b>(a) Gross earned premiums</b>		
Life insurance contracts	7,615,384	7,260,678
<b>(b) Earned premiums ceded to reinsurers</b>		
Life insurance contracts	(185,106)	(150,704)
<b>Net earned premiums</b>	<b>7,430,278</b>	<b>7,109,974</b>

## 19. INVESTMENT INCOME

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
<b>2017</b>			
Rental income from:			
- investment properties	-	31,934	31,934
- owner occupied properties	-	31,399	31,399
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	1,970	221,006	222,976
Dividend income:			
- equity securities quoted in Malaysia	-	136,783	136,783
- equity securities quoted outside Malaysia	-	2,597	2,597
- designated upon initial recognition:			
Interest income	-	1,548,570	1,548,570
Financial assets at AFS:			
Interest income	18,688	-	18,688
Dividend income:			
- equity securities quoted in Malaysia	7,118	515,810	522,928
- equity securities quoted outside Malaysia	2,149	135,192	137,341
- equity securities unquoted in Malaysia	25	6,997	7,022
LAR interest income	2,051	445,656	447,707
Cash and bank balances interest income	3,647	75,602	79,249
Gross investment income	35,648	3,151,546	3,187,194
Less: investment expenses	-	(50,482)	(50,482)
	<b>35,648</b>	<b>3,101,064</b>	<b>3,136,712</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 19. INVESTMENT INCOME (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2016			
Rental income from:			
- investment properties	-	30,655	30,655
- owner occupied properties	-	32,022	32,022
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	1,004	164,297	165,301
Dividend income:			
- equity securities quoted in Malaysia	-	93,328	93,328
- equity securities quoted outside Malaysia	-	1,156	1,156
- designated upon initial recognition:			
Interest income	-	1,582,050	1,582,050
Financial assets at AFS:			
Interest income	26,694	-	26,694
Dividend income:			
- equity securities quoted in Malaysia	2,954	357,856	360,810
- equity securities quoted outside Malaysia	694	103,513	104,207
- equity securities unquoted in Malaysia	30	3,153	3,183
LAR interest income	2,091	451,434	453,525
Cash and bank balances interest income	1,774	93,148	94,922
Gross investment income	35,241	2,912,612	2,947,853
Less: investment expenses	(42)	(48,727)	(48,769)
	35,199	2,863,885	2,899,084

Included in rental income from properties is contingent rent for the year amounting to RM739,766 (2016: RM703,878). Contingent rental arrangements are computed based on sales or profit achieved by tenants.

# NOTES TO THE FINANCIAL STATEMENTS

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## 20. REALISED GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
<b>2017</b>			
<b>Property and equipment</b>			
Realised gains	-	2	2
<b>AFS financial assets*</b>			
Realised gains:			
Equity securities:			
- quoted in Malaysia	3,618	91,099	94,717
- quoted outside Malaysia	8,467	276,974	285,441
Debt securities:			
- quoted outside Malaysia	256	-	256
- unquoted in Malaysia	3,808	-	3,808
Total realised gains for AFS financial assets	16,149	368,073	384,222
<b>FVTPL financial assets</b>			
Realised gains/(losses):			
Debt securities:			
- unquoted in Malaysia	-	1,440	1,440
- unquoted outside Malaysia	-	(1,013)	(1,013)
- quoted outside Malaysia	-	(19,760)	(19,760)
Equity securities:			
- quoted in Malaysia	1	(81,602)	(81,601)
- quoted outside Malaysia	-	1,017	1,017
Total realised gains/(losses) for FVTPL financial assets	1	(99,918)	(99,917)
	16,150	268,157	284,307



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 20. REALISED GAINS AND LOSSES (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2016			
<b>Property and equipment</b>			
Realised gains	-	17	17
<b>AFS financial assets*</b>			
Realised gains/(losses):			
Equity securities:			
- quoted in Malaysia	4,419	360,467	364,886
- quoted outside Malaysia	162	(37,513)	(37,351)
Debt securities:			
- unquoted in Malaysia	2,171	-	2,171
<b>Total realised gains for AFS financial assets</b>	<b>6,752</b>	<b>322,954</b>	<b>329,706</b>
<b>FVTPL financial assets</b>			
Realised (losses)/gains:			
Debt securities:			
- unquoted in Malaysia	(42)	(8,523)	(8,565)
- unquoted outside Malaysia	-	(511)	(511)
- quoted outside Malaysia	-	(62)	(62)
Equity securities:			
- quoted in Malaysia	(4)	(95,258)	(95,262)
- quoted outside Malaysia	-	(3,380)	(3,380)
<b>Total realised losses for FVTPL</b>	<b>(46)</b>	<b>(107,734)</b>	<b>(107,780)</b>
	<b>6,706</b>	<b>215,237</b>	<b>221,943</b>

\* Included in realised gains/(losses) from AFS financial assets of the Life Insurance Fund is net realised gain of RM44,784,646 (2016: realised gain of RM16,449,762) arising from the Non-participating fund.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 21. FAIR VALUE GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
<b>2017</b>			
Investment properties (Note 4)	-	(2,416)	(2,416)
Financial investments - FVTPL	1,088	1,271,203	1,272,291
	<b>1,088</b>	<b>1,268,787</b>	<b>1,269,875</b>
<b>2016</b>			
Investment properties (Note 4)	-	2,000	2,000
Financial investments - FVTPL	(423)	384,093	383,670
	<b>(423)</b>	<b>386,093</b>	<b>385,670</b>

## 22. FEES AND COMMISSION INCOME

### Life Insurance Fund

	2017 RM'000	2016 RM'000
Reinsurance commission income	17,363	16,508

## 23. NET BENEFITS AND CLAIMS

### Life Insurance Fund

	2017 RM'000	2016 RM'000
<b>(a) Gross benefits and claims paid</b>		
Life insurance contracts:		
Death	(422,700)	(354,402)
Maturity	(552,652)	(678,959)
Surrender	(1,791,799)	(1,558,553)
Cash bonus	(1,337,210)	(1,278,447)
Others	(1,439,928)	(1,309,660)
	<b>(5,544,289)</b>	<b>(5,180,021)</b>
<b>(b) Claims ceded to reinsurers</b>		
Life insurance contracts	87,527	69,004
<b>(c) Gross change in contract liabilities</b>		
Life insurance contracts	(3,665,137)	(2,683,103)
<b>(d) Change in contract liabilities ceded to reinsurers</b>		
Life insurance contracts	(24,906)	10,905

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 24. MANAGEMENT EXPENSES

	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
<b>2017</b>				
Employee benefits expense	24(a)	-	226,952	226,952
Non-executive directors' remuneration	24(b)	-	1,213	1,213
Auditors' remuneration:				
- statutory audits		11	501	512
- regulatory related fees		-	235	235
- other services		-	55	55
Depreciation of property and equipment	3	-	64,366	64,366
Amortisation of prepaid land lease payments	5	-	138	138
Rental of properties		-	339	339
Operating lease payments		-	1,295	1,295
Advertising and promotion		684	15,166	15,850
Finance charges		-	53,470	53,470
Group service fees		-	44,275	44,275
IT and computer expenses		-	32,027	32,027
Policyholder expenses		-	8,316	8,316
Postal and telecommunication		-	14,966	14,966
Printing and stationery		-	3,187	3,187
Professional fees		1	10,634	10,635
Repairs and maintenance		-	3,281	3,281
Transport and travelling		-	2,696	2,696
Utilities		-	6,061	6,061
GST expense		133	72,694	72,827
Others		12,357	9,804	22,161
		<b>13,186</b>	<b>571,671</b>	<b>584,857</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 24. MANAGEMENT EXPENSES (CONTINUED)

2017 (continued)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
<b>(a) Employee Benefits Expense</b>			
Wages and salaries	-	183,305	183,305
Short term accumulating compensated absences	-	158	158
Social security contributions	-	1,321	1,321
Defined contribution plans - EPF	-	29,972	29,972
Other employee benefits expense	-	12,196	12,196
	-	226,952	226,952

## (b) CEO and Directors' Remuneration

The details of remuneration received by CEO and Directors during the year are as follows:

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
CEO:			
Salaries and other emoluments	-	2,067	2,067
Bonus	-	792	792
Estimated money value of benefits-in-kind	-	23	23
	-	2,882	2,882
Non-executive:			
Fees	-	1,213	1,213
Total directors' remuneration	-	4,095	4,095
Represented by:			
Directors' fees	-	1,213	1,213
Amount included in employee benefits expense	-	2,882	2,882
	-	4,095	4,095

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 24. MANAGEMENT EXPENSES (CONTINUED)

		Shareholder's Fund	Life Insurance Fund	Total
	Note	RM'000	RM'000	RM'000
2016				
Employee benefits expense	24(a)	-	193,448	193,448
Non-executive directors' remuneration	24(b)	-	1,157	1,157
Auditors' remuneration:				
- statutory audits		11	479	490
- regulatory related fees		-	172	172
- other services		-	104	104
Depreciation of property and equipment	3	-	63,862	63,862
Amortisation of prepaid land lease payments	5	-	138	138
Rental of properties		-	408	408
Operating lease payments		-	1,271	1,271
Advertising and promotion		710	20,674	21,384
Finance charges		3	50,749	50,752
Group service fees		-	44,587	44,587
IT and computer expenses		-	31,735	31,735
Policyholder expenses		-	8,399	8,399
Postal and telecommunication		-	14,429	14,429
Printing and stationery		-	2,995	2,995
Professional fees		1	4,390	4,391
Repairs and maintenance		-	3,876	3,876
Transport and travelling		-	2,348	2,348
Utilities		-	5,983	5,983
GST expense		8	69,185	69,193
Others		11,050	9,581	20,631
		11,783	529,970	541,753

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 24. MANAGEMENT EXPENSES (CONTINUED)

2016 (continued)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
<b>(a) Employee Benefits Expense</b>			
Wages and salaries	-	156,397	156,397
Short term accumulating compensated absences	-	230	230
Social security contributions	-	1,159	1,159
Defined contribution plans - EPF	-	25,686	25,686
Other employee benefits expense	-	9,976	9,976
	-	193,448	193,448

## (b) CEO and Directors' Remuneration

The details of remuneration received by Directors during the year are as follows:

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Executive:			
Salaries and other emoluments	-	1,998	1,998
Bonus	-	640	640
Estimated money value of benefits-in-kind	-	35	35
	-	2,673	2,673
Non-executive:			
Fees	-	1,157	1,157
<b>Total directors' remuneration</b>	-	3,830	3,830
Represented by:			
Directors' fees	-	1,157	1,157
Amount included in employee benefits expense	-	2,673	2,673
	-	3,830	3,830

The remuneration, including benefits-in-kind, attributable to the CEO amounted to RM2,882,000 (2016: RM2,673,000).

The Directors' fees are subject to the recommendation of the Board Nominations and Remuneration Committee to the Board of Directors for endorsement and approval by the shareholder at the AGM.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 24. MANAGEMENT EXPENSES (CONTINUED)

### (b) CEO and Directors' Remuneration (continued)

The number of Directors whose total remuneration received from the Company during the year fall within the following bands is analysed below:

	Number of Directors	
	2017	2016
<b>Executive Director</b>		
Below RM50,000	1	-
RM2,550,001 - RM3,000,000	-	1

	Number of Directors	
	2017	2016
<b>Non-Executive Directors</b>		
Below RM50,000	1	-
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	4	-
RM250,001 - RM300,000	-	3
RM300,001 - RM350,000	-	1

Name		2017				Total RM'000
		Salaries RM'000	Bonus RM'000	Benefits in kind RM'000	Fees RM'000	
Y Bhg Dato Koh Yaw Hui	<b>CEO</b>	2,067	792	23	-	2,882
<b>Total CEO's remuneration</b>		2,067	792	23	-	2,882
	<b>Status of directorship</b>					
Mr Norman Ka Cheung Ip	Non - Executive	-	-	-	219	219
Mr Tan Yam Pin (Appointed on 3 January 2017)	Non - Executive	-	-	-	162	162
Mr Koh Poh Tiong (Appointed on 1 October 2017)	Non - Executive	-	-	-	23	23
Y Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	223	223
Y Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	224	224
Mr Ng Hon Soon	Non - Executive	-	-	-	214	214
Mdm Tan Fong Sang (Appointed on 10 March 2017)	Non - Executive	-	-	-	148	148
<b>Total Non-Executive Directors' remuneration</b>		-	-	-	1,213	1,213
<b>Total remuneration</b>		2,067	792	23	1,213	4,095

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 24. MANAGEMENT EXPENSES (CONTINUED)

### (b) CEO and Directors' Remuneration (continued)

Name	Status of directorship	2016				Total RM'000
		Salaries RM'000	Bonus RM'000	Benefits in kind RM'000	Fees RM'000	
Y Bhg Dato Koh Yaw Hui	CEO/Executive	1,998	640	35	-	2,673
<b>Total Executive Director's remuneration</b>		1,998	640	35	-	2,673
Mr Norman Ka Cheung Ip	Non - Executive	-	-	-	339	339
Y Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	271	271
Y Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	271	271
Mr Ng Hon Soon	Non - Executive	-	-	-	276	276
<b>Total Non-Executive Directors' remuneration</b>		-	-	-	1,157	1,157
<b>Total Directors' remuneration</b>		1,998	640	35	1,157	3,830

## 25. TAXATION

	Note	2017 RM'000	2016 RM'000
Taxation of life insurance business	(a)	320,070	221,491
Taxation of the Company	(b)	201,290	177,104
		<b>521,360</b>	<b>398,595</b>

### (a) Taxation of life insurance business

Tax expense:			
Current		261,910	210,675
Deferred:			
- Life Insurance Fund	14	7,215	15,695
- Unit-linked	14	50,945	(4,879)
		<b>320,070</b>	<b>221,491</b>
Current income tax:			
Malaysian income tax		262,880	220,904
Overprovided in prior years		(1,072)	(10,316)
Tax on foreign dividend income		102	87
		<b>261,910</b>	<b>210,675</b>
Deferred tax:			
Relating to origination and reversal of temporary differences			
- Life Insurance Fund	14	7,215	15,695
- Unit-linked	14	50,945	(4,879)
		<b>320,070</b>	<b>221,491</b>



# NOTES TO THE FINANCIAL STATEMENTS

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## 25. TAXATION (CONTINUED)

### (a) Taxation of life insurance business (continued)

The Malaysian tax charge on the life business is based on the method prescribed under the Income Tax Act 1967 for life business.

The income tax for the life fund is calculated based on tax rate of 8% (2016: 8%) of the assessable investment income net of allowable deductions for the financial year.

### (b) Taxation of the Company

	2017 RM'000	2016 RM'000
Tax expense:		
Current	166,200	161,177
Deferred (Note 14)	35,090	15,927
	<b>201,290</b>	<b>177,104</b>
Current income tax:		
Malaysian income tax	200,001	204,696
Under/(over)provided in prior years	5,275	(6,664)
Double taxation relief	(39,076)	(36,855)
	<b>166,200</b>	<b>161,177</b>
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	35,090	15,927
	<b>201,290</b>	<b>177,104</b>

The current income tax is calculated at 24% (2016: 24%) of the estimated assessable profit for the financial year.

The deferred tax for the Shareholder's Fund is calculated based on the tax rate of 24% (2016: 24%).

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

	2017 RM'000	2016 RM'000
Profit before taxation	993,854	947,915
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	238,525	227,500
Income not subject to tax	(7,375)	(4,137)
Effect due to change in tax rate	-	(5,889)
Expenses not deductible for tax purposes	3,941	3,149
Under/(over) provided in prior years	5,275	(6,664)
Double taxation relief	(39,076)	(36,855)
Tax expense for the year	<b>201,290</b>	<b>177,104</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. EARNINGS PER SHARE - BASIC AND DILUTED

Earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holder of the Company by the number of ordinary shares in issue during the year.

	2017	2016
Profit attributable to ordinary equity holder (RM'000)	792,564	770,811
Number of shares in issue ('000)	100,000	100,000
Basic earnings per share (sen)	793	771

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

## 27. DIVIDENDS

	2017 RM'000	2016 RM'000
<b>Recognised during the financial year:</b>		
Dividend on ordinary shares:		
- Final single tier dividend for 2016 of RM3.40 (2015: RM4.50) per share	340,000	450,000
- Interim single tier dividend for 2017 of RM1.25 (2016: RM2.73) per share	125,000	273,000
	<b>465,000</b>	<b>723,000</b>

At the forthcoming Annual General Meeting, a second and final single tier dividend in respect of the current financial year ended 31 December 2017 on 100,000,005 ordinary shares amounting to a total dividend of RM425,000,021 (RM4.25 per share) will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

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## 28. CASH USED IN OPERATING ACTIVITIES

	Note	2017 RM'000	2016 RM'000
<b>Profit before taxation</b>		<b>993,854</b>	947,915
<i>Adjustments for:</i>			
Taxation of life insurance business	25(a)	<b>320,070</b>	221,491
Investment income	19	<b>(3,187,194)</b>	(2,947,853)
Realised gains recorded in the income statement	20	<b>(284,307)</b>	(221,943)
Fair value gains recorded in the income statement	21	<b>(1,269,875)</b>	(385,670)
Depreciation of property and equipment	3, 24	<b>64,366</b>	63,862
Amortisation of prepaid land lease payments	5, 24	<b>138</b>	138
(Write-back of)/impairment loss on:			
Insurance and other receivables	8, 9	<b>(490)</b>	(2,615)
Property and equipment	3	<b>799</b>	-
Quoted investments	6(b)	<b>185,900</b>	211,353
Provision for agents' retirement benefits	13	<b>115,902</b>	89,849
Property and equipment written-off	3	<b>2</b>	-
Realised foreign exchange (gain)/loss on receipt of dividend		<b>(2)</b>	12
Realised foreign exchange gain on disposal of investments		<b>(153,282)</b>	(76,021)
Unrealised exchange gain on derivatives		<b>(207,349)</b>	(60,904)
Unrealised exchange loss on bonds		<b>141,482</b>	50,682
Cash flow before working capital changes		<b>(3,279,986)</b>	(2,109,704)
<i>Changes in working capital:</i>			
Purchases of FVTPL financial investments		<b>(17,838,365)</b>	(22,854,787)
Proceeds from disposals/maturities of FVTPL financial investments		<b>18,495,001</b>	21,570,189
Purchases of AFS financial investments		<b>(10,359,186)</b>	(4,556,762)
Proceeds from disposals/maturities of AFS financial investments		<b>5,530,052</b>	3,495,717
Decrease/(increase) in LAR		<b>527,414</b>	(144,380)
Decrease in reinsurance assets		<b>30,792</b>	17,302
Decrease in insurance receivables		<b>10,082</b>	750
Decrease/(increase) in other receivables		<b>375,816</b>	(427,485)
Increase in insurance contract liabilities		<b>4,356,474</b>	3,392,626
Increase/(decrease) in other financial liabilities		<b>37,919</b>	(155,678)
Increase in insurance payables		<b>38,008</b>	212
Increase/(decrease) in other payables		<b>31,984</b>	(27,420)
Cash used in operating activities		<b>(2,043,995)</b>	(1,799,420)

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of the cash flows for payments of benefits and claims incurred for insurance contracts, which are operating activities of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 29. OPERATING LEASE ARRANGEMENTS

### (a) The Company as lessee

The Company, as lessee, has entered into lease agreements for rental of office premises and office equipment.

The lease payments recognised in the income statement during the financial year are disclosed in Note 24.

The future minimum lease payments payable under operating leases contracted for as at the balance sheet date but not recognised as payables, are as follows:

	2017 RM'000	2016 RM'000
Not later than 1 year	(577)	(723)
Later than 1 year and not later than 5 years	(236)	(630)
	<b>(813)</b>	<b>(1,353)</b>

### (b) The Company as lessor

The Company, as lessor, has entered into operating lease agreements on its investment properties portfolio and certain self-occupied properties. These leases have remaining lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

The rental income including contingent rent recognised in the income statement during the financial year are disclosed in Note 19.

The future minimum lease payments receivable under operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

	2017 RM'000	2016 RM'000
Not later than 1 year	42,494	48,852
Later than 1 year and not later than 5 years	33,837	23,573
	<b>76,331</b>	<b>72,425</b>

## 30. CAPITAL COMMITMENTS

	2017 RM'000	2016 RM'000
<b>Capital expenditure</b>		
Approved and contracted for:		
- Investment properties	432,360	432,340
- Property and equipment	38,119	90,889
Approved but not contracted for:		
Investment properties	128,402	92,221
	<b>598,881</b>	<b>615,450</b>

Included in the above disclosure are the following commitments by the Company to third-parties for purchase of properties in accordance with the Sales and Purchase Agreements ("SPAs").

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 30. CAPITAL COMMITMENTS (CONTINUED)

	Property type	Total commitment RM'million	Deposit paid * RM'million	Date of SPA
(a)	Investment property	431 (2016: 431)	109 (2016: 109)	12 February 2015
(b)	Owner occupied property	- (2016: 26)	- (2016: 7)	20 June 2016

\* Being progress payment for property under development as disclosed in Note 9.

As stipulated in the SPAs, the commitment amount will be paid to the third-parties upon completion of construction of the properties.

## 31. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year:

	2017 RM'000	2016 RM'000
<b>Transactions with related parties during the year:</b>		
Income/(expense):		
Property rentals received (note i)		
- OCBC Bank (Malaysia) Berhad	821	803
- Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	3,042	1,895
- Great Eastern Takaful Berhad	1,365	1,321
Service charges paid (note ii)		
- OCBC Bank (Malaysia) Berhad	(47,089)	(44,772)
- E2 Power Sdn Bhd	(6,515)	(6,130)
- E2 Power Pte Ltd	(1,119)	(2,059)
- Pacific Mutual Fund Bhd	(369)	(444)
- Lion Global Investor Ltd	(150)	(206)
Service charges received (note ii)		
- Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	6,878	6,277
- Great Eastern Takaful Berhad	11,546	10,831
Premium paid (note iii)		
- Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	(2,513)	(2,556)
Premium received (note iii)		
- Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	286	253
- E2 Power Sdn Bhd	1,487	199
- OCBC Bank (Malaysia) Berhad	48,763	41,920
- OCBC Al-Amin Bank Berhad	272	52
- PAC Lease Berhad	408	99
- Pacific Mutual Fund Bhd	25	19
- Key Management Personnel	587	358

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 31. RELATED PARTY DISCLOSURES (CONTINUED)

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year (continued):

	2017 RM'000	2016 RM'000
<b>Transactions with related parties during the year (Cont'd.):</b>		
Income/(expense):		
Claims paid		
- Key Management Personnel	(21)	(10)
Commission received		
- Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	378	391
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	(35,390)	(34,109)
- OCBC Securities Private Limited	(817)	(579)
- PAC Lease Berhad	(31)	(3)
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	73,522	67,451
- PAC Lease Berhad	118	451
Bank charges		
- OCBC Bank (Malaysia) Berhad	(2,517)	(2,485)
Other services		
- OCBC Bank (Malaysia) Berhad	(42)	(10)
Policy payments		
- OCBC Bank (Malaysia) Berhad	(597)	(115)
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Ltd.	(707)	(503)
Employee Share Option Scheme paid		
- Oversea-Chinese Banking Corporation Ltd.	(305)	(516)
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Ltd.	(1,120)	(851)
Charges for group services (note v)		
- The Great Eastern Life Assurance Company Limited	(43,172)	(43,815)
Disposal of investments to		
- Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	40,015	14,274
- Great Eastern Takaful Berhad	20,493	799
Purchase of investments from		
- Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	(89,751)	(61,653)
- Great Eastern Takaful Berhad	(46,647)	(71,769)

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 31. RELATED PARTY DISCLOSURES (CONTINUED)

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year (continued):

	2017 RM'000	2016 RM'000
<b>Balances with related parties at year end:</b>		
Due from/(due to):		
Investment in other debt securities		
- OCBC Bank (Malaysia) Berhad	102,614	103,911
Investment in commercial paper/medium term note		
- PAC Lease Berhad	-	10,003
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	106,574	49,156
Fixed deposits, structured deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	1,705,200	1,191,223
- OCBC Al-Amin Bank Berhad	110,000	181,300
Investment in cross currency swap (derivatives liabilities)		
- OCBC Bank (Malaysia) Berhad	-	28,291
Due from/(due to):		
Amount due from related companies:		
- Far Island Bay Sdn Bhd	59	53
- Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	554	1,169
- Great Eastern Takaful Berhad	2,425	3,172
- P.T. Great Eastern Life Indonesia	51	-
Amount due to ultimate holding company:		
- Oversea-Chinese Banking Corporation Ltd	(731)	(1,148)
Amount due to intermediate holding company:		
- The Great Eastern Life Assurance Company Limited	(14,015)	(13,578)
Amount due to holding company:		
- Great Eastern Capital (Malaysia) Sdn Bhd	(133,686)	(135,493)

Related companies are companies within the OCBC group:

- (i) Rental of property to related parties are made according to normal market prices, terms and conditions.
- (ii) Payment of service charges to/from related parties are made according to normal market prices.
- (iii) The sale and purchase of insurance policies to/from related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.
- (iv) The interest income arose mainly from investment in fixed deposits, repurchase agreements, other debt securities and medium term notes which are made according to prevailing market rates, terms and conditions.
- (v) Payment of Group function costs based on allocation rates governed by corporate service agreement and in line with Malaysian Transfer Pricing Guidelines and Organisation for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 31. RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Compensation of Key Management Personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2017 RM'000	2016 RM'000
Non-Executive Directors' fees	1,213	1,157
Short-term employee benefits	11,966	12,316
Post-employments benefits:		
Defined contribution plan - EPF	1,764	1,566
Share-based payment	1,509	774
	<b>16,452</b>	<b>15,813</b>
Share-based payment (in units)	<b>153,609</b>	<b>154,118</b>
Included in the total key management personnel remuneration are:		
CEO's and Directors' remuneration (Note 24(b))	<b>4,095</b>	<b>3,830</b>

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors, CEO, Senior Management Team, Chief Internal Auditor and Head of Compliance of the Company.

## 32. FINANCIAL INSTRUMENTS BY CATEGORY

	Note	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2017</b>							
<b>Assets</b>							
Property and equipment	3	-	-	-	-	463,258	463,258
Investment properties	4	-	-	-	-	601,421	601,421
Prepaid land lease payments	5	-	-	-	-	16,390	16,390
Investments	6	44,960,451	22,801,295	9,298,595	77,060,341	-	77,060,341
Derivatives	12	13,063	-	-	13,063	-	13,063
Reinsurance assets	7	-	-	-	-	52,892	52,892
Insurance receivables	8	-	-	260,740	260,740	-	260,740
Other receivables	9	-	-	899,293	899,293	12,043	911,336
Cash and bank balances		-	-	197,888	197,888	-	197,888
<b>Total assets</b>		<b>44,973,514</b>	<b>22,801,295</b>	<b>10,656,516</b>	<b>78,431,325</b>	<b>1,146,004</b>	<b>79,577,329</b>



# NOTES TO THE FINANCIAL STATEMENTS

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## 32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Note	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
<b>2017 (continued)</b>						
<b>Liabilities</b>						
Insurance contract liabilities	11	-	-	-	74,723,658	74,723,658
Derivatives	12	47,131	-	47,131	-	47,131
Agents' retirement benefits	13	-	-	-	829,311	829,311
Deferred tax liabilities	14	-	-	-	771,729	771,729
Other financial liabilities	15	-	89,304	89,304	-	89,304
Insurance payables	16	-	262,887	262,887	-	262,887
Provision for taxation		-	-	-	97,382	97,382
Other payables	17	-	488,163	488,163	138,549	626,712
<b>Total liabilities</b>		<b>47,131</b>	<b>840,354</b>	<b>887,485</b>	<b>76,560,629</b>	<b>77,448,114</b>

	Note	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2016</b>							
<b>Assets</b>							
Property and equipment	3	-	-	-	-	445,405	445,405
Investment properties	4	-	-	-	-	603,810	603,810
Prepaid land lease payments	5	-	-	-	-	16,528	16,528
Investments	6	44,629,736	15,655,208	9,919,312	70,204,256	-	70,204,256
Reinsurance assets	7	-	-	-	-	83,683	83,683
Insurance receivables	8	-	-	270,358	270,358	-	270,358
Other receivables	9	-	-	1,247,590	1,247,590	11,107	1,258,697
Cash and bank balances		-	-	63,245	63,245	-	63,245
<b>Total assets</b>		<b>44,629,736</b>	<b>15,655,208</b>	<b>11,500,505</b>	<b>71,785,449</b>	<b>1,160,533</b>	<b>72,945,982</b>

	Note	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
<b>2016 (continued)</b>						
<b>Liabilities</b>						
Insurance contract liabilities	11	-	-	-	68,555,859	68,555,859
Derivatives	12	285,082	-	285,082	-	285,082
Agents' retirement benefits	13	-	-	-	813,130	813,130
Deferred tax liabilities	14	-	-	-	523,135	523,135
Other financial liabilities	15	-	51,385	51,385	-	51,385
Insurance payables	16	-	224,879	224,879	-	224,879
Provision for taxation		-	-	-	95,395	95,395
Other payables	17	-	469,444	469,444	125,284	594,728
<b>Total liabilities</b>		<b>285,082</b>	<b>745,708</b>	<b>1,030,790</b>	<b>70,112,803</b>	<b>71,143,593</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES

### Governance Framework

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall not shy away from taking risk, but shall:

- Operate within parameters and limits that have been set based on the risk appetite approved by the Board; and
- Pursue appropriate risk-adjusted returns.

The Risk Management and Compliance Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Management Committee ("BRMC"), constituted in 2003, provides the oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by the following Management Committees comprising the Chief Executive Officer and key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset-Liability Committee ("ALC")
- Product Development Committee ("PDC")
- IT Steering Committee ("ITSC")
- Financial Crime Committee ("FCC")

The SMT is responsible for providing leadership, direction and functional oversight with regard to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

The ALC is responsible for balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodologies relating to balance sheet management.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products.

The ITSC is responsible for the oversight of technology and information risks and any relevant regulatory and compliance risks relating to technology and information risks within the Company.

The FCC provides independent oversight of fraud investigation and anti-money laundering / countering of financing of terrorism (AML/CFT) review, and ensures that investigations and reviews are conducted in a manner that is fair, consistent and transparent.

On 3 August 2016, Bank Negara Malaysia ("BNM") issued a policy document on Corporate Governance which sets out a framework of principles to strengthen board composition rules; heighten expectations on the board and senior management to foster a corporate culture that promotes ethical, prudent and professional behaviour; and expand requirements on compensation structures to ensure that employees' incentives are aligned with prudent risk-taking, and clarifies expectations in respect of group-wide governance. The Company is working towards full compliance with the policy document by 2019.

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Regulatory Framework

Insurers are regulated by the Financial Services Act 2013 (“FSA”) which came into force on 30 June 2013, and other relevant regulations issued by regulators from time to time.

The Life Insurance and Family Takaful Framework issued by Bank Negara Malaysia on 23 November 2015 aims to promote innovation and a more competitive market supported by higher levels of professionalism and transparency in the provision of insurance products and services. These objectives are met through gradual removal of limits on operational costs to promote product innovation while preserving policy value, diversified distribution channels to widen outreach, and strengthened market conduct to enhance consumer protection. The regulator will issue guidelines and standards to give effect to each initiative over the course of the Framework’s development plan, beginning 1 December 2015. In this regard, the Direct Distribution Channels for Pure Protection Products and Operating Cost Controls for Life Insurance and Family Takaful Business guidelines were issued on 23 June 2017 and 29 December 2017 respectively.

BNM’s policy document on Compliance took effect on 1 January 2017. The policy document aims to promote the safety and soundness of financial institutions by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance. The Company is in full compliance with the policy document.

BNM’s policy document on Operational Risk will be effective on 10 May 2018. The policy document sets out the regulatory expectations for the management of operational risk by financial institutions. It aims to strengthen the governance, framework and processes for managing operational risk within financial institutions. Emphasis is also given to effective coordination in the management of operational risk with that of other risks (e.g. credit and market risks) to provide a holistic and integrated approach to a financial institution’s overall risk management strategy. The Company is currently working towards full compliance with the guideline.

### Capital Management Framework

The Company’s capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet obligations to policyholders and regulatory requirements, and to make strategic investments for business growth. The Company has had no significant changes in the policies and processes relating to its capital structure during the year.

Under the Risk-Based Capital Framework for Insurers (“RBC”), the insurer has to maintain a capital adequacy level that is commensurate with its risk profiles. The Capital Adequacy Ratios of the Company remained at well above the minimum capital requirement of 130% under the RBC Framework as prescribed by BNM.

The Internal Capital Adequacy Assessment Process (“ICAAP”) Framework came into effect on 1 September 2012. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review of capital position. Capital management and contingencies policies were further developed and refined under the Framework to outline the approaches and principles under which the Company’s capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement has been established to outline the Company’s capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The following sections provide details regarding the exposure to the key risks faced by the Company and the objectives, policies and processes for the management of these risks. There has been no major change to the Company’s exposure to these key risks or the manner in which it manages and measures these risks.

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Insurance Risk

The principal activity of the Company is in the underwriting of life insurance business including investment-linked business.

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification of policyholders across industry sectors and geography, the selective use of medical screening in order to ensure that product pricing takes into account the current health conditions and family medical history, regular review of the actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria.

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

The Company utilises reinsurance to manage the mortality and morbidity risks. The Company's reinsurance management strategy and policy are reviewed annually by the SMT and BRMC, and approved by the Board. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses.

Only reinsurers meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, including internal credit rating, are considered when deciding on which reinsurers to reinsure the Company's risk. The Company limits its risk to any one reinsurer by ceding different risks to different reinsurers or to a panel of reinsurers.

The SMT reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

A substantial portion of the Company's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonuses payable to the policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when the investment markets perform poorly, or claims experience is higher than expected.

For investment-linked business, the risk exposure for the Company is predominantly to the underwriting aspect as investment risks are borne by the policyholders.

Stress Testing ("ST") is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the life insurance funds under the various scenarios according to regulatory guidelines on stress testing, simulating drastic changes in major parameters such as new business volume, investment scenarios, mortality/morbidity patterns and lapse rates.

# NOTES TO THE FINANCIAL STATEMENTS

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## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Insurance Risk (continued)

Table 33(A): The table below shows the concentration of actuarial liabilities and net asset value attributable to the policyholders by type of contract as at the balance sheet date:

	Gross			Reinsurance			Net Total RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
<b>2017</b>							
Whole life	35,705,927	7,560,127	43,266,054	-	-	-	43,266,054
Endowment	9,778,800	1,786,086	11,564,886	-	-	-	11,564,886
Term	(1,139)	330,495	329,356	-	(29,602)	(29,602)	299,754
Accident and health	4,993	118,984	123,977	-	-	-	123,977
Annuity	-	71,028	71,028	-	-	-	71,028
Others	1,347,249	214,024	1,561,273	-	-	-	1,561,273
<b>Total</b>	<b>46,835,830</b>	<b>10,080,744</b>	<b>56,916,574</b>	<b>-</b>	<b>(29,602)</b>	<b>(29,602)</b>	<b>56,886,972</b>
<b>2016</b>							
Whole life	35,700,279	6,189,216	41,889,495	-	-	-	41,889,495
Endowment	9,278,491	1,451,562	10,730,053	-	-	-	10,730,053
Term	(1,297)	353,763	352,466	-	(44,760)	(44,760)	307,706
Accident and health	5,551	106,780	112,331	-	(9,748)	(9,748)	102,583
Annuity	-	44,380	44,380	-	-	-	44,380
Others	1,573,070	182,455	1,755,525	-	-	-	1,755,525
<b>Total</b>	<b>46,556,094</b>	<b>8,328,156</b>	<b>54,884,250</b>	<b>-</b>	<b>(54,508)</b>	<b>(54,508)</b>	<b>54,829,742</b>

The sensitivity analysis below shows the impact of change in key parameters on the value of gross and net insurance contract liabilities, surplus of life insurance funds, profit before taxation and shareholder's equity.

Sensitivity analysis produced is based on parameters set out as follows:

	Change in Assumptions
(a) Scenario 1 – Mortality and major illness	+ 25% for all future years
(b) Scenario 2 – Mortality and major illness	- 25% for all future years
(c) Scenario 3 – Health and disability	+ 25% for all future years
(d) Scenario 4 – Health and disability	- 25% for all future years
(e) Scenario 5 – Lapse and surrender rates	+ 25% for all future years
(f) Scenario 6 – Lapse and surrender rates	- 25% for all future years
(g) Scenario 7 – Expenses	+ 30% for all future years

# NOTES TO THE FINANCIAL STATEMENTS

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## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Insurance Risk (continued)

Table 33(B): The table below shows the insurance risk sensitivity analysis on the gross and net insurance contract liabilities, surplus of life insurance funds, profit before taxation and shareholder's equity.

	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Surplus RM'000	Impact on Profit Before Taxation RM'000	Impact on Equity*
	←	Increase/ (Decrease)	→	←	(Decrease)/ Increase →
<b>2017</b>					
Scenario 1 – Mortality and major illness	1,593,353	1,550,439	(1,550,439)	(319,405)	(242,747)
Scenario 2 – Mortality and major illness	(1,640,758)	(1,621,272)	1,621,272	269,681	204,957
Scenario 3 – Health and disability	209,091	194,130	(194,130)	(53,870)	(40,942)
Scenario 4 – Health and disability	(179,585)	(187,614)	187,614	45,883	34,871
Scenario 5 – Lapse and surrender rates	(627,810)	(636,564)	636,564	(21,541)	(16,371)
Scenario 6 – Lapse and surrender rates	767,603	752,984	(752,984)	29,114	22,127
Scenario 7 – Expenses	376,174	364,682	(364,682)	(66,880)	(50,829)
<b>2016</b>					
Scenario 1 – Mortality and major illness	1,529,226	1,497,804	(1,497,804)	(287,091)	(218,189)
Scenario 2 – Mortality and major illness	(1,598,874)	(1,567,896)	1,567,896	241,264	183,361
Scenario 3 – Health and disability	189,745	186,276	(186,276)	(48,563)	(36,908)
Scenario 4 – Health and disability	(185,494)	(182,030)	182,030	42,902	32,606
Scenario 5 – Lapse and surrender rates	(833,258)	(830,520)	830,520	(26,370)	(20,041)
Scenario 6 – Lapse and surrender rates	990,457	987,330	(987,330)	31,747	24,128
Scenario 7 – Expenses	386,252	386,252	(386,252)	(47,410)	(36,032)

\* Impact on equity is after taxation of 24% (2016: 24%).

The above analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net insurance contract liabilities, surplus of life insurance fund, profit before taxation and shareholder's equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

### Market and Credit Risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future investment earnings of the insurance operations as well as shareholder's equity.

The Company is exposed to market risk in the Shareholder's Fund as well as mismatch risk between the assets and liabilities of the Life Insurance Funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement as well as approving hedging strategies. In the case of the investment linked funds, investment risks are borne by the policyholders. Nevertheless, the revenues of the insurance operations are linked to the value of the underlying funds since this has an impact on the level of fund management fees earned.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Investment limits are monitored at various levels to ensure that all investment activities are conducted within the Company's risk appetite and in line with the Company's risk management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by the Company in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit spread risk, alternative investment risk, liquidity risk, credit risk and concentration risk, is briefly described as follows:

#### (a) Interest rate risk (including asset liability mismatch)

The Company is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholder's Fund and the Life Insurance Funds and (ii) insurance contract liabilities in the Life Insurance Funds. Since the Shareholder's Fund has exposure to investments in fixed income instruments but no exposure to insurance contract liabilities, it will incur an economic loss when interest rates rise. For the Life Insurance Funds, given the long duration of contract liabilities and the uncertainty of cash flows, it is difficult to source assets that will perfectly match the insurance contract liabilities. This results in a net interest rate risk or asset liability mismatch risk, which is managed and monitored by the ALC. On the other hand, the Life Insurance Funds are likely to incur economic loss when interest rates drop since the duration of insurance contract liabilities are generally longer than the duration of the fixed income assets.

#### (b) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. (Refer to Table 33(C)).

#### (c) Equity price risk

Exposure to equity price risk exists in assets. Asset exposure exists through direct equity investment, where the Company through its investments in the Shareholder's Fund and Life Insurance Funds bears all or most of the volatility in returns and investment performance risk.

A robust monitoring process is in place to manage equity risk by activating appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

#### (d) Credit spread risk

Exposure to credit spread risk exists in the Company's investments in bonds. Credit spread is the difference between the corporate yields against risk-free rate of the same tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the bonds. A widening in credit spreads will result in a fall in the values of the Company's bond portfolio.

#### (e) Alternative investment risk

The Company is exposed to alternative investment risk through investments in real estate. Due to the special nature of this risk, every property deal is reviewed by the BRMC regardless of its value, but subject to the approval by the Board. The ALC assists in deliberating matters relating to property, including property investment policy, risk management, performance, expenditure, operations and facilities management.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (f) Liquidity risk

Liquidity risk arises when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough to meet its financial obligations. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The projected cash flows from the in-force insurance contract liabilities consist of renewal premiums, expenses, commissions, claims, maturities and surrenders. Renewal premiums, expenses, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, investment diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in certain insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates (Refer to Table 33(D1) and (D2)).

#### (g) Credit risk

Credit risk is the risk that one party to a financial contract will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk through (i) investment in cash, deposits and bonds, (ii) corporate lending activities, (iii) exposure to counterparty's credit in derivatives transactions and reinsurance contracts and (iv) non-payment of premiums past the grace period. For all four types of exposures, financial loss may materialise as a result of credit default by the borrower or counterparty. For investment in bonds, financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the Credit Risk Committee ("CRC"), which in turn reports to the ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers, issuers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information (Refer to Table 33(E1) and (E2)).

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

Credit risk in respect of customer balances incurred on non-payment of premiums predominantly persists during the grace period specified in the policy document, when the policy is either paid up or terminated. Credit risk in respect of group insurance outstanding premium is being actively monitored and guided by strict credit control guideline.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (g) Credit risk (continued)

For corporate lending, the amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Credit risk is mitigated by entering into collateral agreements and collaterals are revalued on a regular basis. The Company monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation, whenever applicable. The fair value of collateral, held by the Company as a lender, for which it is entitled to sell or pledge in the event of default is as follows:

RM'000	Type of Collateral	Carrying Amount of Loans	Fair Value of Collateral
<b>2017</b>			
Mortgage loans	Properties	1,020,489	1,884,376
Secured loans			
- Vehicle loans	Vehicle	3,202	3,202
- Government guaranteed loans	Nil	1,280,811	-
Policy loans	Cash value of policies	4,316,851	9,040,049
		<b>6,621,353</b>	<b>10,927,627</b>
<b>2016</b>			
Mortgage loans	Properties	1,501,872	3,191,484
Secured loans			
- Vehicle loans	Vehicle	3,850	3,850
- Government guaranteed loans	Nil	1,281,180	-
Policy loans	Cash value of policies	4,205,268	8,735,692
		<b>6,992,170</b>	<b>11,931,026</b>

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

#### (h) Concentration risk

An important element of managing both market and credit risk is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its asset mix to ensure that there is no significant concentration of credit risk.

#### (i) Sensitivity analysis on financial risks

The sensitivity analysis below shows the impact on the Company's net profit after taxation by applying possible shocks to each key variable, with all other variables held constant. While the co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets, to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value reserves of financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (i) Sensitivity analysis on financial risks (continued)

2017 RM (millions)	Impact on Gross Actuarial Liabilities	Impact on Net Actuarial Liabilities	Impact on Profit After Taxation	Impact on Equity*
<b>Change in variables</b>				
<u>a) Equity</u>				
+/-20% - STI	0.0	0.0	0.0	+/-14.1
- KLCI	0.0	0.0	0.0	+/-97.6
<u>b) Alternative Investment</u>				
+/-10%	0.0	0.0	+/-5.6	+/-5.6
<u>c) Foreign Currency</u>				
+/-5%	0.0	0.0	+/-0.2	+/-8.4
<u>d) Interest Rate</u>				
	← (Decrease)/Increase →			
MGS Yield curve +100 bps	(627.2)	(626.0)	(35.5)	(42.8)
MGS Yield curve -100 bps	746.0	744.7	12.5	20.5
PAR Yield curve +100 bps	(4,466.4)	(4,466.4)	0.0	0.0
PAR Yield curve -100 bps	5,650.9	5,650.9	0.0	0.0
<u>e) Credit Spread</u>				
Spread +100 bps	0.0	0.0	(124.4)	(131.6)
Spread - 100 bps	0.0	0.0	142.7	150.5
2016				
<b>RM (millions)</b>				
<b>Change in variables</b>				
<u>a) Equity</u>				
+/-20% - STI	0.0	0.0	0.0	+/-7.5
- KLCI	0.0	0.0	0.0	+/-23.3
<u>b) Alternative Investment</u>				
+/-10%	0.0	0.0	+/-11.4	+/-15.0
<u>c) Foreign Currency</u>				
+/-5%	0.0	0.0	+/-2.2	+/-6.9
<u>d) Interest Rate</u>				
	← (Decrease)/Increase →			
MGS Yield curve +100 bps	(702.7)	(700.6)	(71.6)	(93.4)
MGS Yield curve -100 bps	604.1	601.8	66.2	91.0
PAR Yield curve +100 bps	(4,848.9)	(4,848.9)	0.0	0.0
PAR Yield curve -100 bps	6,187.9	6,187.9	0.0	0.0
<u>e) Credit Spread</u>				
Spread +100 bps	0.0	0.0	(134.4)	(155.7)
Spread - 100 bps	0.0	0.0	153.7	177.8

\* The impact on equity reflects the after taxation impact, when applicable.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Table 33(C): The table below shows the foreign exchange position of the Company's financial/insurance assets and liabilities by major currencies.

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
<b>2017</b>					
<b>Assets</b>					
Property and equipment	463,258	-	-	-	463,258
Investment properties	601,421	-	-	-	601,421
Prepaid land lease payments	16,390	-	-	-	16,390
Investments					
Malaysian government securities	6,457,158	-	-	-	6,457,158
Debt securities	33,248,793	-	292,926	-	33,541,719
Equity securities	21,463,060	1,460,792	194,740	1,682,860	24,801,452
Unit and property trust funds	720,024	232,672	30,786	1,570,145	2,553,627
Investment in subsidiary:					
Collective investment schemes	407,790	-	-	-	407,790
Loans	7,101,111	-	-	-	7,101,111
Deposits with financial institutions	2,197,484	-	-	-	2,197,484
Derivatives	-	-	13,063	-	13,063
Reinsurance assets	52,892	-	-	-	52,892
Insurance receivables	260,740	-	-	-	260,740
Other receivables	903,090	5,922	1,948	376	911,336
Cash and bank balances	122,607	6,320	3,786	65,175	197,888
<b>Total assets</b>	<b>74,015,818</b>	<b>1,705,706</b>	<b>537,249</b>	<b>3,318,556</b>	<b>79,577,329</b>
<b>Liabilities</b>					
Insurance contract liabilities	74,723,658	-	-	-	74,723,658
Derivatives	-	-	47,131	-	47,131
Agents' retirement benefits	829,311	-	-	-	829,311
Deferred tax liabilities	771,729	-	-	-	771,729
Other financial liabilities	89,304	-	-	-	89,304
Insurance payables	262,887	-	-	-	262,887
Provision for taxation	97,382	-	-	-	97,382
Other payables	626,712	-	-	-	626,712
<b>Total liabilities</b>	<b>77,400,983</b>	<b>-</b>	<b>47,131</b>	<b>-</b>	<b>77,448,114</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Table 33(C): The table below shows the foreign exchange position of the Company's financial/insurance assets and liabilities by major currencies. (continued)

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2016					
<b>Assets</b>					
Property and equipment	445,405	-	-	-	445,405
Investment properties	603,810	-	-	-	603,810
Prepaid land lease payments	16,528	-	-	-	16,528
Investments					
Malaysian government securities	7,395,653	-	-	-	7,395,653
Debt securities	33,115,477	443,917	548,262	-	34,107,656
Equity securities	14,007,645	1,869,973	-	1,907,048	17,784,666
Unit and property trust funds	699,930	265,644	10,572	20,823	996,969
Loans	7,486,825	-	-	-	7,486,825
Deposits with financial institutions	2,432,487	-	-	-	2,432,487
Reinsurance assets	83,683	-	-	-	83,683
Insurance receivables	270,358	-	-	-	270,358
Other receivables	1,258,697	-	-	-	1,258,697
Cash and bank balances	56,852	2,589	609	3,195	63,245
<b>Total assets</b>	<b>67,873,350</b>	<b>2,582,123</b>	<b>559,443</b>	<b>1,931,066</b>	<b>72,945,982</b>
<b>Liabilities</b>					
Insurance contract liabilities	68,555,859	-	-	-	68,555,859
Derivatives	-	193,535	91,547	-	285,082
Agents' retirement benefits	813,130	-	-	-	813,130
Deferred tax liabilities	523,135	-	-	-	523,135
Other financial liabilities	51,385	-	-	-	51,385
Insurance payables	224,879	-	-	-	224,879
Provision for taxation	95,395	-	-	-	95,395
Other payables	594,728	-	-	-	594,728
<b>Total liabilities</b>	<b>70,858,511</b>	<b>193,535</b>	<b>91,547</b>	<b>-</b>	<b>71,143,593</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial/insurance liabilities and the expected recovery or settlement of financial/insurance assets based on remaining undiscounted contractual cash flows.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column.

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
<b>2017</b>						
Investments:						
LAR	9,298,595	2,467,759	2,224,642	796,141	4,316,851	9,805,393
AFS	22,801,295	9,385	116,531	52,116	22,654,224	22,832,256
FVTPL	44,960,451	3,662,575	17,498,772	37,473,286	5,072,022	63,706,655
Derivatives	13,063	4,543	8,520	-	-	13,063
Reinsurance assets	52,892	4,255	12,617	12,730	23,290	52,892
Insurance receivables	260,740	260,740	-	-	-	260,740
Other receivables	899,293	690,916	114,078	-	94,299	899,293
Cash and bank balances	197,888	197,888	-	-	-	197,888
<b>Total undiscounted financial/ insurance assets</b>	<b>78,484,217</b>	<b>7,298,061</b>	<b>19,975,160</b>	<b>38,334,273</b>	<b>32,160,686</b>	<b>97,768,180</b>
Insurance contract liabilities:						
With DPF	64,394,231	1,081,425	6,092,471	39,661,935	17,558,400	64,394,231
Without DPF	10,329,427	8,292,795	60,571	1,727,378	248,683	10,329,427
Derivatives	47,131	-	47,131	-	-	47,131
Other financial liabilities	89,304	88,770	534	-	-	89,304
Insurance payables	262,887	227,975	34,912	-	-	262,887
Other payables	488,163	471,066	17,097	-	-	488,163
<b>Total undiscounted financial/ insurance liabilities</b>	<b>75,611,143</b>	<b>10,162,031</b>	<b>6,252,716</b>	<b>41,389,313</b>	<b>17,807,083</b>	<b>75,611,143</b>
<b>Total liquidity surplus/(gap)</b>	<b>2,873,074</b>	<b>(2,863,970)</b>	<b>13,722,444</b>	<b>(3,055,040)</b>	<b>14,353,603</b>	<b>22,157,037</b>

\* Expected utilisation or settlement within 12 months from the Balance Sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial/insurance liabilities and the expected recovery or settlement of financial/insurance assets based on remaining undiscounted contractual cash flows. (continued)

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
2016						
Investments:						
LAR	9,919,312	3,292,154	2,187,545	861,055	4,205,268	10,546,022
AFS	15,655,208	22,270	154,500	399,391	15,272,188	15,848,349
FVTPL	44,629,736	4,298,808	16,371,362	39,026,864	3,486,545	63,183,579
Reinsurance assets	83,683	4,985	15,803	20,306	42,589	83,683
Insurance receivables	270,358	264,927	5,431	-	-	270,358
Other receivables	1,247,590	1,046,886	110,984	2,920	86,800	1,247,590
Cash and bank balances	63,245	63,245	-	-	-	63,245
<b>Total undiscounted financial/ insurance assets</b>	<b>71,869,132</b>	<b>8,993,275</b>	<b>18,845,625</b>	<b>40,310,536</b>	<b>23,093,390</b>	<b>91,242,826</b>
Insurance contract liabilities:						
With DPF	59,993,215	747,798	5,061,276	40,747,017	13,437,124	59,993,215
Without DPF	8,562,644	6,678,060	213,726	1,436,374	234,484	8,562,644
Derivatives	285,082	193,535	91,547	-	-	285,082
Other financial liabilities	51,385	50,806	579	-	-	51,385
Insurance payables	224,879	209,715	15,164	-	-	224,879
Other payables	469,444	451,657	17,787	-	-	469,444
<b>Total undiscounted financial/ insurance liabilities</b>	<b>69,586,649</b>	<b>8,331,571</b>	<b>5,400,079</b>	<b>42,183,391</b>	<b>13,671,608</b>	<b>69,586,649</b>
<b>Total liquidity surplus/(gap)</b>	<b>2,282,483</b>	<b>661,704</b>	<b>13,445,546</b>	<b>(1,872,855)</b>	<b>9,421,782</b>	<b>21,656,177</b>

\* Expected utilisation or settlement within 12 months from the Balance Sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Table 33(D2): The following table shows the current/non current classification of assets and liabilities of the Company.

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
<b>2017</b>				
Property and equipment	-	463,258	-	463,258
Investment properties	-	601,421	-	601,421
Prepaid lease payments	-	16,390	-	16,390
Investments:				
LAR	1,642,178	6,984,017	672,400	9,298,595
AFS	22,654,225	147,070	-	22,801,295
FVTPL	1,419,171	36,841,909	6,699,371	44,960,451
Derivatives	3,634	8,520	909	13,063
Reinsurance assets	27,545	25,347	-	52,892
Insurance receivables	260,740	-	-	260,740
Other receivables	861,081	5,263	44,992	911,336
Cash and bank balances	193,900	-	3,988	197,888
<b>Total assets</b>	<b>27,062,474</b>	<b>45,093,195</b>	<b>7,421,660</b>	<b>79,577,329</b>
Insurance contract liabilities:				
With DPF	18,639,825	45,754,406	-	64,394,231
Without DPF	1,202,952	1,787,949	7,338,526	10,329,427
Derivatives	-	47,131	-	47,131
Agents' retirement benefits	275,821	553,490	-	829,311
Deferred tax liabilities	705,347	-	66,382	771,729
Other financial liabilities	72,183	534	16,587	89,304
Insurance payables	227,975	34,912	-	262,887
Provision for taxation	81,821	-	15,561	97,382
Other payables	609,244	17,097	371	626,712
<b>Total liabilities</b>	<b>21,815,168</b>	<b>48,195,519</b>	<b>7,437,427</b>	<b>77,448,114</b>

\* Expected utilisation or settlement within 12 months from the Balance Sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Table 33(D2): The following table shows the current/non current classification of assets and liabilities of the Company. (continued)

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
2016				
Property and equipment	-	445,405	-	445,405
Investment properties	-	603,810	-	603,810
Prepaid lease payments	-	16,528	-	16,528
Investments:				
LAR	2,446,686	6,811,926	660,700	9,919,312
AFS	15,272,188	383,020	-	15,655,208
FVTPL	2,363,538	37,093,069	5,173,129	44,629,736
Reinsurance assets	47,574	36,109	-	83,683
Insurance receivables	264,927	5,431	-	270,358
Other receivables	1,117,351	113,904	27,442	1,258,697
Cash and bank balances	61,485	-	1,760	63,245
<b>Total assets</b>	<b>21,573,749</b>	<b>45,509,202</b>	<b>5,863,031</b>	<b>72,945,982</b>
Insurance contract liabilities:				
With DPF	14,184,922	45,808,293	-	59,993,215
Without DPF	1,079,074	1,650,100	5,833,470	8,562,644
Derivatives	193,535	91,547	-	285,082
Agents' retirement benefits	240,766	572,364	-	813,130
Deferred tax liabilities	507,697	-	15,438	523,135
Other financial liabilities	40,523	579	10,283	51,385
Insurance payables	209,715	15,164	-	224,879
Provision for taxation	90,839	-	4,556	95,395
Other payables	576,632	17,787	309	594,728
<b>Total liabilities</b>	<b>17,123,703</b>	<b>48,155,834</b>	<b>5,864,056</b>	<b>71,143,593</b>

\* Expected utilisation or settlement within 12 months from the Balance Sheet date.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the Balance Sheet. For derivatives, the fair value shown on the Balance Sheet represents the current risk exposure but not the maximum risk exposure that would arise in the future as a result of the change in value.

	Note	Shareholder's Life Insurance		Unit-linked RM'000	Total RM'000
		Fund RM'000	Fund RM'000		
<b>2017</b>					
LAR:	6(a)				
Deposits with financial institutions		20,950	1,504,134	672,400	2,197,484
Policy loans		-	4,316,851	-	4,316,851
Mortgage loans		11,640	1,008,849	-	1,020,489
Secured loans		10,007	1,274,007	-	1,284,014
Unsecured loans		14,908	464,849	-	479,757
AFS financial investments:	6(b)				
Debt securities		147,070	-	-	147,070
Financial investments at FVTPL:	6(c)				
Malaysian government securities		-	6,403,918	53,240	6,457,158
Debt securities		35,073	31,796,994	1,562,582	33,394,649
Derivatives	12	-	12,154	909	13,063
Reinsurance assets	7	-	52,892	-	52,892
Insurance receivables	8	-	260,740	-	260,740
Other receivables	9	38,724	815,577	44,992	899,293
		278,372	47,910,965	2,334,123	50,523,460
<b>2016</b>					
LAR:	6(a)				
Deposits with financial institutions		42,400	1,729,387	660,700	2,432,487
Policy loans		-	4,205,268	-	4,205,268
Mortgage loans		12,493	1,489,379	-	1,501,872
Secured loans		10,009	1,275,021	-	1,285,030
Unsecured loans		22,564	472,091	-	494,655
AFS financial investments:	6(b)				
Malaysian government securities		7,715	-	-	7,715
Debt securities		375,305	-	-	375,305
Financial investments at FVTPL:	6(c)				
Malaysian government securities		-	7,130,488	257,450	7,387,938
Debt securities		34,312	32,270,583	1,427,456	33,732,351
Reinsurance assets	7	-	83,683	-	83,683
Insurance receivables	8	-	270,358	-	270,358
Other receivables	9	9,076	1,211,072	27,442	1,247,590
		513,874	50,137,330	2,373,048	53,024,252

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Table 33(E2): The table below provides information regarding the credit risk exposure of the Company by classifying assets according to credit ratings of counterparties.

	← Neither past-due nor impaired →			Not rated RM'000	Unit-linked RM'000	Past-due** RM'000	Total RM'000
	Government guaranteed and Low risk bonds RM'000	Investment grade* (BBB to AAA) RM'000	Non- Investment grade* (C to BB) RM'000				
<b>2017</b>							
LAR:							
Deposits with financial institutions	-	1,205,084	-	320,000	672,400	-	2,197,484
Policy loans	-	-	-	4,316,851	-	-	4,316,851
Mortgage loans	-	-	-	1,020,489	-	-	1,020,489
Secured loans	1,280,811	-	-	3,203	-	-	1,284,014
Unsecured loans	-	-	-	479,757	-	-	479,757
AFS financial investments:							
Malaysian government securities	-	-	-	-	-	-	-
Debt securities	26,551	82,023	-	38,496	-	-	147,070
Financial investments at FVTPL:							
Malaysian government securities	6,403,918	-	-	-	53,240	-	6,457,158
Debt securities	10,589,506	19,528,102	-	1,714,460	1,562,582	-	33,394,650
Reinsurance assets	-	52,892	-	-	-	-	52,892
Insurance receivables	-	-	-	255,510	-	5,230	260,740
Other receivables	183,352	218,007	-	449,082	44,992	3,860	899,293
<b>Total credit risk exposure</b>	<b>18,484,138</b>	<b>21,086,108</b>	<b>-</b>	<b>8,597,848</b>	<b>2,333,214</b>	<b>9,090</b>	<b>50,510,398</b>
<b>2016</b>							
LAR:							
Deposits with financial institutions	-	1,481,737	-	290,050	660,700	-	2,432,487
Policy loans	-	-	-	4,205,268	-	-	4,205,268
Mortgage loans	-	-	-	1,501,872	-	-	1,501,872
Secured loans	1,281,180	-	-	3,850	-	-	1,285,030
Unsecured loans	-	-	-	494,655	-	-	494,655
AFS financial investments:							
Malaysian government securities	7,715	-	-	-	-	-	7,715
Debt securities	146,889	208,123	-	20,293	-	-	375,305
Financial investments at FVTPL:							
Malaysian government securities	7,130,488	-	-	-	257,450	-	7,387,938
Debt securities	12,151,952	18,220,147	-	1,932,796	1,427,456	-	33,732,351
Reinsurance assets	-	83,683	-	-	-	-	83,683
Insurance receivables	-	-	-	266,940	-	3,418	270,358
Other receivables	207,535	202,904	-	807,388	27,442	2,321	1,247,590
<b>Total credit risk exposure</b>	<b>20,925,759</b>	<b>20,196,594</b>	<b>-</b>	<b>9,523,112</b>	<b>2,373,048</b>	<b>5,739</b>	<b>53,024,252</b>

\* Based on public ratings assigned by external rating agencies including RAM and MARC.

\*\* An aging analysis for financial assets past due but not impaired is provided below.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

Aging Analysis of financial assets past due:

Table 33(E2) (continued):

	← Past-due but not impaired →			Total RM'000	Past Due and impaired RM'000	Total RM'000
	< 6 Months RM'000	6 Months to 12 Months RM'000	>12 Months RM'000			
<b>2017</b>						
Insurance receivables	1,461	1,657	2,112	5,230	2,013	7,243
Other receivables	3,194	152	514	3,860	751	4,611
	<b>4,655</b>	<b>1,809</b>	<b>2,626</b>	<b>9,090</b>	<b>2,764</b>	<b>11,854</b>
<b>2016</b>						
Insurance receivables	2,264	109	1,045	3,418	2,604	6,022
Other receivables	1,764	106	451	2,321	777	3,098
	4,028	215	1,496	5,739	3,381	9,120

#### Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

#### Receivables that are past due but not impaired

The Company has receivables amounting to RM9,090,000 (31 December 2016: RM5,739,000) that are past due at reporting date but not impaired.

At reporting date, receivables amounting to RM1,461,000 (31 December 2016: RM2,264,000) have been arranged to be settled. The remaining balances of receivables that are past due but not impaired are unsecured in nature.

#### Receivables that are impaired

Receivables that are impaired are individually assessed and determined to be impaired relates to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

### Operational, Market Conduct and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives arising from inadequate or failed internal processes and systems, human factors or external events.

Market Conduct risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives arising from its personnel and intermediaries not conducting themselves in accordance with ethical standards and in compliance with relevant laws and regulations governing insurance and investment product for pre-sales, during sales and after sales process. It is synonymous with professional behaviour and customer's protection. There are four areas in which the Company continuously strengthen:

- Fit and Proper
- Sales Advisory Process
- Training and Competency
- Business Conduct

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### Operational, Market Conduct and Compliance Risk (continued)

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives as a result of its failure to comply with applicable laws, regulations and standards. The applicable key compliance areas include:

- Laws, regulations and rules governing insurance business and regulated financial activities undertaken by the Company
- Codes of practice promoted by industry associations
- Anti-money laundering and countering of financing of terrorism

The day-to-day management of operational, market conduct and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors these issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Board Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from operational, market conduct and compliance risks.

### Technology Risk

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, or failure arising from the use of or reliance on computer hardware, software, electronic devices, and networks.

The Company adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by the Internal Audit team on the adequacy and effectiveness of the processes to manage technology risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

## 34. FAIR VALUES OF ASSETS AND LIABILITIES

Set out below, is a comparison by class of the carrying amounts and fair values of the Company's assets and liabilities, other than those of which, the carrying amounts are reasonable approximations of fair values:

	Carrying Amount		Fair Value	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Financial assets:</b>				
<u>AFS financial assets (Note 6(b)):</u>				
Equity securities:				
Quoted in Malaysia	16,585,343	10,726,292	16,585,343	10,726,292
Quoted outside Malaysia	3,249,880	3,705,811	3,249,880	3,705,811
Malaysian government securities	-	7,715	-	7,715
Debt securities:				
Unquoted in Malaysia	147,070	348,547	147,070	348,547
Quoted outside Malaysia	-	26,758	-	26,758
Unit and property trust funds:				
Quoted in Malaysia	602,606	560,679	602,606	560,679
Quoted outside Malaysia	1,800,140	270,940	1,800,140	270,940
Investment in subsidiary:				
Collective investment schemes				
Quoted in Malaysia	407,790	-	407,790	-

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

Set out below, is a comparison by class of the carrying amounts and fair values of the Company's assets and liabilities, other than those of which, the carrying amounts are reasonable approximations of fair values (continued):

	Carrying Amount		Fair Value	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Financial assets (continued):</b>				
<u>FVTPL - Held for trading (Note 6(c)):</u>				
Equity securities:				
Quoted in Malaysia	4,869,251	3,272,887	4,869,251	3,272,887
Quoted outside Malaysia	88,512	71,210	88,512	71,210
Malaysian government securities	53,240	257,450	53,240	257,450
Debt securities:				
Quoted outside Malaysia	20,623	-	20,623	-
Unquoted in Malaysia	4,846,050	3,230,520	4,846,050	3,230,520
Unit and property trust funds:				
Quoted in Malaysia	117,418	139,251	117,418	139,251
Quoted outside Malaysia	33,463	26,099	33,463	26,099
<u>FVTPL - Designated upon initial recognition (Note 6(c)):</u>				
Malaysian government securities	6,403,918	7,130,488	6,403,918	7,130,488
Debt securities:				
Quoted outside Malaysia	185,608	836,819	185,608	836,819
Unquoted in Malaysia	28,255,673	29,536,410	28,255,673	29,536,410
Unquoted outside Malaysia	86,695	128,602	86,695	128,602
<u>Non financial assets (Note 4):</u>				
Investment properties:				
Commercial	366,521	368,910	366,521	368,910
Residential	234,900	234,900	234,900	234,900
<u>Loans and receivables (Note 6(a)):</u>				
Mortgage loans	1,020,489	1,501,872	1,039,816	1,515,509
<u>Derivatives (Note 12):</u>				
Currency swaps	8,520	-	8,520	-
Forward	4,543	-	4,543	-
	<b>69,388,253</b>	<b>62,382,160</b>	<b>69,407,580</b>	<b>62,395,797</b>
<b>Financial liabilities:</b>				
<u>Derivatives (Note 12):</u>				
Currency swaps	47,131	285,082	47,131	285,082
	<b>47,131</b>	<b>285,082</b>	<b>47,131</b>	<b>285,082</b>

The management assessed that cash and short-term deposits, insurance and other receivables, insurance and other payables and other liabilities approximate their carrying amounts largely due to the short-term maturities of these assets and liabilities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following methods and assumptions were used to estimate the fair values which are carried or disclosed in the financial statements:

- The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices and closing prices as appropriate for assets at the close of business on the balance sheet date.
- For investments in quoted unit and real estate investment trusts, fair value is determined by reference to published net asset values. Investments in equity that do not have quoted market prices in an active market and whose fair value cannot be reliably measured will be stated at cost.
- For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM") while for foreign bonds, fair value is obtained from Bloomberg.
- For unquoted and unrated bonds, the unrated bonds are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against BPAM's indicative bond yields for a bond with similar rating and tenure.
- For structured deposits and derivatives, the fair value is obtained from the counterparty bank.
- For investment properties, the fair value is obtained from valuations as performed by the external valuers using the income method and comparison method.
- For mortgage loans, the fair value is derived by using the AA2 yield by tenures as an approximate proxy for fair value valuation. The AA2 yields are sourced from BPAM.
- If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

	Date of valuation	Level 1	Level 2	Level 3	Total Fair Value RM'000
		Quoted Market Price RM'000	Valuation Techniques - Market Observable Inputs RM'000	Valuation Techniques - Unobservable Inputs RM'000	

### (a) Assets measured at fair value:

#### Financial assets:

AFS financial assets (Note 6(b)):

Equity securities:

Quoted in Malaysia	31 December 2017	16,585,343	-	-	16,585,343
Quoted outside Malaysia	31 December 2017	3,249,880	-	-	3,249,880

Debt securities:

Unquoted in Malaysia	31 December 2017	-	147,070	-	147,070
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Unit and property trust funds:

Quoted in Malaysia	31 December 2017	602,606	-	-	602,606
Quoted outside Malaysia	31 December 2017	1,800,140	-	-	1,800,140

Investment in subsidiary:

Collective investment schemes					
Quoted in Malaysia	31 December 2017	407,790	-	-	407,790

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities (continued).

		Level 1	Level 2	Level 3	
			Valuation		
			Techniques -	Valuation	
		Quoted	Market	Techniques -	Total Fair
	Date of	Market	Observable	Unobservable	Value
	valuation	Price	Inputs	Inputs	
		RM'000	RM'000	RM'000	RM'000
<b>2017 (continued)</b>					
<b>(a) Assets measured at fair value</b>					
<b>(continued):</b>					
<b>Financial assets (continued):</b>					
FVTPL - Held for trading (Note 6(c)):					
Equity securities:					
Quoted in Malaysia	31 December 2017	4,869,251	-	-	4,869,251
Quoted outside Malaysia	31 December 2017	88,512	-	-	88,512
Malaysian government securities	31 December 2017	-	53,240	-	53,240
Debt securities:					
Quoted outside Malaysia	31 December 2017	20,623	-	-	20,623
Unquoted in Malaysia	31 December 2017	-	4,846,050	-	4,846,050
Unit and property trust funds:					
Quoted in Malaysia	31 December 2017	117,418	-	-	117,418
Quoted outside Malaysia	31 December 2017	33,463	-	-	33,463
FVTPL - Designated upon initial recognition (Note 6(c)):					
Malaysian government securities	31 December 2017	-	6,403,918	-	6,403,918
Debt securities:					
Quoted outside Malaysia	31 December 2017	185,608	-	-	185,608
Unquoted in Malaysia	31 December 2017	-	28,255,673	-	28,255,673
Unquoted outside Malaysia	31 December 2017	-	86,695	-	86,695
<b>Financial assets</b>		<b>27,960,634</b>	<b>39,792,646</b>	<b>-</b>	<b>67,753,280</b>
<b>Non financial assets:</b>					
Investment Properties (Note 4):					
Commercial	1 November 2017	-	-	366,521	366,521
Residential	1 November 2017	-	-	234,900	234,900
<b>Non financial assets</b>		<b>-</b>	<b>-</b>	<b>601,421</b>	<b>601,421</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities (continued).

		Level 1	Level 2	Level 3	
			Valuation		
			Techniques -	Valuation	
		Quoted	Market	Techniques -	Total Fair
	Date of	Market	Observable	Unobservable	Value
	valuation	Price	Inputs	Inputs	
		RM'000	RM'000	RM'000	RM'000
<b>2017 (continued)</b>					
<b>(b) Assets for which fair values are disclosed:</b>					
<b>LAR (Note 6(a)):</b>					
Mortgage loans	31 December 2017	-	1,039,816	-	1,039,816
<b>Derivatives (Note 12):</b>					
Currency swaps	31 December 2017	-	8,520	-	-
Forward	31 December 2017	-	4,543	-	-
		-	13,063	-	-

### (c) Liabilities measured at fair value:

#### **Financial liabilities**

<b>Derivatives (Note 12):</b>					
Currency swaps	31 December 2017	-	47,131	-	47,131

2016

### (a) Assets measured at fair value:

#### **Financial assets:**

#### **AFS financial assets (Note 6(b)):**

<b>Equity securities:</b>					
Quoted in Malaysia	31 December 2016	10,726,292	-	-	10,726,292
Quoted outside Malaysia	31 December 2016	3,705,811	-	-	3,705,811
<b>Malaysian government securities:</b>					
	31 December 2016	-	7,715	-	7,715
<b>Debt securities:</b>					
Unquoted in Malaysia	31 December 2016	-	348,547	-	348,547
Quoted outside Malaysia	31 December 2016	26,758	-	-	26,758
<b>Unit and property trust funds:</b>					
Quoted in Malaysia	31 December 2016	560,679	-	-	560,679
Quoted outside Malaysia	31 December 2016	270,940	-	-	270,940



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities (continued).

		Level 1	Level 2	Level 3	
			Valuation		
			Techniques -	Valuation	
		Quoted	Market	Techniques -	Total Fair
	Date of	Market	Observable	Unobservable	Value
	valuation	Price	Inputs	Inputs	
		RM'000	RM'000	RM'000	RM'000
2016 (continued)					
<b>(a) Assets measured at fair value</b>					
<b>(continued):</b>					
<b>Financial assets (continued):</b>					
FVTPL - Held for trading (Note 6(c)):					
Equity securities:					
Quoted in Malaysia	31 December 2016	3,272,887	-	-	3,272,887
Quoted outside Malaysia	31 December 2016	71,210	-	-	71,210
Malaysian government securities	31 December 2016	-	257,450	-	257,450
Debt securities:					
Unquoted in Malaysia	31 December 2016	-	3,230,520	-	3,230,520
Unit and property trust funds:					
Quoted in Malaysia	31 December 2016	139,251	-	-	139,251
Quoted outside Malaysia	31 December 2016	26,099	-	-	26,099
FVTPL - Designated upon initial recognition (Note 6(c)):					
Malaysian government securities					
	31 December 2016	-	7,130,488	-	7,130,488
Debt securities:					
Quoted outside Malaysia	31 December 2016	836,819	-	-	836,819
Unquoted in Malaysia	31 December 2016	-	29,536,410	-	29,536,410
Unquoted outside Malaysia	31 December 2016	-	128,602	-	128,602
<b>Financial assets</b>		<b>19,636,746</b>	<b>40,639,732</b>	<b>-</b>	<b>60,276,478</b>
<b>Non financial assets:</b>					
Investment Properties (Note 4):					
Commercial	7 November 2016	-	-	368,910	368,910
Residential	7 November 2016	-	-	234,900	234,900
<b>Non financial assets</b>		<b>-</b>	<b>-</b>	<b>603,810</b>	<b>603,810</b>
<b>(b) Assets for which fair values are disclosed:</b>					
<b>LAR (Note 6(a)):</b>					
Mortgage loans	31 December 2016	-	1,515,509	-	1,515,509
<b>(c) Liabilities measured at fair value:</b>					
<b>Financial liabilities</b>					
Derivatives (Note 12):					
Currency swaps	31 December 2016	-	285,082	-	285,082

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

- (i) Information about significant unobservable inputs used in Level 3 fair value measurements:

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2017 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u>				
Commercial properties	278,000	Income approach	Rental per square foot ("p.s.f.") per month Rental growth rate (upon Revisionary) Long-term vacancy rate Discount rate	RM3.15 - RM5.50 12.50% 7.50% 6.0% - 6.5%
Commercial properties	88,521	Comparison approach	Estimated Value p.s.f	RM100 - RM1,130
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM885

Description	Fair value as at 31 December 2016 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u>				
Commercial properties	285,000	Income approach	Rental per square foot ("p.s.f.") per month Rental growth rate (upon Revisionary) Long-term vacancy rate Discount rate	RM3.15 - RM5.50 12.50% 5% 6.0% - 6.5%
Commercial properties	83,910	Comparison approach	Estimated Value p.s.f	RM92 - RM1,000
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM874

- (ii) Movements in level 3 assets measured at fair value:

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	Investment Properties Fair value measurements using significant unobservable inputs (Level 3)	
	2017 RM'000	2016 RM'000
<b>Opening balance</b>	<b>603,810</b>	601,810
Total (loss)/gain for the year:		
Included in income statement	(2,416)	2,000
Addition for the year	27	-
<b>Closing balance</b>	<b>601,421</b>	603,810

For investments properties, a significant increase/(decrease) in unobservable inputs would result in a significantly (lower)/higher fair value measurement.

	Investment Properties Fair value measurements using significant unobservable inputs (Level 3)	
	2017 RM'000	2016 RM'000
<b>Total gain for the year included in:</b>		
Income Statement		
- (Loss)/Gain on changes in fair value	(2,416)	2,000

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

### Fair value Hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Assets/liabilities are those of which market values are determined in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those process represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 Assets/liabilities are those of which market values are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These type of assets/liabilities includes assets/liabilities of which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets/financial liabilities with fair values based on broker quotes, investments in private equity funds with fair values obtained from counterparties and assets/liabilities that are valued using the Company's own model whereby the majority of assumptions are market observable.
- Level 3 Assets/liabilities are those of which market values are measured using a valuation technique based on assumptions formed from unobservable inputs. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given the prevailing market conditions.

There have been no transfers of assets between Level 1 and Level 2 of the fair value hierarchy during the financial years ended 31 December 2017 and 31 December 2016.

## 35. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2017, as prescribed under the RBC is provided below:

	2017 RM'000	2016 RM'000
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	19,031,895	18,194,476
	<b>19,131,895</b>	18,294,476
<b>Tier 2 Capital</b>		
Eligible reserves	5,376,415	3,590,436
<b>Deductions: Deferred Tax Asset</b>	<b>44,119</b>	35,014
<b>Total Capital Available</b>	<b>24,464,191</b>	21,849,898

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 36. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into Life Insurance (including Unit-Linked business) and Shareholder's Funds in accordance with the Financial Services Act, 2013. The Income Statement and Balance Sheet by funds are presented as follow:

### Balance Sheet by Funds

As at 31 December 2017

	Shareholder's Fund		Life Insurance Fund		Elimination*		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>								
Financial investments	839,683	614,171	76,220,658	69,613,227	-	(23,142)	77,060,341	70,204,256
Reinsurance assets	-	-	52,892	83,683	-	-	52,892	83,683
Insurance receivables	-	-	260,740	270,358	-	-	260,740	270,358
Other assets	1,525,918	1,393,658	2,175,516	2,388,862	(1,498,078)	(1,394,835)	2,203,356	2,387,685
	<b>2,365,601</b>	<b>2,007,829</b>	<b>78,709,806</b>	<b>72,356,130</b>	<b>(1,498,078)</b>	<b>(1,417,977)</b>	<b>79,577,329</b>	<b>72,945,982</b>
<b>Equity, Policyholders' Fund and Liabilities</b>								
<b>Total Equity</b>	<b>2,129,215</b>	<b>1,801,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>453</b>	<b>2,129,215</b>	<b>1,802,389</b>
Insurance contract liabilities	-	-	74,723,658	68,579,597	-	(23,738)	74,723,658	68,555,859
Other liabilities	236,386	205,893	3,986,148	3,776,533	(1,498,078)	(1,394,692)	2,724,456	2,587,734
<b>Total policyholders' fund and liabilities</b>	<b>236,386</b>	<b>205,893</b>	<b>78,709,806</b>	<b>72,356,130</b>	<b>(1,498,078)</b>	<b>(1,418,430)</b>	<b>77,448,114</b>	<b>71,143,593</b>
	<b>2,365,601</b>	<b>2,007,829</b>	<b>78,709,806</b>	<b>72,356,130</b>	<b>(1,498,078)</b>	<b>(1,417,977)</b>	<b>79,577,329</b>	<b>72,945,982</b>

\* Refers to elimination of Interfund balances.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 36. INSURANCE FUNDS (CONTINUED)

### Income Statement by Funds

For the year ended 31 December 2017

	Shareholder's Fund		Life Insurance Fund		Elimination**		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross earned premiums	-	-	7,617,743	7,260,678	(2,359)	-	7,615,384	7,260,678
Premiums ceded to reinsurers	-	-	(185,106)	(150,704)	-	-	(185,106)	(150,704)
<b>Net earned premiums</b>	-	-	<b>7,432,637</b>	<b>7,109,974</b>	<b>(2,359)</b>	-	<b>7,430,278</b>	<b>7,109,974</b>
Investment income	35,648	35,199	3,101,064	2,863,885	-	-	3,136,712	2,899,084
Fee and commission income	-	-	17,363	16,508	-	-	17,363	16,508
Gains and losses and other operating revenue	11,226	5,561	1,565,840	496,625	-	-	1,577,066	502,186
<b>Other revenue</b>	<b>46,874</b>	<b>40,760</b>	<b>4,684,267</b>	<b>3,377,018</b>	-	-	<b>4,731,141</b>	<b>3,417,778</b>
Gross benefits and claims paid	-	-	(5,568,027)	(5,179,720)	23,738	(301)	(5,544,289)	(5,180,021)
Claims ceded to reinsurers	-	-	87,527	69,004	-	-	87,527	69,004
Gross change in contract liabilities	-	-	(3,641,399)	(2,683,103)	(23,738)	-	(3,665,137)	(2,683,103)
Change in contract liabilities ceded to reinsurers	-	-	(24,906)	10,905	-	-	(24,906)	10,905
<b>Net benefits and claims</b>	-	-	<b>(9,146,805)</b>	<b>(7,782,914)</b>	-	(301)	<b>(9,146,805)</b>	<b>(7,783,215)</b>
Depreciation and amortisation	-	-	(64,504)	(64,000)	-	-	(64,504)	(64,000)
Other operating and management expenses	(13,185)	(12,083)	(1,625,360)	(1,499,349)	2,359	301	(1,636,186)	(1,511,131)
Taxation of life insurance business	-	-	(320,070)	(221,491)	-	-	(320,070)	(221,491)
<b>Other expenses</b>	<b>(13,185)</b>	<b>(12,083)</b>	<b>(2,009,934)</b>	<b>(1,784,840)</b>	<b>2,359</b>	<b>301</b>	<b>(2,020,760)</b>	<b>(1,796,622)</b>
<b>Profit from operations</b>	<b>33,689</b>	<b>28,677</b>	<b>960,165</b>	<b>919,238</b>	-	-	<b>993,854</b>	<b>947,915</b>
Transfer from Life Insurance Fund*	960,165	919,238	(960,165)	(919,238)	-	-	-	-
<b>Profit before taxation</b>	<b>993,854</b>	<b>947,915</b>	-	-	-	-	<b>993,854</b>	<b>947,915</b>
Taxation (Note 25(b))	(201,290)	(177,104)	-	-	-	-	(201,290)	(177,104)
<b>Net profit for the year</b>	<b>792,564</b>	<b>770,811</b>	-	-	-	-	<b>792,564</b>	<b>770,811</b>

\* The amount transferred from the Life Insurance Fund to the Shareholder's Fund is net of tax.

\*\* Refers to elimination of interfund transactions.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 36. INSURANCE FUNDS (CONTINUED)

### Information on Cash Flows by Funds For the year ended 31 December 2017

	Shareholder's Fund		Life Insurance Fund		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flow from:</b>						
Operating activities	443,054	752,132	146,331	(20,832)	589,385	731,300
Investing activities	-	-	(83,045)	(59,310)	(83,045)	(59,310)
Financing activities	(465,000)	(723,000)	-	-	(465,000)	(723,000)
Increase/(Decrease) in cash and cash equivalents	(21,946)	29,132	63,286	(80,142)	41,340	(51,010)
Cash and cash equivalents:						
At beginning of year	47,798	18,666	2,216,234	2,296,376	2,264,032	2,315,042
At end of year	25,852	47,798	2,279,520	2,216,234	2,305,372	2,264,032

# FURTHER INFORMATION ON DIRECTORS

## MR NORMAN KA CHEUNG IP

### Shareholding in the Company

Nil

### Current Directorships (and Appointments)

1.	Far Island Bay Sdn Bhd	Chairman
2.	Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3.	Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	Chairman
4.	I Great Capital Holdings Sdn Bhd	Chairman
5.	Overseas Assurance Corporation (Holdings) Berhad	Chairman
6.	WBL Corporation Limited	Chairman
7.	Building and Construction Authority	Deputy Chairman
8.	AIMS AMP Capital Industrial REIT Management Limited*	Director
9.	Great Eastern General Insurance Limited (formerly known as The Overseas Assurance Corporation Limited)	Director
10.	Great Eastern Holdings Limited*	Director
11.	Great Eastern Takaful Berhad	Director
12.	Lion Global Investors Limited	Director
13.	The Great Eastern Life Assurance Company Limited	Director

\* Listed Companies

### Academic and Professional Qualifications

Bachelor of Science (Economics), London School of Economics and Political Science

Fellow of the Institute Chartered Accountants in England and Wales

Fellow of the Institute of Certified Public Accountants of Singapore

### Board Committees Served on

Member, Board Nominations and Remuneration Committee

## MR TAN YAM PIN

### Shareholding in the Company

Nil

### Current Directorships (and Appointments)

1.	Singapore Public Service Commission	Deputy Chairman
2.	Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	Director
3.	Keppel Land Limited	Director
4.	Lee Kuan Yew Scholarship Fund	Director

### Academic and Professional Qualifications

Master of Business Administration, University of British Columbia, Canada

Bachelor of Arts (Hons), University of Singapore

Fellow of the Canadian Institute of Chartered Accountants, Canada

### Board Committees Served on

Chairman, Board Nominations and Remuneration Committee

## FURTHER INFORMATION ON DIRECTORS

### MR KOH POH TIONG

#### Shareholding in the Company

Nil

#### Current Directorships (and Appointments)

1.	Bukit Sembawang Estates Limited*	Chairman
2.	National Kidney Foundation	Chairman
3.	Singapore Kindness Movement	Chairman
4.	Times Publishing Limited	Chairman
5.	Yunnan Yulinquan Liquor Co Ltd	Chairman
6.	Fraser and Neave Limited*	Director & Advisor
7.	Delfi Limited*	Director
8.	Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	Director
9.	Raffles Medical Group Limited*	Director
10.	SATS Ltd*	Director

\* Listed Companies

#### Academic and Professional Qualifications

Bachelor of Science, University of Singapore

#### Board Committees Served on

Nil

### MR KHOR HOCK SENG

#### Shareholding in the Company

Nil

#### Current Directorships (and Appointments)

1.	Great Eastern Financial Advisers Private Limited	Chairman
2.	Lion Global Investors Limited	Chairman
3.	PT Great Eastern Life Indonesia	President Commissioner
4.	Great Eastern Capital (Malaysia) Sdn Bhd	Director
5.	Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	Director
6.	Great Eastern International Private Limited	Director
7.	Great Eastern Takaful Berhad	Director
8.	I Great Capital Holdings Sdn Bhd	Director
9.	Overseas Assurance Corporation (Holdings) Berhad	Director
10.	The Great Eastern Trust Private Limited	Director
11.	218 Orchard Private Limited	Director

#### Academic and Professional Qualifications

Bachelor of Art (Majoring in Actuarial Science and Statistics), Macquarie University Sydney, Australia

Certificate of Actuarial Techniques, Institute of Actuaries, London

#### Board Committees Served on

Nil



## FURTHER INFORMATION ON DIRECTORS

### YBHG. DATUK KAMARUDDIN BIN TAIB

#### Shareholding in the Company

Nil

#### Current Directorships (and Appointments)

1.	GHL Systems Berhad*	Chairman
2.	Great Eastern Takaful Berhad	Chairman
3.	HSBC Amanah Malaysia Berhad	Chairman
4.	BFC Exchange Malaysia Sdn Bhd	Director
5.	DNV GL Malaysia Sdn Bhd	Director
6.	FIDE FORUM	Director
7.	Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	Director
8.	Harta Maksud Sdn Bhd	Director
9.	I Great Capital Holdings Sdn Bhd	Director
10.	Maksud Sdn Bhd	Director
11.	Malaysian Oil & Gas Services Council	Trustee

\* Listed Company

#### Academic and Professional Qualifications

Bachelor of Science in Mathematics, University of Salford, United Kingdom

#### Board Committees Served on

Chairman, Board Audit Committee

Member, Board Nominations and Remuneration Committee

### YBHG. DATO' ALBERT YEOH BEOW TIT

#### Shareholding in the Company

Nil

#### Current Directorships (and Appointments)

1.	Alliance Investment Bank Berhad	Director
2.	Cagamas MBS Berhad	Director
3.	Cagamas SRP Berhad	Director
4.	Danajamin Nasional Berhad	Director
5.	Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad)	Director

#### Academic and Professional Qualifications

Master of Science in Management, University of Salford, United Kingdom

Bachelor of Economics (Double Major in Economics & Operations Research), Monash University, Australia

Fellow of the Institute of Bankers Malaysia (FIBM)

Certified Financial Planner and Member of Financial Planning of Association of Malaysia

#### Board Committees Served on

Member, Board Audit Committee

Member, Board Nominations and Remuneration Committee

Member, Board Risk Management Committee

## FURTHER INFORMATION ON DIRECTORS

### MR NG HON SOON

#### Shareholding in the Company

Nil

#### Current Directorships (and Appointments)

- |    |  |          |
|----|--|----------|
| 1. | Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad) | Director |
| 2. | OCBC Al-Amin Bank Berhad   | Director |
| 3. | Pac Lease Berhad   | Director |
| 4. | RAM Rating Services Berhad   | Director |

#### Academic and Professional Qualifications

Master in Public Administration, Harvard University, Massachusetts, United States of America

Bachelor of Applied Science (Computer Technology), Universiti Sains Malaysia

#### Board Committees Served on

Chairman, Board Risk Management Committee

Member, Board Nominations and Remuneration Committee

### MDM TAN FONG SANG

#### Shareholding in the Company

Nil

#### Current Directorships (and Appointments)

- |    |  |          |
|----|--|----------|
| 1. | Crsytal Coast Sdn Bhd  | Director |
| 2. | Great Eastern General Insurance (Malaysia) Berhad (formerly known as Overseas Assurance Corporation (Malaysia) Berhad) | Director |

#### Academic and Professional Qualifications

Bachelor of Accounting, National University of Malaysia

Chartered Accountant registered with the Malaysian Institute of Accountants

#### Board Committees Served on

Member, Board Audit Committee

Member, Board Risk Management Committee

# HEAD OFFICE AND BRANCH NETWORK

## Head Office

### Menara Great Eastern

303 Jalan Ampang  
50450 Kuala Lumpur  
Tel: +603-4259 8888  
Fax: +603-4259 8000  
E-mail: [wecare-my@greateasternlife.com](mailto:wecare-my@greateasternlife.com)  
Website: [greateasternlife.com](http://greateasternlife.com)

## Alor Setar

66 & 68 Jalan Teluk Wanjah  
05200 Alor Setar, Kedah  
Tel: +604-731 9877  
Fax: +604-731 9878  
Branch Admin Manager: Yap Sun Lin

## Batu Pahat

109, Jalan Rahmat  
83000 Batu Pahat, Johor  
Tel: +607-432 5562  
Fax: +607-432 5560  
Branch Admin Manager: Yap Ley Tin

## Bintulu

No 313, Lot 3956, Phase 4  
Bintulu Parkcity Commerce Square  
Jln Tun Ahmad Zaidi/Jln Tanjung Batu  
97000 Bintulu, Sarawak  
Tel: +6086-336 676  
Fax: +6086-332 601  
Branch Admin Manager: Ting Siew Hoon

## Ipoh

### Wisma Great Eastern

No 16, Persiaran Tugu, Greentown Avenue  
30450 Ipoh, Perak  
Tel: +605-254 2027  
Fax: +605-255 5578  
Regional Manager: Siah Koh Leong

## Johor Bahru

### Wisma Great Eastern

02-01 Block A, Komersil Southkey Mozek  
Persiaran Southkey 1  
Kota Southkey, 80150 Johor  
Tel: +607-334 1022  
Branch Admin Manager: Chai Choon Yoke

## Klang

No.8 & 10 Jalan Tiara 2A  
Bandar Baru Klang  
41150 Klang, Selangor  
Tel: +603-3343 6688  
Fax: +603-3341 3398  
Branch Admin Manager: Matthew Nah Yu Jen

## Kluang

No 22 & 24  
Jalan Md Lazim Saim  
86000 Kluang, Johor  
Tel: +607-772 3529  
Fax: +607-772 3449  
Deputy Regional Manager: Lim Kee Chii

## Kota Bharu

No. S25/5252-T & U  
Jalan Sultan Yahya Petra  
15200 Kota Bharu, Kelantan  
Tel: +609-748 2332  
Fax: +609-744 9701  
Branch Admin Manager: Yeap Siew Giok

## Kota Kinabalu

### Wisma Great Eastern

Level 4 & 5, No. 65 Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Tel: +6088-252 033  
Fax: +6088-210 437  
Deputy Regional Manager: Chong Kee Jyh

# HEAD OFFICE AND BRANCH NETWORK

## **Kuala Terengganu**

2nd Floor, 6F, Bangunan Persatuan Hin Ann  
Jalan Air Jernih  
20300 Kuala Terengganu, Terengganu  
Tel: +609-622 4959  
Fax: +609-626 5195  
Branch Admin Manager: Yeo Ai May

## **Kuantan**

A25 Jalan Dato Lim Hoe Lek  
25200 Kuantan, Pahang  
Tel: +609-515 7666  
Fax: +609-515 8477  
Regional Manager: Hong Shee Yi

## **Kuching**

House No 51, Lot 435, Section 54, KTLD  
Travilion Commercial Centre  
Jalan Padungan  
93100 Kuching, Sarawak  
Tel: +6082-412 736  
Fax: +6082-426 684  
Regional Manager: Ting Lee

## **Lahad Datu**

Ground & 1st Floor, MDLD 3804, Lot 66  
Fajar Centre, Jalan Segama  
91100 Lahad Datu, Sabah  
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## Sibu

### Wisma Great Eastern

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