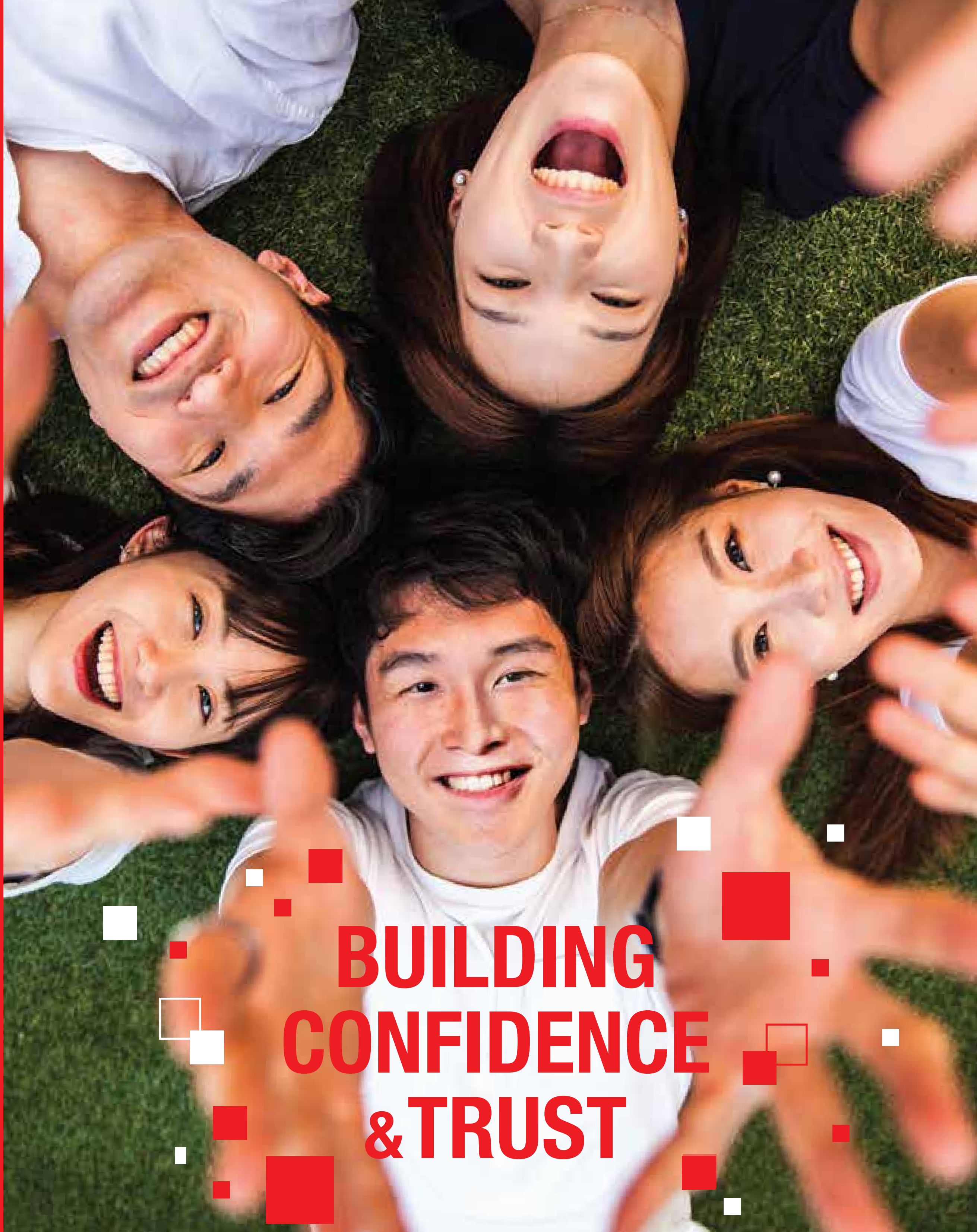


BUILDING CONFIDENCE & TRUST

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD

ANNUAL REPORT

2018

Great Eastern

A member of the OCBC Group

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD

ANNUAL REPORT 2018

Great Eastern
A member of the OCBC Group

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD (102249-P)

Level 18, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Customer Careline: 1300-1300 88
Fax: +603 4813 0055
E-mail: gicare-my@greateasterngeneral.com
Website: www.greateasterngeneral.com

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

1 Norman Ka Cheung Ip (Chairman)
2 Tan Yam Pin
3 Koh Poh Tiong
4 Khor Hock Seng
5 Y Bhg Datuk Kamaruddin Bin Taib
6 Y Bhg Dato' Albert Yeoh Beow Tit
7 Ng Hon Soon
8 Tan Fong Sang

SENIOR MANAGEMENT TEAM

Chief Executive Officer
Ng Kok Kheng

Chief Operations Officer
Lee Pooi Hor

Chief Financial Officer
Khoo Sook Hooi

Head, Corporate Distribution
Chong Kah Lay

Head, Claims Management
Goh Ching On

Head, Underwriting & Policy Management
Wong Eng Yan

Appointed Actuary
Chong Wan Leng

COMPANY SECRETARY

Liza Hanim Binti Zainal Abidin

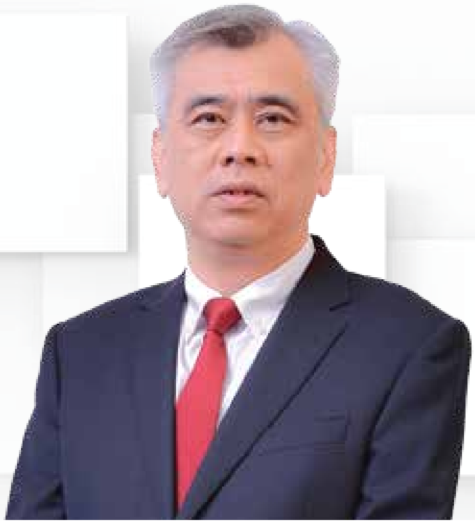
REGISTERED OFFICE

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

AUDITORS

Messrs Ernst & Young

BOARD OF DIRECTORS



NORMAN KA CHEUNG IP
CHAIRMAN

TAN YAM PIN

KOH POH TIONG

KHOR HOCK SENG

Y BHG DATUK
KAMARUDDIN BIN TAIB

Y BHG DATO'
ALBERT YEOH BEOW TIT

NG HON SOON

TAN FONG SANG

SENIOR MANAGEMENT TEAM

NG KOK KHENG
CHIEF EXECUTIVE OFFICER

LEE POOI HOR
Chief Operations Officer

KHOO SOOK HOOI
Chief Financial Officer

CHONG KAH LAY
Head, Corporate Distribution

GOH CHING ON
Head, Claims Management

WONG ENG YAN
Head, Underwriting & Policy Management

CHONG WAN LENG
Appointed Actuary

CEO'S STATEMENT

NG KOK KHENG
Chief Executive Officer

"Our Customers Are Our Top Priority"

At GEGM, we remain committed to providing innovative solutions to meet the insurance needs of our customers and to building a collaborative workplace and high performance work culture.

CEO'S STATEMENT

A Steady Performance

In 2018, Great Eastern General Insurance (Malaysia) Berhad ("GEGM") delivered a positive performance on the financial and operational fronts. Despite the year's challenging operating environment, we achieved RM498.61million (S$164.4 million) in Gross Written Premiums.

Fire class remained our largest and most profitable portfolio, while our motor class continued its steady growth. Our continuous focus on product diversification enables us to continue to remain resilient in this rapidly changing business environment.

Our Vision & Enhancing Customer Experience

Our vision, "To be the general insurer of choice in Malaysia, recognised for our excellence," is to serve our customers with distinction through our innovative products and services while helping them to make the right choices in their protection needs.

We embrace technology and digitalisation to empower our customers with speed, choice and convenience. Guided by our core values of integrity, initiative and involvement, we continue to enhance our products, calibrate our distribution network and agency force to ignite growth.

Partnership with OCBC Bank

Our strategic bancassurance partnership with OCBC Bank has been progressing well with active identification of market opportunities and tailoring of suitable insurance products to meet OCBC Bank customers' needs. Our strong technology, product, process and people are the success factors of this strategic alliance.

Product Innovation for Business Growth

For the year in review, we launched several innovative products to meet changing customer needs for comprehensive insurance protection.

Easi-Biz Premier / Easi-Biz Standard

Small and medium-sized (SME) businesses are important pillars of economic growth. To provide SME owners with peace of mind in running their business, we introduced a business solution package comprising of two plans called Easi-Biz Premier and Easi-Biz Standard in January 2018 to serve the SME business in covering against unexpected risks and uncertainties.

Great Voyager Travel Personal Accident

As a step towards strengthening our digital presence in the market, we launched Great Voyager Travel Personal Accident on 10 October 2018 to digitally transform our business and enhance our customer journey experience. We target to grow our Online Direct channel with more product offerings.

GREAT Ride Shield

As our commitment to support the communities we serve, we launched GREAT Ride Shield which covers accidental death and bodily injury on 10 December 2018. This new personal accident insurance product is affordable and specially tailored for the underserved segment.

Key Corporate Events

OCBC Bank - Business Banking Convention

GEGM-OCBC business banking convention was held from 26 to 30 April, 2018 in Seoul, Korea. The event was held in appreciation of the dedication and commitment shown by the OCBC staff in collaborating with GEGM in meeting its business target. The programme was lined up with fun-filled engaging activities.

Recognition of contribution by OCBC Bank

In recognition of the contribution made by OCBC Corporate Credit Administration, an appreciation dinner was held on 10 August 2018 at Concorde Hotel, Kuala Lumpur. In addition to lucky draws, the highlight of the night was a musical performance by OCBC support team.

Engagement with Key Business Partners

To foster greater team bonding, a movie screening 'Mission Impossible Fallout' was arranged for OCBC bankers and brokers on 27 July and 17 August 2018 respectively.

Reinforcing Business Ties with the Agency Force

On our Agency front, celebratory events were held across all branches in conjunction with Chinese New Year to further strengthen ties and build engagement with our agency force. In recognition of the Top Agency Producer' achievement, a special presentation awards was held on stage.

The 2018 National Agency Convention held at Putrajaya Marriott Hotel was a memorable event for all agency qualifiers. It was indeed an honor to have the presence of our Managing Director of General & Group Insurance, Mr Jimmy Tong to grace the event on that day.

CEO'S STATEMENT

The 2018 Agency Conference was undoubtedly the most eagerly-anticipated event of the year arranged in Japan, Vietnam and Malaysia. Apart from building a strong cohesive team, delegates enjoyed the opportunity to immerse in the local culture and savour wonderful cuisine at all three destinations.

In conjunction with Great Eastern 110th birthday, limited editions of "Celebrate 110 Great Years" momentos were given out during our agency campaigns. 2018 was indeed a year that saw strong growth and positive results from our agency business. We are confident our 2019 goal is not far from reach with continuous support from our agency field force.

Caring for the Society

We are committed to sustainable development of the local communities in the country and giving back to the society. We are proud to share that our workforce supports all CSR initiatives by the Company through their involvement and personal contributions.

Supporting Hospis Malaysia Campaign - 'Speak Up – There is an Elephant in the Room'

In October 2018, we participated in the campaign 'Speak Up – There is an Elephant in the Room' by Hospis Malaysia. The campaign was launched by Deputy Minister of Women, Family and Community Development, Ms Hannah Yeoh on 1 October 2018 in KLCC. RM25,000 was donated for palliative care support. Out of ten (10) life-sized baby elephant sculptures of different colours, GEGM adopted Cik Violet as the 'campaign ambassador'. These elephants were displayed at the KLCC Park Esplanade until 14 October 2018 and thereafter relocated to be placed in KLCC mall until 21 April 2019 for public awareness. Hospis Malaysia chose the theme of 'The Elephant in the Room' to symbolize "a significant problem or controversial issue which is obviously present but ignored or avoided as a subject for discussion". The message of this campaign was to encourage conversations that matter for patients living with life-limiting illnesses such as cancer, organ failure, HIV/AIDs and degenerative neurological conditions and create awareness of how patients' quality of life can improve with good palliative care.

Contribution made to Yayasan Sunbeams Home

We worked closely with local non-profit organisations by visiting Yayasan Sunbeams Home ("YSH") on 14 September 2018. Quality time was spent with the children and gifts were given to each student sitting for the SPM examination. Cash contribution by the Company and staff were also presented to the Founder of YSH, Mr Alvin Tan.The day ended with a special treat for the children.

"Let's Read" Book Donation Drive by the Malaysian Insurance Institute ("MII")

We launched a book collection drive to support MII's CSR initiative to cultivate and promote the habit of reading amongst young children and teens.

We will continue to support the ChildrenCare programme organised by Great Eastern and provide our contribution to charity organisations like Cancerlink Foundation, Hospis Malaysia, etc.

Moving Forward

As we move into industrial revolution 4.0, we are going to digitalize products and processes and use data analytics to improve product design as well as pricing and claims to win new customers. We remain focused on the disciplined execution of our strategies; grow our business and tap new opportunities; to continue to offer a differentiated and compelling value proposition for our stakeholders and to prudently manage risk and maximise operational efficiency.

Employees are encouraged to stay and develop with the Company through recognition of long service awards and successful completion of industry qualification in the general insurance and also actuarial disciplines.

We are committed to being an employer of choice and to nurturing an engaging and dynamic workforce bringing forth the best in our people.

Word of Appreciation

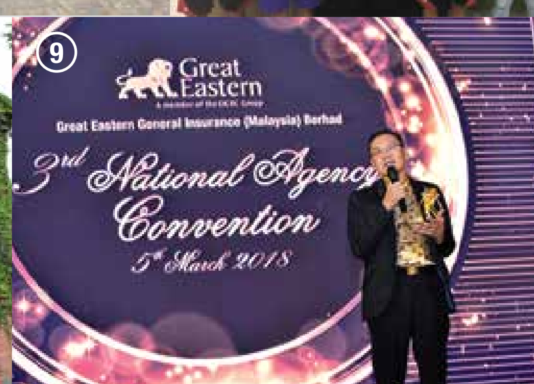
My sincere thanks to all our customers for their continued trust, support, and loyalty. To our agents, brokers and intermediaries, my utmost gratitude for your loyal support and confidence in our Company.

Many heartfelt thanks to the Senior Management Team and my colleagues for their dedication, diligence and commitment to excellence. Here, I also wish to express my sincere appreciation to GEGM's distinguished Board of Directors for their wise counsel and guidance in steering us forward amidst the year’s challenges.

Let us continue ‘Moving Together As One’ to drive sustainable growth and deliver outstanding performance for a great 2019.

Ng Kok Kheng
Chief Executive Officer

CALENDAR OF EVENTS



1. Mr Ng Kok Kheng, Chief Executive Officer, Mr Chong Kah Lay, Head, Corporate Distribution and staff at the launch of Hospis Malaysia Campaign: "Speak up – There is an Elephant in the Room".
2. Ms Hannah Yeoh, Deputy Minister of Women, Family and Community Development with GEGM CEO and other sponsors at the launch on 1 October 2018.
3. Cik Violet, the baby elephant sculpture adopted by GEGM under Hospis Malaysia campaign.
4. Agency Conference 2018 – Prime Hanoi
5. Support for the underprivileged children in Yayasan Sunbeams Home
6. Encouragement given to SPM students at Yayasan Sunbeams Home
7. Management team with distinguished guests at the National Agency Conference 2018
8. Agency Conference 2018 – Supreme Hokkaido
9. Speech by CEO, Mr Ng Kok Kheng at the 3rd National Agency Convention

HEAD OFFICE AND BRANCH NETWORK

HEAD OFFICE

Level 18, Menara Great Eastern 303, Jalan Ampang, 50450 Kuala Lumpur
Customer Careline: 1300-1300 88 **Fax:** +603 4813 0055
E-Mail: gicare-my@greateasterngeneral.com **Website:** www.greateasterngeneral.com

- Steven Tai Miow Chong - Head of Branch Distribution
- Bong Young Choy - Head (Central Region)
- Andrew Khoo Lay Keong - Head (Northern Region)
- Steven Tan Chek Pow - Business Advisor (East Malaysia Region)

ALOR SETAR

69 & 70, 1st Floor, Jalan Teluk Wanjah
05200 Alor Setar, Kedah
Tel: +604 7346 515 | **Fax:** +604 7346 516
Manager: Wilson Tan Seang Ping

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Wisma Great Eastern, 03-01, Blok A
Komersil Southkey Mozek, Persiaran Southkey 1,
Kota Southkey, 80150 Johor Bahru, Johor
Tel: +607 336 9899 | **Fax:** +607 336 9869
Manager: Gan Ai Ling

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No. S25/5252-S, Tingkat 1
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Tel: +609 748 2698 | Fax: +609 744 8533
Manager: Oong Eau Hong

KUANTAN

1st Floor, No. A25, Jalan Dato' Lim Hoe Lek
25200 Kuantan, Pahang
Tel: +609 516 2849 | **Fax:** +609 516 2848
Manager: Vivien Kok Yong Wei

KUCHING

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Travilion Commercial Centre
Jalan Padungan, 93100 Kuching, Sarawak
Tel: +6082 420 197 | **Fax:** +6082 248 072
Business Advisor: Steven Tan Chek Pow

PENANG

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Asst. Vice President: Ong Bee Pheng

SIBU

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Persiaran Brooke, 96000 Sibu, Sarawak
Tel: +6084 328 392 | **Fax:** +6084 326 392
Manager: Helen Wong Mee Siong

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30450 Ipoh, Perak
Tel: +605 253 6649 | **Fax:** +605 255 3066
Asst. Vice President: Jade Yeo Jiat Yee

KLANG

3rd Floor, No. 10, Jalan Tiara 2A
Bandar Baru Klang, 41150 Klang, Selangor
Tel: +603 3345 1027 | **Fax:** +603 3345 1029
Manager: Deva Raj A/L Supiramaniyam

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No. 65, Jalan Gaya, 88000 Kota Kinabalu, Sabah
Tel: +6088 235 636 | **Fax:** +6088 248 879
Manager: Pauline Leong Chiu Kiak

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Menara Great Eastern, Level 18
303 Jalan Ampang, 50450 Kuala Lumpur
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Asst. Vice President: Ngai Chee Keong (KL1)
Asst. Vice President: Chow Chien Keong (KL2)

MELAKA

No. 2-23, Jalan PM15
Plaza Mahkota, 75000 Melaka
Tel: +606 284 3297 | **Fax:** +606 283 5478
Manager: Jimmy Lee Chean Jern

SEREMBAN

103-2, Jalan Yam Tuan
70000 Seremban, Negeri Sembilan
Tel: +606 764 9082 | **Fax:** +606 761 6178
Asst. Vice President: Choo Kheng Men

SERVICING OFFICE

BATU PAHAT
4th Floor, 109 Jalan Rahmat
83000 Batu Pahat, Johor
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Fax: +607 432 2359

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98000 Miri, Sarawak
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Fax: +6085 433 276

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1st Floor, Lot 5 & 6, Block 40
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Bandar Indah Phase 7,
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Fax: +6089 228 372

TAWAU
Wisma Great Eastern
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91008 Tawau, Sabah
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Fax: +6089 767 013

MENTAKAB
No. 60, 1st Floor, Jalan Okid,
28400 Mentakab,
Pahang.
Tel: +609 270 9358
Fax: +609 270 9359

	RM million				
	2014	2015	2016	2017	2018
Gross Premium Income	409.14	449.00	430.21	450.52	498.61
Total Assets At Market Value:					
General Insurance	899.32	970.09	995.90	993.35	980.33
Shareholders' Fund	96.31	99.09	102.32	107.23	108.93
Underwriting Profit (before tax)	46.21	23.94	37.13	18.74	12.28
Operating Profit (after tax)	57.03	43.43	54.63	45.71	43.48
Total Assets	**995.63**	**1,069.18**	**1,098.22**	**1,100.58**	**1,089.26**

ABOUT GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD

Great Eastern General Insurance (Malaysia) Berhad (GEGM) started operations in Kuala Lumpur in 1954 as a branch of Great Eastern General Insurance Limited, Singapore. The Company's early focus was in general insurance but it expanded its life insurance business in 1963, making GEGM one of the earliest composite insurers in Malaysia.

In 1998, the branch operations were restructured to become a locally incorporated subsidiary of Great Eastern General Insurance Limited, Singapore to comply with the requirements of the Malaysian Insurance Act 1996.

By 2000, GEGM was one of the largest providers of life, health and general insurance in Malaysia. With the merger of Great Eastern General Insurance Limited, Singapore and Great Eastern Holdings Limited, Singapore in December 2000, GEGM's life insurance business was transferred to Great Eastern Life Assurance (Malaysia) Berhad in September 2001. Arising from this development, GEGM is now a pure general insurance operator that spearheads the Great Eastern Group's development and expansion in the general insurance sector.

GEGM had officially acquired the general insurance of Tahan Insurance Malaysia Berhad ("Tahan") with effect from 1 January 2011. Following the acquisition, Tahan's entire general insurance business was transferred to GEGM.

As at 31 December 2018, GEGM has total assets in excess of RM 1,089 million with a paid-up capital of RM 100 million and a network of 13 branches with more than 3,000 agents.

BUILDING CONFIDENCE AND TRUST

At GEGM, building confidence and trust has always been the core. We put customers first by treating them as partners, fostering trust and respect through our unwavering commitment and uncompromising quality of service.

Trust comes with confidence. Our clients enjoy this confidence through our established corporate reputation and our affiliation with the Great Eastern and OCBC Group. With a legacy of integrity and professionalism, as well as the financial security and stability of the Group, GEGM is well positioned to continue its growth and expansion in years to come.

DIRECTORS' REPORT

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 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company is underwriting of all classes of general insurance business.

RESULTS

	RM
Net profit for the year	43,484,441

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.

DIVIDENDS

The amounts of dividend paid by the Company since 31 December 2017 were as follows:

	RM
In respect of the financial year ended 31 December 2017 as reported in the Directors' report of that year:	
Final single tier dividend of RM0.30 per ordinary share on 100,000,000 ordinary shares paid on 27 April 2018	30,000,000

At the forthcoming Annual General Meeting ("AGM") of the Company, a final single-tier dividend in respect of the financial year ended 31 December 2018 of RM0.33 per ordinary share on 100,000,000 ordinary shares, amounting to a dividend payable of RM33,000,000 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 appropriation of retained earnings in the next financial year ending 31 December 2019.

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
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 76 of the Company's Constitution, Mr Tan Yam Pin, Mdm Tan Fong Sang and Y Bhg Dato' Yeoh Beow Tit would retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Notes 23(b) and 30(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 the financial year ended 31 December 2018 pursuant to Section 289 of the Companies Act 2016. The cost of insurance effected for the Directors and officers of the Company amounted to RM30,311.

DIRECTORS' REPORT

ULTIMATE HOLDING COMPANY

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

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, OCBC Bank during the financial year were as follows:

	Shareholdings in which Directors have a direct interest			
	1.1.2018	Acquired	Disposed	31.12.2018
a) Ordinary shares of OCBC Bank				
Mr Norman Ka Cheung Ip	4,201	83	-	4,284
Mr Khor Hock Seng	264,380	122,859	-	387,239
Y Bhg Dato' Yeoh Beow Tit	306,736	5,650	(20,000)	292,386
Mdm Tan Fong Sang	37,936	-	-	37,936

	Shareholdings in which Directors are deemed to have an interest			
	1.1.2018	Granted	Vested	31.12.2018
Mr Khor Hock Seng	219,148 (1)	61,710	(122,859)	157,999 (1)

Notes:

(1) Deemed interest from Remuneration Trust to be released annually on 31 March 2016 to 2018.

DIRECTORS' INTERESTS (CONT'D.)

	Shareholdings in which Directors have a direct interest			
	1.1.2018	Acquired	Redeemed	31.12.2018
b) 5.1% non-cumulative non-convertible guaranteed preference shares in OCBC Capital Corporation (2008)				
Mr Tan Yam Pin	2,000	-	-	2,000

	Options held by Directors in their own name					
	Expiry date	Exercise price S$	1.1.2018	Granted	Exercised	31.12.2018
c) Options to subscribe for ordinary shares of OCBC Bank						
Mr Khor Hock Seng	22.3.2027	9.594	327,082	-	-	327,082
	21.3.2028	13.340	-	122,135	-	122,135
Mdm Tan Fong Sang	14.3.2020	8.521	10,283	-	-	10,283
	13.3.2021	9.093	9,113	-	-	9,113
	13.3.2022	8.556	10,079	-	-	10,079

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.

DIRECTORS' REPORT

CORPORATE GOVERNANCE DISCLOSURES

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

OTHER STATUTORY INFORMATION

(a) Before the balance sheet and income statement 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 all known bad debts had been written off 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) the amount written off for 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 in the financial statements of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D.)

(e) 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.

(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 contract 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)(ii) and (f)(i) above, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

SUBSEQUENT EVENT

There were no significant events during or subsequent events after the financial year.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26th March 2019.

Datuk Kamaruddin bin Taib

Dato' Yeoh Beow Tit

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

The Board of Directors (the "Board") and Management of Great Eastern General Insurance (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 ("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

1. The Board provides strategic directions to, and oversight of the operations of the Company. The principal roles and functions of the Board, as set out in the Board Charter include the following:

   (a) reviewing and approving the overall business strategy as well as the organisation structure of the Company, developed and recommended by the Management;

   (b) overseeing and approving the risk appetite of the Company that is consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;

   (c) ensuring that the decisions and investments are consistent with the long-term strategic goals of the Company and reasonable standards of fair dealing with all stakeholders;

   (d) ensuring that interests of shareholders, policyholders and other stakeholders are taken into account in managing the Company's business;

   (e) overseeing through the Board Nominations and Remuneration Committee, the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), Senior Officers and Non-Senior Officers, such that the Board is satisfied with the collective competence of Senior Officers to effectively lead the operations of the Company;

   (f) ensuring that the necessary human resources are in place for the Company to achieve its objectives;

   (g) 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;

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Board responsibilities and accountability (cont'd.)

(h) ensuring that the Company is operated in accordance with the relevant laws and regulations, as well as policies, processes and guidelines approved by the Board, so as to preserve its financial integrity;

(i) overseeing through the Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures, and system of internal controls;

(j) overseeing, through the Board Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;

(k) reviewing and approving any transaction for the acquisition or disposal of assets that is material to the Company;

(l) establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;

(m) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;

(n) 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; and

(o) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

2. The Company has adopted internal guidelines on matters which require Board approval. 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.

3. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board Committees and Management to optimise operational efficiency.

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Board Committees

4. 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 terms of reference.

5. The Company's Board Committees, in carrying out their responsibilities in accordance with 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 principal roles and 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.

Meetings and Directors' Attendance

6. The Board meets regularly during the year to review the business performance and key activities of the Company, and to consider business proposals presented by the Management. All members of the Board participate actively in Board discussions and decisions are taken objectively in the interests of the Company. The Board guides 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 2018, the Board convened six scheduled and one ad hoc Board meetings.

7. 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.

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

9. The number of meetings of the Board and Board Committees held in 2018 and the attendance of the Directors at those meetings are tabulated below:

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Meetings and Directors' Attendance (cont'd.)

Directors' attendance at Board and Board Committee meetings in 2018

Name of Director	Board				Board Nominations and Remuneration Committee	
	No. of Meetings				No. of Meetings	
	Scheduled		Ad hoc		Scheduled	
	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip	6	6	1	1	5	5
Mr Tan Yam Pin	6	6	1	1	5	5
Mr Koh Poh Tiong	6	5	1	1	4[(1)]	4[(1)]
Mr Khor Hock Seng	6	6	1	1	5[(1)]	5[(1)]
Y Bhg Datuk Kamaruddin bin Taib	6	6	1	0	5	5
Y Bhg Dato' Yeoh Beow Tit	6	6	1	1	5	5
Mr Ng Hon Soon	6	6	1	1	5	5
Mdm Tan Fong Sang	6	6	1	1	5[(1)]	5[(1)]

Name of Director	Board Audit Committee				Board Risk Management Committee	
	No. of Meetings				No. of Meetings	
	Scheduled		Ad hoc		Scheduled	
	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip	-	-	-	-	-	-
Mr Tan Yam Pin	1[(1)]	1[(1)]	-	-	-	-
Mr Koh Poh Tiong	1[(1)]	1[(1)]	-	-	-	-
Mr Khor Hock Seng	3[(1)]	3[(1)]	1[(1)]	1[(1)]	-	-
Y Bhg Datuk Kamaruddin bin Taib	5	5	2	2	-	-
Y Bhg Dato' Yeoh Beow Tit	5	5	2	2	5	5
Mr Ng Hon Soon	1[(1)]	1[(1)]	-	-	5	5
Mdm Tan Fong Sang	5	5	2	2	5	5

Notes:

(1) Attendance by Invitation.

(-) Not applicable to the Non-Member of the respective Board Committees.

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Meetings and Directors' Attendance (cont'd.)

Directors' attendance at Board and Board Committee meetings in 2018 (cont'd.)

Directors' attendance at the Annual General Meeting of the Company on 17 April 2018 is not included in the above table.

There was 1 Joint Board Audit Committee – Board Risk Management Committee meeting held on 23 January 2018. Directors' attendance at the meeting 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.

BOARD COMPOSITION AND GUIDANCE

Board Membership

10. The Company's Board of Directors during the financial year comprised an Independent Chairman, Mr Norman Ka Cheung Ip, six other non-executive Directors and one Executive Director. The six non-executive Directors are Mr Tan Yam Pin, Mr Koh Poh Tiong, Y Bhg Datuk Kamaruddin bin Taib, Y Bhg Dato' Yeoh Beow Tit, Mr Ng Hon Soon and Mdm Tan Fong Sang. Mr Khor Hock Seng is the Executive Director.

11. Mr Norman Ka Cheung Ip, Mr Khor Hock Seng and Y Bhg Datuk Kamaruddin bin Taib retired by rotation and were re-elected to the Board at the Company's Annual General Meeting on 17 April 2018 pursuant to Article 76 of the Company's Constitution.

12. Further, all appointments and re-appointments of Directors of the Company are subject to the approval of BNM. The composition of the Board during the financial year 2018 is as follows:

Members of the Board	Status of directorship
Mr Norman Ka Cheung Ip, Chairman	Independent Director
Mr Tan Yam Pin	Independent Director
Mr Koh Poh Tiong	Independent Director
Mr Khor Hock Seng	Executive Director
Y Bhg Datuk Kamaruddin bin Taib	Independent Director
Y Bhg Dato' Yeoh Beow Tit	Non-Independent Non-Executive Director
Mr Ng Hon Soon	Independent Director
Mdm Tan Fong Sang	Independent Director

BOARD COMPOSITION AND GUIDANCE (CONT'D.)

Board Membership (cont'd.)

13. The Directors of the Company have confirmed that they are not active politicians as defined in the CG PD. Further, they have no prior involvement as an external auditor for the Company; nor served in the capacity of an officer who is directly involved in the Company's engagement or partner of the external auditor firm; nor served as an auditor of the Company for the past 2 years. The Directors made such confirmation to BNM prior to their respective appointment as Director.

Key Information on Directors

14. Key information on each Director's professional qualifications and background is set out under the sections "Board of Directors" and "Further Information on Directors" of the Company's Annual Report[1]. The Directors' membership in the various Board Committees is also 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 2018 ("FY2018"). The Directors do not hold any shares in the Company or its penultimate holding company, Great Eastern Holdings Limited ("GEH").

Board Composition and Independence

15. The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, the Board will determine whether an individual to be appointed as an Independent Director is independent in character and judgment, and free from associations or circumstances that may impair the exercise of his/her independent judgment. An Independent Director of the Company must be 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[2].

16. The CG PD emphasizes on the requirement of having a majority of Independent Directors[3].

17. The current Board comprises a majority of Independent Directors as determined by the Board Nominations and Remuneration Committee annually, pursuant to the definition of "independence" of a Director under the CG PD. 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.

1 *Available at the Company's website.*

2 *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.*

3 *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.*

BOARD COMPOSITION AND GUIDANCE (CONT'D.)

Board Composition and Independence (cont'd.)

18. Under the CG PD, Y Bhg Dato' Yeoh Beow Tit is deemed non-independent as he has served for more than nine years on the Board. However, he remains 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 and its affiliates.

19. Mr Khor Hock Seng is an Executive Director as he is the Group Chief Executive Officer of GEH.

20. The current Board complies with the CG PD requirements on Board independence. Six out of eight of the Board members are Independent Directors.

21. 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 operations of the Company.

22. Further, the Board Nominations and Remuneration Committee also assesses the diversity of its members competency profiles, and determines the collective skills required to discharge its responsibilities effectively.

23. The Board members of the Company have 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.

24. 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.

DIRECTORS' REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

25. The roles of the Chairman, Mr Norman Ka Cheung Ip, and the Chief Executive Officer ("CEO"), Mr Ng Kok Kheng, 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.

26. 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.

27. 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 Officers of the Company. Collectively, they are 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.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE

28. The CG PD requires the Board Nominations and Remuneration Committee to have at least three non-executive Directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.

29. For FY2018, The Board Nominations and Remuneration Committee comprised 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

30. 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 of Directors on the Board and Board Committees. It also reviews and recommends nominations of Senior Officers positions in the Company to the Board.

31. The Board Nominations and Remuneration Committee held a total of five meetings in 2018.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Process For Appointment Of New Directors

32. 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 are nominated for the Board's consideration, before submitting the application to BNM for approval.

33. 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 will satisfy the criteria under the CG PD in that his/her appointment will not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he/she is a fit and proper person for the office, 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.

Re-appointment/Re-election of Directors

34. 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.

Board Orientation and Training

35. Upon the appointment of a new Director, a formal appointment letter will be issued together 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 Officers will conduct presentation sessions for 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, the insurance business and practices and the Company's financial statements.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Board Orientation and Training (cont'd.)

36. The Board Nominations and Remuneration Committee ensures there is a 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, where relevant. The Company has dedicated sufficient resources towards the on-going development of its directors and also maintains formal records of the training and development received by its Directors.

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

    - Blockchain in Financial Services by BNM
    - Board Educational Series: Workshop on Risk Culture by Ernst & Young, Singapore
    - Board Educational Series: Update on Anti Money Laundering; Risk Culture Report by Ernst & Young; and Directors' & Officers' Liability Insurance by Jardine Lloyd Thompson
    - Board Educational Series: Digital Transformation Strategy for Great Eastern Group; and Reinsurance as Capital Management by Munich RE
    - Board Educational Series: Preparing for SST- Managing the Transition
    - Credit Risk Management – Banking Sector
    - Win the innovation race: Unlocking the creative power of Asians

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Board Performance

38. 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 2018 Board Evaluation questionnaire focused on areas such as competency and independence, information quality and timeliness, conduct of meetings, corporate social responsibility, managing performance, succession planning, Directors development, internal controls and risk management as well as Board Committees. An external consultant is engaged to facilitate the process, provide industry benchmarks and maintain confidentiality of results.

39. 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. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board.

40. 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.

Conflicts of Interest

41. The Company has implemented a Directors' Conflict of Interest ("COI") Guide which sets out the procedures to address actual and potential conflicts of interest of the Directors. The COI Guide serves to safeguard against the risk that a Director's decision may be unduly influenced by other secondary interests, instead of the interests of the Company. Pursuant to the COI Guide, the Directors of the Company shall disclose to the Board the nature and extent of such Director's interest whether directly or indirectly, in a material transaction or material arrangement with the Company.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Appointment and Performance of Senior Officers

42. 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 Officers of the Company.

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

44. Further, the Board Nominations and Remuneration Committee is 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

45. 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 Officers.

46. It is also responsible to recommend to the Board, Policy on Remuneration for Directors, CEO and Senior Officers; 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

47. The non-executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at meetings 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.

48. 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.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Remuneration of Non-Executive Directors (cont'd.)

49. 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 FY2018 as that used in the previous financial year (in the table set out below):

		Annual Retainer
Board	Chairman Member	RM32,000 RM16,000
Board Committees	Chairman: • Board Audit Committee • Board Risk Management Committee	RM18,000
	Member: • Board Audit Committee • Board Risk Management Committee	RM9,000
	Chairman: • Board Nominations and Remuneration Committee	RM11,250
	Member: • Board Nominations and Remuneration Committee	RM6,750
Attendance fees per Board or Board Committee meeting		RM1,400

Attendance fees are paid to non-executive Directors to recognise their contributions and time spent in attending meetings.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Disclosure of Directors' and CEO Remuneration

50. The total Directors' Remuneration from the Company in respect of FY2018 is shown under Note 23 in the Company's Financial Statements. Fees for Non-Executive Directors totaling RM432,850 in respect of FY2018 will be approved at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2018 are disclosed under Note 23 in the Company's Financial Statements.

Remuneration Policy in respect of Senior Officers and Other Material Risk Takers of the Company

51. 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.

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

53. Staff engaged in all control functions i.e. Actuarial 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.

54. Besides the Senior Officers, the Company has identified another key segment of officers; i.e. Other Material Risk Takers. Other Material Risk Takers 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 no identified Other Material Risk Takers for FY2018.

55. 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 compensation (refers to cash, deferred shares and share options), which are generally paid/awarded once a year. All deferred components will be in the form of deferred shares from the 2019 grants onward. Senior Officers are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Remuneration Policy in respect of Senior Officers and Other Material Risk Takers of the Company (cont'd.)

56. In such annual remuneration reviews, the Board Nominations and Remuneration Committee takes into consideration factors such as market competitiveness and market 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 fully paid over short periods when risks are realised over longer periods.

57. The Board Nominations and Remuneration Committee reviews the annual budget for salary increment, performance-related variable compensation, 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.

58. 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.

59. Senior Officers and Other Material Risk Takers through annual self-declaration commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

60. In collaboration with the Board Nominations and Remuneration Committee, the Company has designed and developed its Performance Assessment and Remuneration Framework, which takes into consideration the prevailing regulatory requirements, and with the input from the Senior Officers. The Performance Assessment and Remuneration Framework 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 Performance Assessment and Remuneration Framework affects the Company's risk profile.

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

62. The Company does not have any share option scheme or share plan in place. Instead, the Company's ultimate holding company, OCBC Bank, awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Company. There are current malus provisions in the OCBC Deferred Share Plan where the Group Remuneration Committee has the discretion to cancel all or part of the unvested deferred share.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Remuneration Policy in respect of Senior Officers and Other Material Risk Takers of the Company (cont'd.)

63. A significant proportion of the Senior Officers' and Other Material Risk Takers' 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 Senior Officers and Other Material Risk Takers is subject to claw back by the Company. If, at any time before the date (the Cut-Off Date) falling 6 years after the date of payment of the cash bonus, the Company determines, in its absolute discretion, that any events set out in the OCBC Deferred Share Plan occurs, the Company has the discretion to elect to claw back part or all of the amount of the cash bonus paid to the Senior Officers and Other Material Risk Takers. Details of the remuneration granted to the eligible executives are disclosed in table below.

64. Total value of remuneration awards for FY2018 are as follows:

	Unrestricted		Deferred	
	No. of pax	RM	No. of pax	Units
Fixed remuneration				
- Cash-based	7	2,607,823	-	-
- Other	1	24,600	-	-
Variable remuneration				
- Cash-based	6	797,660	-	-
- Share and share-linked instruments	6	263,392	6	8,425 units (Deferred Share, Share Option and Employee Share Purchase)
- Other*	7	574,185	-	-

*Include Senior Officers.

ACCESS TO INFORMATION

65. 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. For matters requiring 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 Officers who are responsible to provide additional information and insight or provide clarifications to queries raised are usually present at the meeting for discussion on such matters. 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.

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

67. The Company Secretary attends all Board meetings, prepares minutes of Board proceedings, and assists the Chairman to ensure that appropriate Board procedures and applicable regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and Board Committees and between Senior Officers 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.

68. The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively. Similarly, the Board and Board Committees may obtain the professional advice, whenever necessary and appropriate, so as to effectively discharge their roles and responsibilities.

BOARD AUDIT COMMITTEE

69. The CG PD requires the Board Audit Committee to have at least three non-executive directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.

70. For FY2018, the Board Audit Committee comprised the following Directors:

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

BOARD AUDIT COMMITTEE (CONT'D.)

71. The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2018 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 Officers;

        (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 outsourced internal audit function of the Company.

BOARD AUDIT COMMITTEE (CONT'D.)

(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 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.

(h) Reviewed and updated the Board on all related-party transactions, as well as reviewed the write-off of material and special related-party transactions and recommended to the Board for approval.

(i) Monitored compliance with the Directors' Conflict of Interest Guide.

72. The Board Audit Committee held a total of seven meetings in 2018, and its members' attendance at these meetings is disclosed herein. The Board Audit Committee meetings were attended by the internal and external auditors (when required), the Group CEO, Group Chief Financial Officer, Group Chief Internal Auditor and certain members of the Senior Officers.

73. 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.

74. The Board Audit Committee has explicit authority to investigate any matters within its terms of reference, has full co-operation of and access to Management, and has resources to enable it to discharge its functions properly. The Board Audit Committee has full discretion to invite any Director or Senior Officer to attend its meetings.

75. 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.

INTERNAL AUDIT

76. The Company utilises the outsourced services of the Internal Audit Department of Great Eastern Life Assurance (Malaysia) Berhad ("GELM"), which assists the Board Audit Committee in discharging its duties and responsibilities. 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.

77. 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.

BOARD RISK MANAGEMENT COMMITTEE

78. The CG PD requires the Board Risk Management Committee to have at least three non-executive directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.

79. For FY2018, the Board Risk Management Committee comprised the following Directors:

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

80. 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.

BOARD RISK MANAGEMENT COMMITTEE (CONT'D.)

81. 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.

82. The Company engages the services of the Risk Management and Compliance Department of GELM in discharging its duties and responsibilities, which are adequately resourced with experienced and qualified employees who are sufficiently independent to perform their duties objectively. They regularly engage Senior Officers to develop enterprise-wide risk controls and risk mitigation procedures. The Board Risk Management Committee reviews the performance of the outsourced services and its servicing fees.

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

84. The Board Risk Management Committee held a total of five meetings in 2018.

85. The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 32 to the Financial Statements.

INTERNAL CONTROL FRAMEWORK

86. 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.

87. 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, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

88. 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

89. 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.

90. The authority delegated by the Board to the Board Committees and the CEO are formalized 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.

91. 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.

INTERNAL CONTROL FRAMEWORK (CONT'D.)

Frameworks, Policies and Procedures

92. 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.

93. 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

94. 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 formalize their application within the Company.

Self-assessment Process

95. 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 Officers, 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. Annually, an Own Risk and Solvency Assessment report is submitted to the Board Risk Management Committee to apprise them of 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 FY2018, this self-assessment process was further supplemented by an assurance report on risk management and internal controls.

INTERNAL CONTROL FRAMEWORK (CONT'D.)

Monitoring and Reporting

96. 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.

97. 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.

98. 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.

RELATED PARTY TRANSACTIONS

99. 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, monitoring whenever necessary, and writing off 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 and managing related party transactions. Material and/or special related party transactions and the write-off of material and/or special 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 FY2018 are set out in Note 30 of the Notes to the Financial Statements.

ETHICAL STANDARDS

100. The Directors and Management are committed to promoting and maintaining values which emphasise integrity, honesty and proper conduct at all times in the business operations and dealings of the Company. The Company has adopted a Code of Conduct which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of conduct and professional integrity. The Code of Conduct also provides guidance on areas such as responsible stewardship of the Company's resources, the Company's position against fraudulent conduct, conflicts of interests and the appropriate disclosures to be made, and maintaining confidentiality of information. The Code of Conduct is available on the Company's StaffNet.

101. The Company has a suite of policies in place for proper governance and management that staff have to comply with. All policies are prepared in accordance with the Company's risk management and internal control systems and processes, including Management self-assessment and independent audits.

102. The Company treats feedback and complaints from its customers seriously, and has instituted channels whereby customers may provide feedback or complaints. The Company aims to resolve feedback and complaints professionally and fairly in accordance with the service standards indicated on its website.

STATEMENT BY DIRECTORS

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Datuk Kamaruddin bin Taib and Dato' Yeoh Beow Tit, being two of the Directors of Great Eastern General Insurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 50 to 162 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 2018 and of its financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26th March 2019.

Datuk Kamaruddin bin Taib

Dato' Yeoh Beow Tit

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Khoo Sook Hooi, being the officer primarily responsible for the financial management of Great Eastern General Insurance (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 50 to 162 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 Khoo Sook Hooi at
Kuala Lumpur in the Federal Territory
on 26th March 2019

Before me,

PESURUHJAYA SUMPAH
No. W 710
MOHAN A.S. MANIAM
1.1.2019 hingga
31.12.2021
MALAYSIA

Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur

Khoo Sook Hooi

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

Report on the financial statements

Opinion

We have audited the financial statements of Great Eastern General Insurance (Malaysia) Berhad, which comprise the balance sheet as at 31 December 2018, and the income statement and statement of comprehensive income, the statement of changes in equity and the 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 50 to 162.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 and annual report, but does not include the financial statements of the Company and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD (CONT'D.) (INCORPORATED IN MALAYSIA)

Information other than the financial statements and auditors' report thereon (cont'd.)

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, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)**

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

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 of the Company 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD (CONT'D.) (INCORPORATED IN MALAYSIA)

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Dato' Megat Iskandar Shah Bin Mohamad Nor
No. 03083/07/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
26 March 2019

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
Assets			
Goodwill	3	18,182,598	18,182,598
Property and equipment	4	18,766,635	19,350,326
Investments	5	691,273,922	662,076,879
Reinsurance assets	6	191,886,705	226,909,865
Insurance receivables	7	82,181,969	73,321,937
Other receivables	8	70,316,641	70,486,903
Deferred tax assets	13	126,303	-
Asset held for sale	9	-	11,692,000
Cash and bank balances		16,530,200	18,557,881
Total Assets		1,089,264,973	1,100,578,389
Equity			
Share capital	10	100,000,000	100,000,000
Retained earnings	11	325,336,414	313,114,781
Fair value reserves		965,601	6,042,600
Total Equity		426,302,015	419,157,381
Liabilities			
Insurance contract liabilities	12	554,005,143	569,517,770
Deferred tax liabilities	13	-	1,680,748
Deposits from reinsurers	14	1,071,180	2,011,301
Insurance payables	15	59,701,784	58,930,399
Provision for taxation		6,922,697	8,342,450
Other payables	16	41,262,154	40,938,340
Total Liabilities		662,962,958	681,421,008
Total Equity and Liabilities		**1,089,264,973**	**1,100,578,389**

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

INCOME STATEMENT

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
Gross earned premiums	*17(a)*	483,119,522	445,168,015
Premiums ceded to reinsurers	*17(b)*	(136,341,991)	(152,925,236)
Net Earned Premiums		346,777,531	292,242,779
Investment income	*18*	29,972,032	28,156,507
Realised gains	*19*	7,943,304	10,381,744
Fair value gains	*20*	430,273	234,063
Changes in allowance for ECL on investment assets		1,405,355	-
Fee and commission income		30,492,194	30,155,330
Other operating revenue	*21*	10,261,899	5,760,512
Other Revenue		80,505,057	74,688,156
Gross claims paid	*22(a)*	(263,473,685)	(265,419,588)
Claims ceded to reinsurers	*22(b)*	82,302,937	106,151,431
Gross change in contract liabilities	*22(c)*	31,002,508	22,219,590
Change in contract liabilities ceded to reinsurers	*22(d)*	(38,325,601)	(10,622,065)
Net Claims		(188,493,841)	(147,670,632)
Fee and commission expense		(70,362,829)	(66,661,331)
Management expenses	*23*	(114,883,339)	(92,106,168)
Other Expenses		(185,246,168)	(158,767,499)
Profit Before Taxation		**53,542,579**	**60,492,804**
Taxation	*24*	(10,058,138)	(14,780,462)
Net Profit For The Year		**43,484,441**	**45,712,342**
Earnings Per Share (sen)			
Basic and diluted	*25*	43.48	45.71

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
Net Profit For The Year		**43,484,441**	**45,712,342**
Other Comprehensive Income:			
Items that may be reclassified to income statement in subsequent periods:			
Fair value through other comprehensive income/ available-for-sale fair value reserves:			
Net (losses)/gains on fair value changes	*5(d)*	(3,407,014)	11,559,985
Realised gains transferred to income statement	*5(d)*	(3,497,057)	(10,386,282)
Reclassification from FVOCI reserves to retained earnings arising from realised gains on disposal of FVOCI equities	*5(d)*	(147,633)	-
Changes in allowance for ECL		(1,408,935)	-
		(8,460,639)	1,173,703
Tax effect	*13*	2,030,553	(281,690)
		(6,430,086)	892,013
Total Comprehensive Income For The Year		**37,054,355**	**46,604,355**

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

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Non-distributable		Distributable	
	Share capital RM	AFS/ FVOCI reserves RM	Retained earnings RM	Total equity RM
At 1 January 2017	100,000,000	5,150,587	297,402,439	402,553,026
Total comprehensive income for the year	-	892,013	45,712,342	46,604,355
Dividend paid during the year (Note 26)	-	-	(30,000,000)	(30,000,000)
At 31 December 2017	100,000,000	6,042,600	313,114,781	419,157,381
Impact of adopting MFRS 9 (Note 2.3)	-	1,353,087	(1,375,009)	(21,922)
Restated opening balance under MFRS 9	100,000,000	7,395,687	311,739,772	419,135,459
Total comprehensive income for the year	-	(6,317,885)	43,484,441	37,166,556
Reclassification from FVOCI reserves to retained earnings arising from realised gains on disposal of FVOCI equities	-	(112,201)	112,201	-
Dividend paid during the year (Note 26)	-	-	(30,000,000)	(30,000,000)
At 31 December 2018	**100,000,000**	**965,601**	**325,336,414**	**426,302,015**

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
Operating Activities			
Cash (used in)/generated from operating activities	27	(52,773,100)	73,780,374
Dividend income received		3,585,162	1,597,396
Interest income received		26,090,790	28,226,968
Income tax paid		(11,282,897)	(16,550,863)
Net Cash Flows (Used In)/Generated From Operating Activities		(34,380,045)	87,053,875
Investing Activities			
Proceeds from disposal of property and equipment		16,132,936	-
Purchase of equipment	4	(4,030,572)	(9,418,442)
Net Cash Flows Generated From/(Used In) Investing Activities		12,102,364	(9,418,442)
Financing Activity			
Dividend paid, representing			
Net Cash Flows Used In Financing Activity	26	(30,000,000)	(30,000,000)
Net (Decrease)/Increase In Cash And Cash Equivalents		(52,277,681)	47,635,433
Cash And Cash Equivalents At Beginning Of Year		93,007,881	45,372,448
Cash And Cash Equivalents At End Of Year		**40,730,200**	**93,007,881**
Cash And Cash Equivalents Comprise:			
Cash and bank balances		16,530,200	18,557,881
Deposits with licensed financial institutions	5(a)	24,200,000	74,450,000
		40,730,200	**93,007,881**

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

NOTES TO THE FINANCIAL STATEMENTS

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 underwriting of all classes of general insurance business.

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

The immediate holding company is Overseas Assurance Corporation (Holdings) Berhad, which is incorporated in Malaysia. The intermediate holding company is Great Eastern General Insurance Limited, a company incorporated in the Republic of Singapore. The ultimate holding company is OCBC Bank, a public-listed company incorporated in the Republic of Singapore.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 March 2019.

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”), International Financial Reporting Standards (“IFRS”) and the Companies Act, 2016 in Malaysia.

The financial statements of the Company have been prepared under the historical cost convention, unless stated otherwise in the accounting policies. The financial statements are presented in Ringgit Malaysia (“RM”), which is the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies

(a) Property And Equipment And Depreciation

Property and equipment are recorded 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 benefit 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 reduce the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for capital work in progress as it is not ready for active use. The useful life of an asset is as follows:

Category Of Asset	Useful Life
Office Equipment	5 years
Office Furniture And Fittings	10 years
Renovation	3 to 5 years
Computer Equipment	3 years
Software Development	5 years
Project Implementation	3 to 10 years
Motor Vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful lives and depreciation methods 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. Gains and losses on disposal are determined by comparing proceeds with the carrying amounts and are included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets

(i) Initial Recognition And Measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial assets. The Company determines the classification of its financial assets and liabilities at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at fair value through profit or loss are recognised as expense in the income statement.

Classification

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(i) Initial Recognition And Measurement (cont'd.)

Classification **(cont'd.)**

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as measured at FVTPL:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

An equity security that is not held for trading may, by irrevocable election, be designated and measured at FVOCI. This election is made on an investment-by-investment basis. The Company has designated certain equity securities held for strategic purposes as measured at FVOCI.

A financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI may, by irrevocable election, be designated and measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company has designated certain debt securities which are held with the intent to hold to collect contractual cash flows and sell to be measured at FVTPL.

All other financial assets are measured as FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(i) Initial Recognition And Measurement (cont'd.)

Business Model Assessment

The Company assesses the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading, and whose performance is evaluated on a fair value basis, are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is based on reasonably expected scenarios without taking “worst case” or “stress case” scenarios into account. If the cash flows after initial recognition are realised in a way that is different from the Company’s original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(i) Initial Recognition And Measurement (cont'd.)

Assessment Whether Contractual Cash Flows Are Solely Payments Of Principal And Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers the following key aspects:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

(ii) Subsequent measurement

Debt Instruments

Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(ii) Subsequent Measurement (cont'd.)

Debt Instruments (cont'd.)

(a) Amortised Cost

Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Gains or losses are also recognised in the income statement when the assets are derecognised.

(b) FVOCI

Any gains or losses from changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve. Impairment, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognised.

(c) FVTPL

Any gains or losses from changes in fair value and interest are recognised in the income statement.

Equity Instruments

The Company subsequently measures all equity instruments at fair value. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than held for trading. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the income statement, including upon disposal. Equity instruments designated at FVOCI are not subject to impairment assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(ii) Subsequent Measurement (cont'd.)

Equity Instruments (cont'd.)

Changes in the fair value of financial assets at FVTPL are recognised in the income statement.

Dividends, when representing a return from such investments are to be recognised in the income statement when the Company's right to receive payments is established.

(c) Financial Liabilities And Insurance Payables

Financial liabilities and insurance payables within the scope of MFRS 9 *Financial Instrumentsand* MFRS 4 *Insurance Contracts* respectively 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 ("HFT") and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities HFT 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 or losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(c) Financial Liabilities And Insurance Payables (cont'd.)

(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. Gains or losses are recognised in the income statement.

A financial liability is derecognised when the obligation under the liability is extinguished.

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 new liability. The difference in the respective carrying amounts is recognised in the income statement.

(d) Fair Value Measurement

The Company measures certain financial instruments as disclosed in Note 31 at fair value at each balance sheet date.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(d) Fair Value Measurement (cont'd.)

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

At each balance sheet date, Finance 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(d) Fair Value Measurement (cont'd.)

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.

(e) Impairment of assets

(i) 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 its 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 (“CGU”).

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 a 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.

(ii) Impairment Of Financial Assets

The Company recognises loss allowances for expected credit losses (“ECL”) on the following financial instruments that are not measured at FVTPL:

(a) Debt instruments measured at FVOCI; and
(b) Debt instruments measured at amortised cost.

The Company assesses on a forward looking basis the ECL associated with its loans and debt instruments carried at amortised cost and FVOCI. For insurance receivables, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses. The Company recognises a loss allowance for ECL at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Impairment Of Assets (cont'd.)

(ii) Impairment Of Financial Assets (cont'd.)

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL represents the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Modified Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected modification will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected modification will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Impairment Of Assets (cont'd.)

(ii) Impairment Of Financial Assets (cont'd.)

Credit-Impaired Financial Assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company considers factors as evidence that a financial instrument is credit impaired;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

For financial assets that are not credit-impaired at the reporting date: the ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

For financial assets that are credit-impaired at the reporting date: the ECL is the difference between the gross carrying amount and the present value of estimated future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Impairment Of Assets (cont'd.)

(ii) Impairment Of Financial Assets (cont'd.)

Write-Off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(f) Derecognition

A financial asset is derecognised when:

- The contractual right to receive cash flows from the asset has expired; or

- The Company has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement: and either (a) 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 or has entered into a pass through arrangement, it evaluates if, and to what extent it has retained the risk and rewards of ownership. When it 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(f) Derecognition (cont'd.)

On derecognition of a financial asset except for equity securities measured at FVOCI, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) 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 in other comprehensive income is recognised in the income statement.

On derecognition of equity securities measured at FVOCI, any cumulative gain/loss recognised in other comprehensive income is not recognised in income statement.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(g) Offsetting Of Financial Assets And Liabilities

Financial assets and financial liabilities are offset and the net amount reported on 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(h) Business Combination And Goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets and liabilities including contingent liabilities but excluding future restructuring liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets (net fair value of identifiable assets, liabilities and contingent liabilities) acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Company's CGU that are expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative fair values of the operations disposed and the portion of the CGU retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(i) Shareholders' Equity

Shareholders' equity is defined as the residual interest in the assets of an entity after deducting all its liabilities. The following outlines the various types of equity and reserves of the Company.

Ordinary Share Capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Retained Earnings

A portion of the retained earnings has been set aside to meet risk-based capital requirements for regulatory reporting purposes. These reserves are deemed statutory reserves and are not available for distribution to shareholders. These statutory reserves are measured according to the regulatory prescriptions and are subject to changes in line with the underlying risks underwritten.

Fair Value Reserve

Fair value reserve comprises the cumulative net change in fair value of financial assets measured at FVOCI and the related loss allowance recognised in profit or loss until the assets are derecognised, net of tax. Any cumulative gain or loss on disposal (net of tax) for equities measured at FVOCI will be reclassified from fair value reserve to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(j) Product Classification

Insurance contracts are those contracts that transfer significant insurance risk. Insurance contracts are contracts where 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 comparing claims paid with claims payable if the insured event did not occur.

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

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

(k) Reinsurance

The Company cedes insurance risk in the normal course of business for all its businesses. Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(k) Reinsurance (cont'd.)

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment 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 all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

The Company also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

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

(l) General Insurance Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, premium liabilities and claim liabilities.

Gross Premiums

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(l) General Insurance Underwriting Results (cont'd.)

Reinsurance Premiums

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

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for.

Premium Liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.2(n)(ii).

Claim Liabilities

A liability for outstanding claim is recognised in respect of both direct insurance and inward reinsurance.

The amount of claim liabilities is the best estimate of the expenditure required together with related expenses less reinsurance recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the balance sheet date based on actuarial valuation, as described in Note 2.2(n)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(m) 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. Prior to 1 January 2018, 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. After 1 January 2018, a loss allowance is measured at an amount equal to lifetime expected credit losses with the impairment loss recognised in the income statement.

The expected credit loss impairment provisional amounts are recognised in the income statement quarterly. Subsequent increases in the recoverable amount of the insurance receivable are treated as a reversal of the previous expected credit loss impairment amount.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(n) General Insurance Contract Liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the Risk-Based Capital Framework for Insurers (“RBC Framework”) issued by BNM.

General insurance contract liabilities comprise claim liabilities and premium liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(n) General Insurance Contract Liabilities (cont'd.)

(i) Claim Liabilities

Claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain type of claims; therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation as required by the RBC Framework. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The valuation of general insurance contract liabilities at balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. As required by BNM, the provision for adverse deviation is set at 75% level of sufficiency. The valuation methods used include the paid and incurred link ratio methods, the paid and incurred Bornhuetter-Ferguson methods and the expected loss ratio methods.

(ii) Premium Liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") plus the required risk margin for adverse deviation as required by the RBC Framework.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(n) General Insurance Contract Liabilities (cont'd.)

(ii) Premium Liabilities (cont'd.)

(a) UPR

UPR represents the portion of net premiums of insurance policies written, less the related net acquisition costs that remains unearned at the balance sheet date. UPR is computed with reference to the month of accounting for the premium reduced by the percentage of accounted gross direct business commissions to the corresponding premiums but not exceeding such limits as specified by BNM on the following basis:

- 25% method for marine and aviation cargo, and transit business;
- 1/365th method for all other classes of general business in respect of Malaysian policies; and
- Non-annual policies are time apportioned over the period of the risks.

(b) URR

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(o) Other Revenue Recognition (cont'd.)

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.

Commission income derived from reinsurers in the course of cession of premiums to reinsurers are charged to the income statement in the period in which they are incurred.

(p) Income Tax

Income tax on the profit or loss 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.

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 recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(q) 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, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

(r) Employee Benefits

Short-Term Benefits

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

Defined Contribution Plans 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.

Employee Leave Entitlements

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(r) Employee Benefits (cont'd.)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(r) Employee Benefits (cont'd.)

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 a 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.

(s) 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.

(t) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(t) Leases (cont'd.)

(ii) 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 upfront 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 building element of the lease at the inception of the lease. The upfront 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.

(u) Goods And Service Tax (“GST”)/Sales Tax Act 2018 And Service Tax Act 2018 ("SST")

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.

With effect from 1 June 2018 to 31 August 2018, as prescribed by the GST Act 2014, the GST rate has been reduced to zero percent (0%).

With effect from 1 September 2018, SST was introduced to replace the GST Act 2014. The Service Tax Act 2018 stipulated that service tax is charged and levied on any provision of taxable services chargeable by taxable persons in Malaysia.

The amount of Service Tax payable to the tax authority is included as part of the payables in the balance sheet.

(v) Asset Held For Sale

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(w) Related Parties

A related party is defined as follows:

(a) A person or a close member of that person's family who:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel which includes the Directors, Chief Executive Officer and Senior Management Team of the Company or parent of the Company.

(b) An entity is related to the Company where any of the following condition applies:

- (i) the entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) the entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member);
- (iii) both the entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or parent of the entity); or
- (viii) the entity, or any member of a Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Related party transactions are reported in the Company's financial statement in accordance with requirements of MFRS 124 *Related Party Disclosures*, Companies Act 2016 and Financial Services Act 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes In Accounting Policies And Disclosures

New And Amended Standards And IC Interpretations

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

On 1 January 2018, the Company adopted the following amendments to MFRSs mandatory for annual 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*
- 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*

The adoption of the above pronouncement did not have any significant impact on the financial statements of the Company except as discussed below:

Adoption of MFRS 9 *Financial Instruments*

The Company has adopted MFRS 9 *Financial Instruments* effective 1 January 2018. The requirements of MFRS 9 represent a significant change from MFRS 139 *Financial instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes In Accounting Policies And Disclosures (cont'd.)

Adoption of MFRS 9 *Financial Instruments (cont'd.)*

The key changes to the Company's accounting policies resulting from its adoption of MFRS 9 are summarised below.

MFRS 9 requires debt instruments to be classified either at amortised cost, FVOCI or FVTPL. Classification under MFRS 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVTPL is the residual category – financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The gains or losses of debt instruments initially classified as FVOCI are recycled to profit or loss on derecognition.

MFRS 9 requires all equity instruments to be carried at FVTPL, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income, with no recycling of gains or losses in profit or loss on derecognition.

Derivatives and hybrid contracts with financial asset hosts where contractual cash flows are not solely payments of principal and interest, are required to be classified at FVTPL.

Impairment

MFRS 9 requires the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes In Accounting Policies And Disclosures (cont'd.)

Adoption of MFRS 9 *Financial Instruments (cont'd.)*

Transition

The changes in accounting policies have been applied retrospectively and the Company has elected to apply the limited exemption in MFRS 9 and has not restated comparative periods in the year of initial application. The impact arising from MFRS 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018.

The following table shows the material reclassifications arising from adoption of MFRS 9.

in Ringgit Malaysia (RM)	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139	New carrying amount under MFRS 9
Financial Assets				
Cash equivalents	Loans and receivables	**Amortised cost**	93,007,881	**93,007,881**
Other receivables	Loans and receivables	**Amortised cost**	70,523,760	**70,499,124**
Insurance receivables	Loans and receivables	**Amortised cost**	73,321,937	**73,321,937**
Loans	Loans and receivables	**Amortised cost**	21,223,147	**21,218,937**
Equity securities	Available-for-sale	**FVOCI**	2,211,721	**2,211,721**
Debt securities	Available-for-sale	**FVOCI**	436,436,124	**436,436,124**
Debt securities	Available-for-sale	**FVTPL (mandatory)**	51,209,773	**51,209,773**
Other investments	Available-for-sale	**FVTPL (mandatory)**	50,973,742	**50,973,742**
Equity securities	Held-for-trading	**FVTPL (mandatory)**	9,200	**9,200**
Debt securities	Held-for-trading	**FVTPL (mandatory)**	25,563,172	**25,563,172**
Financial Liabilities				
Insurance payables	Amortised cost	**Amortised cost**	58,930,399	**58,930,399**
Other payables	Amortised cost	**Amortised cost**	40,975,197	**40,975,197**

The Company's accounting policies on the classification of financial instruments under MFRS 9 are set out in Note 2.2(b). The application of these policies resulted in the reclassifications set out in the table above and are explained below.

(a) All available-for-sale equity securities have been designated as at FVOCI under MFRS 9 as they are not held-for-trading.

(b) Certain available-for-sale debt securities are held by the Company with the intent to hold to collect contractual flows and sell. At the date of initial application of MFRS 9, the Company elected for the fair value option on these securities as it eliminates or significantly reduces an accounting mismatch. These assets are therefore measured at FVTPL under MFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes In Accounting Policies And Disclosures (cont'd.)

Adoption of MFRS 9 *Financial Instruments (cont'd.)*

The following table reconciles the carrying amounts under MFRS 139 to the carrying amounts under MFRS 9 on transition to MFRS 9 on 1 January 2018.

in Ringgit Malaysia (RM)	MFRS 139 carrying amount as at 31 December 2017	Reclassification	Remeasurement	MFRS 9 carrying amount as at 1 January 2018
<u>**Amortised cost**</u>				
Loans				
Reclassified from loans and receivables	-	21,223,147	-	21,223,147
Allowance for ECL	-	-	(4,210)	(4,210)
	-	**21,223,147**	**(4,210)**	**21,218,937**
Other receivables				
Reclassified from loans and receivables	-	500,000	-	500,000
Allowance for ECL	-	-	(24,636)	(24,636)
	-	**500,000**	**(24,636)**	**475,364**
Total amortised cost	**-**	**21,723,147**	**(28,846)**	**21,694,301**
<u>**FVTPL**</u>				
Equity securities				
As previously reported	-	-	-	-
Reclassified from held-for-trading	-	9,200	-	9,200
As restated	**-**	**9,200**	**-**	**9,200**
Debt securities				
As previously reported	-	-	-	-
Reclassified from held-for-trading	-	25,563,172	-	25,563,172
Reclassified from available-for-sale	-	51,209,773	-	51,209,773
As restated	**-**	**76,772,945**	**-**	**76,772,945**
Other investments				
As previously reported	-	-	-	-
Reclassified from available-for-sale	-	50,973,742	-	50,973,742
As restated	**-**	**50,973,742**	**-**	**50,973,742**
Total FVTPL	**-**	**127,755,887**	**-**	**127,755,887**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes In Accounting Policies And Disclosures (cont'd.)

Adoption of MFRS 9 *Financial Instruments (cont'd.)*

in Ringgit Malaysia (RM)	MFRS 139 carrying amount as at 31 December 2017	Reclassification	Remeasurement	MFRS 9 carrying amount as at 1 January 2018
FVOCI				
Equity securities				
As previously reported	-	-	-	-
Reclassified from available-for-sale	-	2,211,721	-	2,211,721
As restated	**-**	**2,211,721**	**-**	**2,211,721**
Debt securities				
As previously reported	-	-	-	-
Reclassified from available-for-sale	-	436,436,124	-	436,436,124
As restated	**-**	**436,436,124**	**-**	**436,436,124**
Total FVOCI	**-**	**438,647,845**	**-**	**438,647,845**
Available-for-sale				
As previously reported	540,831,360	-	-	540,831,360
Reclassified to FVTPL	-	(102,183,515)	-	(102,183,515)
Reclassified to FVOCI	-	(438,647,845)	-	(438,647,845)
Total available-for-sale	**540,831,360**	**(540,831,360)**	**-**	**-**
Held-for-trading				
As previously reported	25,572,372	-	-	25,572,372
Reclassified to FVTPL	-	(25,572,372)	-	(25,572,372)
Total held-for-trading	**25,572,372**	**(25,572,372)**	**-**	**-**
Loans and receivables				
Loans				
As previously reported	21,223,147	-	-	21,223,147
Reclassified to amortised cost	-	(21,223,147)	-	(21,223,147)
	21,223,147	**(21,223,147)**	**-**	**-**
Other receivables				
As previously reported	500,000	-	-	500,000
Reclassified to amortised cost	-	(500,000)	-	(500,000)
	500,000	**(500,000)**	**-**	**-**
Total loan and receivables	**21,723,147**	**(21,723,147)**	**-**	**-**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes In Accounting Policies And Disclosures (cont'd.)

Adoption of MFRS 9 *Financial Instruments (cont'd.)*

The following table analyses the impact, net of tax, of transition to MFRS 9 on deferred tax, fair value reserves and retained earnings. There is no impact on other components of equity.

	RM
Deferred Tax	
Closing balance as at 31 December 2017 before adoption of MFRS 9	1,680,748
Tax impact on recognition of expected credit losses under MFRS 9 for loans and other receivables	(6,924)
Opening balance under MFRS 9 as at 1 January 2018	**1,673,824**
Fair Value Reserve	
Closing balance as at 31 December 2017 before adoption of MFRS 9	6,042,600
Reversal of impairment of equity	(29,497)
Reclassification of investments from available-for-sale to FVTPL	(1,247,998)
Recognition of expected credit losses under MFRS 9	2,630,582
Opening balance under MFRS 9 as at 1 January 2018	**7,395,687**
Retained Earnings	
Closing balance as at 31 December 2017 before adoption of MFRS 9	313,114,781
Reversal of impairment of equity	29,497
Reclassification of investments from available-for-sale to FVTPL	1,247,998
Recognition of expected credit losses under MFRS 9	(3,490,139)
Related tax impact	837,635
Opening balance under MFRS 9 as at 1 January 2018	**311,739,772**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes In Accounting Policies And Disclosures (cont'd.)

Adoption of MFRS 9 *Financial Instruments (cont'd.)*

The following table reconciles the closing impairment allowance for financial assets in accordance with MFRS 139 as at 31 December 2017 to the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

in Ringgit Malaysia (RM)	MFRS 139 impairment allowance as at 31 December 2017	Remeasurement	MFRS 9 impairment allowance as at 1 January 2018
Loans under MFRS 139/ financial assets at amortised cost under MFRS 9	-	(4,210)	(4,210)
Related tax impact	-	1,010	1,010
	-	**(3,200)**	**(3,200)**
Available-for-sale debt securities under MFRS 139/ debt instruments at FVOCI under MFRS 9	-	(3,461,293)	(3,461,293)
Related tax impact	-	830,711	830,711
	-	**(2,630,582)**	**(2,630,582)**
Other receivables under MFRS 139/financial assets at amortised cost under MFRS 9	-	(24,636)	(24,636)
Related tax impact	-	5,914	5,914
	-	**(18,722)**	**(18,722)**
Total	**-**	**(2,652,504)**	**(2,652,504)**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective

As at the date of authorisation of these financial statements, the following Standards, IC Interpretations and Amendments to Standards and improvements to published standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Company.

Effective for the 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)*
- 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 the financial periods beginning on or after 1 January 2020

- Amendments to MFRS 3 *Business Combinations*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Effective for the 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*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective (cont'd.)

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 16 *Leases*

MFRS 16 requires lessees to recognise most leases on the balance sheet to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, and the Company will apply the standard from its mandatory adoption date. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expense).

As at 31 December 2018, the Company has non-cancellable operating lease commitments of RM4,635,159 (Note 29). Of these commitments, approximately RM1,707,900 relate to short-term leases and RM139,471 to low-value leases which will both be recognised on a straight-line basis as expense in the Profit and Loss Statement. For the remaining lease commitments the Company expects to recognise right-of-use assets of approximately RM3,094,627.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective (cont'd.)

MFRS 16 *Leases (cont'd.)*

The Company expects that net profit after tax will decrease by approximately RM195,418 for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately RM1,661,305 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

MFRS 17 *Insurance Contracts*

In August 2017, MFRS 17 was issued, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces MFRS 4.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021. The Company plans to adopt the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with the Company's financial statements' presentation and disclosures.

2.5 Significant Accounting Judgements, Estimates And Assumptions

(a) Critical Judgements Made In Applying Accounting Policies

In the preparation of the Company's financial statements, management makes estimates, assumptions and judgements that affect the reported amounts of revenues, expenses, assets and liabilities at reporting date. Estimates, assumptions and judgements are continually evaluated and based on internal studies of actual historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Judgements, Estimates And Assumptions (cont'd.)

(a) Critical Judgements Made In Applying Accounting Policies (cont'd.)

(i) Impairment Of Financial Assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(ii) Impairment Of Reinsurance Assets

The Company reviews the reinsurance assets at each quarter balance sheet date or more frequently when an indication of impairment arises during the financial period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of reinsurance assets that the Company may not receive part or all outstanding amounts due under the terms of the contract.

(b) Key Sources Of Estimation Uncertainty And Assumptions

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 General Insurance Contract Liabilities

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include premium and claim liabilities. Premium liabilities are recorded as the higher of UPR or URR at a 75% level of sufficiency while claim liabilities mainly comprise the provision for outstanding claims notified and outstanding claims incurred but not reported.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Judgements, Estimates And Assumptions (cont'd.)

(b) Key Sources Of Estimation Uncertainty And Assumptions (cont'd.)

(i) Valuation Of General Insurance Contract Liabilities (cont'd.)

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

Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, the estimates of premium and claim liabilities are re-assessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the actuary is approved by BNM.

(ii) Pipeline Premium

The estimation of pipeline premiums made by management is based on average actual pipeline premium booked in for the past three (3) years. As estimations are inherently uncertain, actual premium may differ from the estimated premiums.

(iii) Impairment Of Goodwill

The Company assesses goodwill annually to determine if any impairment exists by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment. The assumptions applied to estimate the value-in-use computations are as described in Note 3 to the financial statements.

3. GOODWILL

	2018 RM	2017 RM
At beginning/end of year	18,182,598	18,182,598

The goodwill above arose from the acquisition of certain assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad ("Tahan") (now known as IUB Greengold Berhad) on 1 January 2011.

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

Goodwill is allocated to the Company's business as a whole, which is defined as a single CGU.

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

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

(i) The expected growth rate of the Company is on the average of 7.1% per annum (2017: 8.6%);

(ii) The discount rate applied is the internal weighted average cost of capital of the Company at the time of the assessment, which is estimated to be 7.0% per annum (2017: 8.3%), pre-tax discount rate of 7.7% per annum (2017: 9.3%); and

(iii) Terminal value cash flow growth rate of 5.0% (2017: 5.4%), which is consistent with the Gross Domestic Product rate.

The management of the Company believes that reasonably possible changes in any of the above key assumptions would not cause the carrying value of the CGU to exceed its recoverable amount. Accordingly, there is no evidence of impairment of goodwill as at the financial year-end.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

	Freehold land RM	Buildings - Owner occupied properties RM	Office equipment, renovation, furniture & fittings RM	Motor vehicles RM	Computer equipment RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2017	9,800,000	2,200,000	8,188,477	540,064	20,124,767	7,331,797	48,185,105
Additions	-	-	215,842	-	408,162	8,794,438	9,418,442
Reclassified to asset held for sale (Note 9)	(9,800,000)	(2,200,000)	-	-	-	-	(12,000,000)
Reclassification	-	-	2,271,527	-	2,365,430	(4,636,957)	-
Write-off	-	-	(115,441)	-	(26,485)	-	(141,926)
At 31 December 2017	-	-	10,560,405	540,064	22,871,874	11,489,278	45,461,621
Additions	-	-	109,969	-	181,930	3,738,673	4,030,572
Reclassification	-	-	770,374	-	5,469,808	(6,240,182)	-
Write-off	-	-	(5,679,270)	(114,850)	(9,654,073)	-	(15,448,193)
At 31 December 2018	-	-	5,761,478	425,214	18,869,539	8,987,769	34,044,000
Accumulated Depreciation							
At 1 January 2017	-	264,000	6,139,651	389,217	15,033,390	-	21,826,258
Depreciation charge for year (Note 23)	-	44,000	833,499	85,043	3,759,938	-	4,722,480
Reclassified to asset held for sale (Note 9)	-	(308,000)	-	-	-	-	(308,000)
Write-off	-	-	(103,348)	-	(26,095)	-	(129,443)
At 31 December 2017	-	-	6,869,802	474,260	18,767,233	-	26,111,295
Depreciation charge for year (Note 23)	-	-	1,017,207	65,800	3,054,693	-	4,137,700
Write-off	-	-	(5,207,750)	(114,848)	(9,649,032)	-	(14,971,630)
At 31 December 2018	-	-	2,679,259	425,212	12,172,894	-	15,277,365
Net Carrying Amount							
At 31 December 2017	-	-	3,690,603	65,804	4,104,641	11,489,278	19,350,326
At 31 December 2018	-	-	3,082,219	2	6,696,645	8,987,769	18,766,635

Included in the cost of property and equipment of the Company are the costs of fully depreciated assets which are still in use amounting to RM10,374,569 (2017: RM13,920,075).

5. INVESTMENTS

	2018 RM	2017 RM
Malaysian government securities	71,662,590	38,277,600
Debt securities	493,616,217	474,931,469
Equity securities	27,486,504	2,220,921
Collective investment schemes	53,240,420	50,973,742
Loans	21,068,191	21,223,147
Deposits with financial institutions	24,200,000	74,450,000
	691,273,922	**662,076,879**

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

	2018 RM	2017 RM
Financial assets at amortised cost (2017: LAR)	45,268,191	95,673,147
Financial assets at FVOCI (2017: AFS)	510,242,108	540,831,360
Financial assets at FVTPL	135,763,623	25,572,372
	691,273,922	**662,076,879**

The following investments mature after 12 months:

	2018 RM	2017 RM
Financial assets at amortised cost (2017: LAR)	21,032,723	21,096,978
Financial assets at FVOCI (2017: AFS)	453,702,613	525,861,960
Financial assets at FVTPL	135,763,623	25,563,172
	610,498,959	**572,522,110**

Included in financial assets measured at FVOCI (2017: AFS) are quoted equity securities and collective investment schemes of RM27,478,504 (2017: RM2,211,721) and RM53,240,420 (2017: RM50,973,742) respectively with no maturity date.

5. INVESTMENTS (CONT'D.)

(a) Financial Assets Measured At Amortised Cost (2017: LAR)

	2018 RM	2017 RM
Deposits with licensed financial institutions	24,200,000	74,450,000
Mortgage loans	78,749	144,708
Secured loans	20,013,110	20,022,508
Vehicle loans	981,839	1,055,931
	45,273,698	95,673,147
Allowance for ECL	(5,507)	-
	45,268,191	**95,673,147**

The carrying value of fixed and call deposits approximate their fair values due to the relatively short term maturities.

The carrying value of the mortgage loans, secured loans and vehicle loans are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) Financial Assets Measured At FVOCI (2017: AFS)

	2018 RM	2017 RM
Malaysian government securities	71,662,590	38,277,600
Unquoted debt securities in Malaysia	411,101,014	449,368,297
Quoted equity securities in Malaysia	27,478,504	2,211,721
Collective investment schemes	-	50,973,742
	510,242,108	**540,831,360**

Allowance for ECL has been provided for Malaysian government securities and unquoted debt securities measured at FVOCI amount to RM2,052,359 (2017: nil). The movement of allowance for ECL is detailed in Note 32 (vi).

Quoted equities securities measured at FVOCI are not subject to impairment assessment. For year 2017, impairment losses on quoted equities securities measured at AFS was RM388,285.

5. INVESTMENTS (CONT'D.)

(c) Financial Assets Measured At FVTPL

	2018 RM	2017 RM
Unquoted debt securities in Malaysia	82,515,203	25,563,172
Quoted equity securities in Malaysia	8,000	9,200
Collective investment scheme	53,240,420	-
	135,763,623	**25,572,372**

Financial assets measured at FVTPL primarily comprise perpetual debt securities, collective investment schemes ("CIS"), redeemable convertible preference shares ("RCPS") and structured deposits. In accordance with MFRS 9, these have been designated as FVTPL upon initial recognition.

(d) Carrying Values Of Investments

	LAR RM	AFS RM	FVTPL RM	Total RM
At 1 January 2017	**48,410,839**	**556,888,598**	**25,066,206**	**630,365,643**
Purchases (Note 27)	4,113,854,000	687,030,108	59,400	4,800,943,508
Maturities/disposals	(4,066,582,845)	(704,065,717)	(58,370)	(4,770,706,932)
Fair value gains recorded in other comprehensive income	-	1,173,703	-	1,173,703
Fair value gains recorded in income statement	-	-	505,136	505,136
Impairment losses on investments	-	(388,285)	-	(388,285)
(Amortisation)/accretion adjustments	(8,847)	192,953	-	184,106
At 31 December 2017	**95,673,147**	**540,831,360**	**25,572,372**	**662,076,879**
At 1 January 2018	**95,673,147**	**540,831,360**	**25,572,372**	**662,076,879**
Impact of adopting MFRS 9	(4,210)	(102,183,515)	102,183,515	(4,210)
Restated opening balance under MFRS 9	95,668,937	438,647,845	127,755,887	662,072,669
Purchases (Note 27)	3,236,316,900	506,432,754	9,077,463	3,751,827,117
Maturities/disposals	(3,286,721,030)	(427,710,833)	(1,500,000)	(3,715,931,863)
Fair value losses recorded in other comprehensive income	-	(7,051,704)	-	(7,051,704)
Fair value gains recorded in income statement	-	-	430,273	430,273
Provision for ECL	(2,349)	-	-	(2,349)
Accretion/(amortisation) adjustments	5,733	(75,954)	-	(70,221)
At 31 December 2018	**45,268,191**	**510,242,108**	**135,763,623**	**691,273,922**

6. REINSURANCE ASSETS

	2018 RM	2017 RM
Reinsurers' share of claim liabilities	142,306,111	181,002,230
Accumulated impairment losses	(170,929)	(541,447)
Reinsurers' share of claim liabilities (Note 12)	142,135,182	180,460,783
Reinsurers' share of premium liabilities (Note 12)	49,751,523	46,449,082
	191,886,705	**226,909,865**

Movement Of Accumulated Impairment Losses Account:

	Individually Impaired	
	2018 RM	2017 RM
At beginning of year	**541,447**	**698,334**
Reversal of impairment losses	(370,518)	(156,887)
At end of year	**170,929**	**541,447**

During the year, the Company recognised reversal of impairment losses of RM370,518 in respect of reinsurance assets pertaining to a reinsurer which had been fully impaired in the previous year due to deteriorating financial performance and credit rating. The reversal of impairment losses during the current year was due to the settlement of claims and the closure of time-barred losses, resulting in the reversal of reserves provided earlier.

7. INSURANCE RECEIVABLES

	2018 RM	2017 RM
Due premiums including agents/brokers, co-insurers and insured balances	75,748,878	66,615,876
Due from reinsurers and cedants	10,248,486	23,270,031
	85,997,364	89,885,907
Allowance for ECL (2017: Accumulated impairment losses)	(3,815,395)	(16,563,970)
	82,181,969	**73,321,937**

Insurance receivables that do not meet the offsetting criteria as at 31 December 2018 amount to RM25,899,307 (2017: RM17,199,110).

7. INSURANCE RECEIVABLES (CONT'D.)

The Company's insurance receivables have been offset against payables are as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
2018			
Premiums	74,145,000	(10,497,807)	63,647,193
Commissions	685,236	(12,181,343)	(11,496,107)
Claims	7,968,820	(21,849)	7,946,971
	82,799,056	**(22,700,999)**	**60,098,057**
2017			
Premiums	80,996,635	(6,311,708)	74,684,927
Commissions	1,073,157	(10,323,031)	(9,249,874)
Claims	7,375,121	(123,377)	7,251,744
	89,444,913	**(16,758,116)**	**72,686,797**

Movement in the allowance for ECL (2017: impairment losses) of insurance receivables:

	Collective RM	Specific RM	Total RM
2017			
At beginning of year	13,477,563	2,591,213	16,068,776
Provision for impairment losses (Note 23)	481,758	13,436	495,194
At end of year	**13,959,321**	**2,604,649**	**16,563,970**
2018			**RM**
At beginning of year			16,563,970
Write off			(13,010,459)
Increase in provision for ECL			261,884
At end of year			**3,815,395**

8. OTHER RECEIVABLES

	2018 RM	2017 RM
Income due and accrued	7,410,074	5,791,528
Assets held under the Malaysian Motor Insurance Pool ("MMIP") (Note 32(v))*	54,278,332	56,970,281
Collateral fixed deposits	4,522,814	4,472,779
Deposits and prepayments	1,286,234	1,616,469
Due from Tahan	-	6,721,890
Goods and services tax	2,122,057	-
MII bond	500,000	500,000
Other receivables	224,047	1,135,846
	70,343,558	77,208,793
Allowance for ECL (2017: Accumulated impairment losses)	(26,917)	(6,721,890)
	70,316,641	**70,486,903**

The carrying amounts of other receivables (not including assets held under the MMIP) approximate fair values due to the relatively short-term maturity of these balances.

* As a participating member of MMIP, the Company shares a proportion of the Pool's assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The assets held under the MMIP represents the Company's share of the Pool's assets, before insurance contract liabilities and other liabilities. The Company's share of the Pool's insurance contract liabilities, other liabilities and net exposure arising from its participation in the Pool is disclosed in Notes 12, 16 and 32(v) respectively.

Assets held under the MMIP includes cash contribution of RM21,849,491 (2017: RM25,359,477) made to MMIP. The accumulated cash contributions were made in respect of the Company's share of MMIP's accumulated losses up to 31 December 2014.

9. ASSET HELD FOR SALE

	2018 RM	2017 RM
At beginning of year	**11,692,000**	**-**
Reclassified from property and equipment (Note 4)	-	11,692,000
Disposal	(11,692,000)	-
At end of year	**-**	**11,692,000**

On 27 April 2018, the Company has completed the disposal of the property which was previously classified as a self-occupied property at a gain of RM4,440,936 as disclosed in Note 19.

10. SHARE CAPITAL

	2018		2017	
	No. of Shares	RM	No. of Shares	RM
Issued and Paid-up:				
Ordinary shares				
At beginning and end of year	**100,000,000**	**100,000,000**	**100,000,000**	**100,000,000**

The shares issued by the Company do not have par value.

11. RETAINED EARNINGS

The Company may distribute dividends out of its retained earnings as at 31 December 2018 and 31 December 2017 under the single tier system.

12. INSURANCE CONTRACT LIABILITIES

	2018			2017		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	314,222,500	(133,032,338)	181,190,162	356,467,259	(173,919,262)	182,547,997
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	30,045,768	(9,102,844)	20,942,924	18,803,517	(6,541,521)	12,261,996
Claim liabilities (i)	344,268,268	(142,135,182)	202,133,086	375,270,776	(180,460,783)	194,809,993
Premium liabilities (ii)	209,736,875	(49,751,523)	159,985,352	194,246,994	(46,449,082)	147,797,912
	554,005,143	**(191,886,705)**	**362,118,438**	**569,517,770**	**(226,909,865)**	**342,607,905**

(i) Claim Liabilities

	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
At beginning of year	**375,270,776**	**(180,460,783)**	**194,809,993**	**397,490,366**	**(191,082,848)**	**206,407,518**
Claims incurred in the current accident year (direct and facultative)	236,225,856	(41,150,445)	195,075,411	261,256,477	(94,722,217)	166,534,260
Adjustment to claims incurred in prior accident year due to changes in assumption						
- change in link ratios used in the IBNR estimation	-	-	-	18,786,395	(15,037,116)	3,749,279
Movement in PRAD of claim liabilities	1,107,276	(1,871,658)	(764,382)	(12,999,695)	5,801,755	(7,197,940)
Movement in unallocated loss adjustment expenses ("ULAE")	2,594,958	(1)	2,594,957	(792,429)	-	(792,429)
Other movement in claims incurred in prior accident years (direct and facultative)	(8,504,715)	(955,232)	(9,459,947)	(21,687,205)	8,428,212	(13,258,993)
Movement in claims incurred (treaty inwards claims)	1,047,802	-	1,047,802	(1,363,545)	-	(1,363,545)
Claims paid during the year (Note 22(a))	(263,473,685)	82,302,937	(181,170,748)	(265,419,588)	106,151,431	(159,268,157)
At end of year	**344,268,268**	**(142,135,182)**	**202,133,086**	**375,270,776**	**(180,460,783)**	**194,809,993**

(ii) Premium Liabilities

	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
At beginning of year	**194,246,994**	**(46,449,082)**	**147,797,912**	**188,893,767**	**(59,469,854)**	**129,423,913**
Premiums written in the year (Note 17)	498,609,403	(139,644,432)	358,964,971	450,521,242	(139,904,464)	310,616,778
Premiums earned during the year (Note 17)	(483,119,522)	136,341,991	(346,777,531)	(445,168,015)	152,925,236	(292,242,779)
At end of year	**209,736,875**	**(49,751,523)**	**159,985,352**	**194,246,994**	**(46,449,082)**	**147,797,912**

As at 31 December 2018, the insurance contract liabilities above includes the Company's share of MMIP's claim and premium liabilities amounting to RM35,082,049 (2017: RM39,110,409) and RM2,935,375 (2017: RM3,426,279). The Company's net exposure arising from its participation in the Pool is detailed in Note 32(v).

13. DEFERRED TAX (ASSETS)/LIABILITIES

	2018 RM	2017 RM
At beginning of year	**1,680,748**	**1,803,904**
Impact of adopting MFRS 9 (Note 2.3)	(6,924)	-
Restated opening balance under MFRS 9	1,673,824	1,803,904
Recognised in:		
Income statement (Note 24)	230,426	(404,846)
Other comprehensive income	(2,030,553)	281,690
At end of year	**(126,303)**	**1,680,748**

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.

	2018 RM	2017 RM
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	759,783	2,577,658
Deferred tax assets	(886,086)	(896,910)
	(126,303)	**1,680,748**

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

Deferred Tax Liabilities:

	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2018	**1,732,637**	**265,072**	**579,949**	**2,577,658**
Impact of adopting MFRS 9	(6,924)	-	-	(6,924)
Restated opening balance under MFRS 9	1,725,713	265,072	579,949	2,570,734
Recognised in:				
Income statement	399,517	11,868	(191,783)	219,602
Other comprehensive income	(2,030,553)	-	-	(2,030,553)
At 31 December 2018	**94,677**	**276,940**	**388,166**	**759,783**

13. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

Deferred Tax Liabilities: (cont'd.)

	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2017	**1,081,535**	**99,327**	**1,266,005**	**2,446,867**
Recognised in:				
Income statement	369,412	165,745	(686,056)	(150,899)
Other comprehensive income	281,690	-	-	281,690
At 31 December 2017	**1,732,637**	**265,072**	**579,949**	**2,577,658**

Deferred Tax Assets:

	Provision for ECL RM	Total RM
At 1 January 2018	**(896,910)**	**(896,910)**
Recognised in income statement	10,824	10,824
At 31 December 2018	**(886,086)**	**(886,086)**
At 1 January 2017	**(642,963)**	**(642,963)**
Recognised in income statement	(253,947)	(253,947)
At 31 December 2017	**(896,910)**	**(896,910)**

14. DEPOSITS FROM REINSURERS

A reinsurance deposit or premium reserve is maintained in the event the reinsurer fails to discharge their liability under the contract. The premium reserve is computed at the rate of 40% (2017: 40%) of gross premium and is only applicable to foreign reinsurers.

All deposits shall be released in the next suceeding year.

15. INSURANCE PAYABLES

	2018 RM	2017 RM
Due to agents, intermediaries and insured	13,950,032	13,067,244
Due to reinsurers and cedants	45,751,752	45,863,155
	59,701,784	**58,930,399**

The carrying amounts disclosed above approximate fair values at the balance sheet date as the payables are due within one year.

Insurance payables that do not meet the offsetting criteria as at 31 December 2018 amount to RM9,099,834 (2017: RM8,070,317).

The Company's insurance payables have been offset against receivables are as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
2018			
Premiums	69,783,808	(4,920,231)	64,863,577
Commissions	1,624,631	(8,361,849)	(6,737,218)
Claims	52,499	(7,576,908)	(7,524,409)
	71,460,938	**(20,858,988)**	**50,601,950**
2017			
Premiums	71,134,525	(3,175,231)	67,959,294
Commissions	1,423,682	(10,249,290)	(8,825,608)
Claims	97,171	(8,370,775)	(8,273,604)
	72,655,378	**(21,795,296)**	**50,860,082**

16. OTHER PAYABLES

	2018 RM	2017 RM
Amount due to related companies (Note 30(a))	4,369,972	1,114,750
Liabilities held under the MMIP (Note 32(v))	1,931,762	3,620,816
Goods and services tax	-	1,375,853
Cash collateral held on behalf of insureds	4,741,739	4,936,906
Accrual for staff bonus	6,799,172	6,556,900
Other accrued expenses	10,575,813	8,058,097
Other payables	12,843,696	15,275,018
	41,262,154	**40,938,340**

The carrying amounts disclosed above approximate fair values at the balance sheet date as the other payables (not including liabilities held under the MMIP) are due within one year.

The amounts due to related companies and immediate holding company are trade in nature, unsecured, interest free and are repayable on demand.

17. NET EARNED PREMIUMS

	2018 RM	2017 RM
(a) Gross earned premiums		
General insurance contract (Note 12(ii))	498,609,403	450,521,242
Change in premium liabilities	(15,489,881)	(5,353,227)
	483,119,522	445,168,015
(b) Premiums ceded to reinsurers		
General insurance contract (Note 12(ii))	(139,644,432)	(139,904,464)
Change in premium liabilities	3,302,441	(13,020,772)
	(136,341,991)	(152,925,236)
Net earned premiums (Note 12(ii))	**346,777,531**	**292,242,779**

18. INVESTMENT INCOME

	2018 RM	2017 RM
Interest/profit income:		
- financial assets measured at FVOCI (2017: AFS)	21,475,669	24,677,072
- financial assets measured at FVTPL	4,525,423	1,418,000
- financial assets measured at amortised cost (2017: LAR)	1,787,455	1,740,683
Dividend/distribution income:		
- quoted equity securities in Malaysia		
- derecognised during the year	14,660	-
- held at the end of the year	1,419,294	1,247,570
- collective investment schemes	2,072,003	324,795
Investment Income (Note 27)	31,294,504	29,408,120
Net (amortisation)/accretion of discounts (Note 27)	(92,765)	184,106
Investment expenses	(1,229,707)	(1,435,719)
	29,972,032	**28,156,507**

19. REALISED GAINS

	2018 RM	2017 RM
Asset held for sale property:		
Gain on disposal of asset held for sale (Note 27)	4,440,936	-
Financial assets measured at FVOCI (2017: AFS):		
Realised gains:		
- quoted equity securities in Malaysia	-	7,787,767
- unquoted debt securities in Malaysia	3,028,315	2,477,942
- Malaysian government securities	468,742	120,573
Realised gains on financial assets measured at FVOCI (2017: AFS)	**3,497,057**	**10,386,282**
Financial assets measured at FVTPL:		
Realised gains/(losses):		
- unquoted debt securities in Malaysia	5,311	-
- quoted equity securities in Malaysia	-	(4,538)
Realised gains/(losses) on financial assets measured at FVTPL	**5,311**	**(4,538)**
Realised gains on financial assets (Note 27)	3,502,368	10,381,744
Total realised gains	**7,943,304**	**10,381,744**

20. FAIR VALUE GAINS

	2018 RM	2017 RM
Impairment losses on investments	-	(388,285)
Unrealised (losses)/gains on equity securities	(1,200)	19,532
Unrealised gains on debt securities	236,798	602,816
Unrealised gains on collective investment schemes	194,675	-
Total fair value gains (Note 27)	**430,273**	**234,063**

21. OTHER OPERATING REVENUE

	2018 RM	2017 RM
Sundry income	2,838,654	5,760,512
Writeback of long outstanding balances	7,423,245	-
	10,261,899	**5,760,512**

22. NET CLAIMS

	2018 RM	2017 RM
(a) Gross Claims Paid		
General insurance contracts (Note 12(i))	(263,473,685)	(265,419,588)
(b) Claims Ceded To Reinsurers		
General insurance contracts (Note 12(i))	82,302,937	106,151,431
Net claims paid (a) (Note 12(i))	(181,170,748)	(159,268,157)
(c) Gross Change In Contract Liabilities		
General insurance contracts	31,002,508	22,219,590
(d) Change In Contract Liabilities Ceded To Reinsurers		
General insurance contracts	(38,325,601)	(10,622,065)
Net change in contract liabilities (b)	(7,323,093)	11,597,525
Net claims (a) + (b)	**(188,493,841)**	**(147,670,632)**

23. MANAGEMENT EXPENSES

	2018 RM	2017 RM
Employee benefits expense (Note 23(a))	50,345,492	47,339,322
Directors' remuneration (Note 23(b))	432,850	409,583
Auditors' remuneration:		
- statutory audits	341,162	293,469
- regulatory related fees	97,329	31,742
- other services	128,901	31,791
Depreciation of property and equipment (Note 4)	4,137,700	4,722,480
Write off/(write back of) bad debts (Note 27)	11,847,796	(506,158)
Property and equipment written off (Note 27)	476,563	12,483
Office rental	3,446,590	3,517,659
Rental of equipment, software and services	436,460	426,342
Administration and general expenses*	62,662,961	35,332,261
(Write back of)/provision for impairment losses on insurance receivables (Note 7)	(12,748,575)	495,194
Write back of provision on impairment on other receivable (Note 27)	(6,721,890)	-
	114,883,339	**92,106,168**

* Settlement to IUB of RM18.0mil as full and final settlement for the acquisition of Tahan General Insurance business.

(a) Employee Benefits Expense

	2018 RM	2017 RM
Wages and salaries	40,842,615	39,998,464
Social security contributions	344,929	310,326
Contributions to defined contribution plan - EPF	7,102,839	4,925,915
Other benefits	1,813,624	1,883,673
Share based payments	241,485	220,944
	50,345,492	**47,339,322**

Included in employee benefits expense is CEO's remuneration of RM996,442 (2017: RM840,475) as detailed in Note 23(c).

23. MANAGEMENT EXPENSES (CONT'D)

(b) Directors' Remuneration

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

	2018 RM	2017 RM
Non-executive directors' fees	**432,850**	**409,583**

Name	2018 RM	2017 RM
Mr Norman Ka Cheung Ip	59,350	66,000
Mr Tan Yam Pin	49,250	50,450
Mr Koh Poh Tiong	33,800	8,800
Y Bhg Datuk Kamaruddin bin Taib	71,150	73,400
Y Bhg Dato' Albert Yeoh Beow Tit	78,150	80,600
Mr Ng Hon Soon	69,750	75,000
Mdm Tan Fong Sang	71,400	55,333
	432,850	**409,583**

The other directors in office during the year and as at the financial year did not receive any remuneration from the Company.

The Directors' fees are subject to the recommendation by the Board Nominations and Remuneration Committee ("BNRC") to the Board for endorsement and approval by the shareholder at the Annual General Meeting ("AGM") of the Company.

(c) CEO's Remuneration

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

	2018 RM	2017 RM
Salaries and other remuneration	779,482	647,875
Bonus	192,360	168,000
Total remuneration excluding benefits in kind	971,842	815,875
Estimated money value of benefits in kind	24,600	24,600
Total remuneration (Note 23(a))	996,442	840,475
Share-based payment (in units)	**3,034**	**2,252**

24. TAXATION

	2018 RM	2017 RM
Current income tax:		
Malaysian income tax	14,998,037	15,909,230
Overprovision of income tax	(5,170,325)	(723,922)
	9,827,712	15,185,308
Deferred tax (Note 13):		
Relating to origination and reversal of temporary differences	274,857	(463,740)
(Over)/Underprovision in prior year	(44,431)	58,894
	230,426	(404,846)
	10,058,138	**14,780,462**

Income tax is based on the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

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

	2018 RM	2017 RM
Profit before taxation	**53,542,579**	**60,492,804**
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	12,850,219	14,518,273
Income not subject to tax	(3,030,180)	(968,417)
Expenses not deductible for tax purposes	5,244,355	1,895,634
Overprovision of prior year income tax	(5,170,325)	(723,922)
(Over)/underprovision of deferred tax in prior year	(44,431)	58,894
Real property gain tax paid	208,500	-
Tax expense for the year	**10,058,138**	**14,780,462**

25. EARNINGS PER SHARE

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

	2018 RM	2017 RM
Profit attributable to ordinary equity holder	43,484,441	45,712,342
Number of ordinary shares in issue during the year	100,000,000	100,000,000
Basic earnings per share (sen)	**43.48**	**45.71**

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 the financial statements.

26. DIVIDENDS

Recognised during the financial year:

	2018 RM	2017 RM
Final single tier dividend of RM0.30 per ordinary share on 100,000,000 ordinary shares paid on 26 April 2017	**-**	**30,000,000**
Final single tier dividend of RM0.30 per ordinary share on 100,000,000 ordinary shares paid on 27 April 2018	**30,000,000**	**-**

27. CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES

	Note	2018 RM	2017 RM
Profit before taxation		53,542,579	53,542,579
Investment income	18	(31,294,504)	(29,408,120)
Realised gains on financial assets at FVOCI (2017:AFS) and FVTPL	19	(3,502,368)	(10,381,744)
Fair value gains recorded in income statement	20	(430,273)	(234,063)
Purchases of financial assets at FVTPL	5(d)	(9,077,463)	(59,400)
Purchases of financial assets at FVOCI (2017: AFS)	5(d)	(506,432,754)	(687,030,108)
Proceeds from maturities/disposals of financial assets at FVOCI (2017: AFS)		431,353,421	714,451,998
Proceeds from maturities/disposals of financial assets at FVTPL		1,500,000	171,045
Decrease in financial assets at amortised cost		140,052	228,845
Non-cash items:			
Depreciation of property and equipment	4	4,137,700	4,722,480
Gain on disposal of asset held for sale	19	(4,440,936)	-
Changes in allowance for ECL (2017: impairment losses) on investment assets		(1,405,354)	-
Write back of provision on impairment on other receivable	23	(6,721,890)	-
(Write back of)/provision for impairment losses on insurance receivables	7	(12,748,575)	495,194
Write back of impairment losses on reinsurance assets	6	(370,518)	(156,887)
Write off/(write back of) bad debts	23	11,847,796	(506,158)
Property and equipment written off	23	476,563	12,483
Net amortisation/(accretion) of discounts	18	92,765	(184,106)
Changes in working capital:			
Reinsurance assets		35,393,678	23,799,724
Insurance receivables		(7,959,250)	6,216,722
Other receivables		8,483,780	3,870,042
Insurance contract liabilities		(15,512,627)	(16,866,363)
Deposits from reinsurers		(940,121)	821,404
Insurance payables		771,385	2,248,654
Other payables		323,814	1,075,928
Cash (used in)/generated from operating activities		**(52,773,100)**	**73,780,374**

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 claims incurred for insurance contracts, which are classified under operating activities.

28. CAPITAL COMMITMENTS

The capital commitments of the Company as at the financial year-end are as follows:

	2018 RM	2017 RM
Capital expenditure:		
Approved and contracted for:		
Property and equipment	19,562,535	5,259,637
Approved but not contracted for:		
Property and equipment	656,736	196,335
	20,219,271	**5,455,972**

29. OPERATING LEASE ARRANGEMENTS

The Company As Lessee

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

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future Minimum Rental Payments:

	2018 RM	2017 RM
Rental of equipment, software and services:		
Not later than 1 year	236,285	331,182
Later than 1 year and not later than 5 years	221,361	428,695
	457,646	**759,877**
Rental of office premises:		
Not later than 1 year	3,051,031	2,717,520
Later than 1 year and not later than 5 years	1,126,482	1,779,850
	4,177,513	**4,497,370**
Total operating lease	**4,635,159**	**5,257,247**

30. RELATED PARTY DISCLOSURES

(a) Related Party Transactions And Balances

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

Significant transactions with related parties during the year:

	2018 RM	2017 RM
Expense/(Income):		
Premium paid (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	971,647	286,159
Premium received (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,398,622)	(2,512,655)
- OCBC Bank (Malaysia) Berhad	(5,941,591)	(4,135,474)
- OCBC Al-Amin Bank Berhad	(42,722)	(40,894)
- OCBC Properties (M) Sdn Bhd	(7,865)	(49,853)
- Pacific Mutual Fund Bhd	(21,344)	(45,036)
- E2 Power Sdn Bhd	(563,562)	(544,855)
- Horizon Asset Management Sdn Bhd	-	(418)
- Pac Lease Berhad	(34,231)	(56,120)
- I Great Capital Holdings Sdn Bhd	(1,179)	-
- Overseas Assurance Corporation (Holdings) Berhad	(884)	-
- Great Eastern Capital (Malaysia) Sdn Bhd	(884)	-
- Eastern Realty Company Ltd	(80,287)	(161,993)
- Lee Rubber Company Pte Ltd	(375,169)	(733)
- BCS Information Systems Pte Ltd	-	(5,604)
- Lee Pineapple Co Pte Ltd	(7,931)	-
- Key Management Personnel	(67,783)	(83,642)
Reinsurance premium received (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	-	(4,457)
Property rentals paid (ii)		
- Great Eastern Life Assurance (Malaysia) Berhad	3,115,901	3,042,130
Service charges paid (iii)		
- Great Eastern Life Assurance (Malaysia) Berhad	7,057,305	6,956,568
- Great Eastern Life Assurance (Singapore) Co Ltd	2,640,838	4,068,952

30. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

	2018 RM	2017 RM
Expense/(Income):		
Bank charges and custodian fees paid (iii)		
- OCBC Bank (Malaysia) Berhad	1,775,106	1,661,412
Interest received (iv)		
- OCBC Bank (Malaysia) Berhad	(1,241,765)	(788,304)
Commission fees paid		
- Great Eastern Life Assurance (Malaysia) Berhad	347,762	378,315
- OCBC Bank (Malaysia) Berhad	3,428,596	3,665,790
- OCBC Al-Amin Bank Berhad	853	109
- Pac Lease Berhad	2,543,897	2,054,171
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Limited	167,214	120,382
Employee Share Option Scheme		
- Oversea-Chinese Banking Corporation Limited	34,645	25,245
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Limited	39,627	75,317
Disposal of investments to		
- Great Eastern Life Assurance (Malaysia) Berhad	(124,736,337)	(89,751,116)
Purchase of investments from		
- Great Eastern Life Assurance (Malaysia) Berhad	27,853,804	40,014,502
Investment in wholesale unit trust fund		
- Affin Hwang Wholesale Income Fund	53,240,420	50,973,742
Dividend received from wholesale unit trust fund		
- Affin Hwang Wholesale Income Fund	(2,072,003)	(324,795)

30. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

	2018 RM	2017 RM
Balances with related parties at year-end:		
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	16,282,142	18,383,913
- OCBC Al-Amin Bank Berhad	55,454	76,235
Fixed deposits and structured deposits		
- OCBC Bank (Malaysia) Berhad	33,200,536	68,137,014
Amount due to subsidiaries of penultimate holding company (Note 16):		
- Great Eastern Life Assurance (Malaysia) Berhad	808,013	554,480
- Great Eastern Life Assurance (Singapore) Co Ltd	3,407,058	451,053
- Oversea-Chinese Banking Corporation Limited	154,901	109,217
	4,369,972	1,114,750

The related companies disclosed above are companies within the Oversea-Chinese Banking Corporation Group. Notes on transactions with related parties:

(i) 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.

(ii) Rental of property from related parties are made according to normal market prices, terms and conditions.

(iii) Payment of banking and trading service charges to related parties are made according to normal market prices.

30. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

(iv) The interest income arose mainly from investment in fixed deposits and structured deposits which are made according to prevailing market rates, terms and conditions.

(v) General terms for balances with related companies are disclosed in Note 16.

(vi) 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. Group function services are derived from immediate parent company in Singapore.

The table below shows the breakdown by type of services received and geographical location for inter company charges:

Geographical Location	Type of Services	2018 RM	2017 RM
Singapore	Group service charges for services rendered, which include those in respect of finance, legal, actuarial, support, human resources, operations, investment management, IT, internal audit and risk management services.	2,640,838	4,068,952
		2,640,838	**4,068,952**

30. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel of the Company includes the Directors, Chief Executive Officer and Senior Management Team.

The remuneration of key management personnel during the year was as follows:

	2018 RM	2017 RM
Short-term employee benefits	3,479,215	2,651,891
Post-employment benefits	525,052	404,601
Share based payment ("DSP")	263,392	124,671
	4,267,659	3,181,163
Non Executive Directors' remuneration (Note 23(b))	432,850	409,583
	4,700,509	**3,590,746**
Share-based payment (in units)	**8,425**	**13,292**

31. FINANCIAL INSTRUMENTS BY CATEGORY

	Amortised cost RM	FVOCI RM	FVTPL RM	Other financial liabilities RM	Total RM
2018					
Assets					
Investments	45,268,191	510,242,108	135,763,623	-	691,273,922
Insurance receivables	82,181,969	-	-	-	82,181,969
Other receivables	69,825,278	-	-	-	69,825,278
Cash and bank balances	16,530,200	-	-	-	16,530,200
Total Financial Assets	**213,805,638**	**510,242,108**	**135,763,623**	**-**	**859,811,369**
Liabilities					
Deposits from reinsurers	-	-	-	1,071,180	1,071,180
Other payables	-	-	-	59,701,784	59,701,784
Insurance payables	-	-	-	11,043,473	11,043,473
Total Financial Liabilities	**-**	**-**	**-**	**71,816,437**	**71,816,437**

	LAR RM	AFS RM	FVTPL RM	Other financial liabilities RM	Total RM
2017					
Assets					
Investments	95,673,147	540,831,360	25,572,372	-	662,076,879
Insurance receivables	73,321,937	-	-	-	73,321,937
Other receivables	68,998,677	-	-	-	68,998,677
Cash and bank balances	18,557,881	-	-	-	18,557,881
Total Financial Assets	**256,551,642**	**540,831,360**	**25,572,372**	**-**	**822,955,374**
Liabilities					
Deposits from reinsurers	-	-	-	2,011,301	2,011,301
Other payables	-	-	-	58,930,399	58,930,399
Insurance payables	-	-	-	9,672,472	9,672,472
Total Financial Liabilities	**-**	**-**	**-**	**70,614,172**	**70,614,172**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES 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:

- Operate within parameters and limits that have been set based on the risk appetite approved by the Board; and

- Pursue appropriate risk-adjusted returns.

Risk Management 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 CEO 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 governance and oversight framework, i.e. 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.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Governance Framework (cont'd.)

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

The FCC provides an independent oversight of fraud investigation and anti-money laundering / counter 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, 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 3 August 2019.

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 Phased Liberalisation of Motor and Fire Tariffs issued by BNM on 30 June 2016 aims to deregulate the pricing of motor and fire products through the gradual disapplication of requirements under the Motor Tariff and Revised Fire Tariff (Fire Tariff). The objective of this initiative by BNM is to allow the insurance industry to be able to compete in a more liberalised environment and thus promote greater product innovation for the benefit of consumers. Liberalisation has begun and done in phases. Impact of the phased liberalisation will be evaluated by the regulators from 2019 onwards to determine the readiness of consumers and the industry for further liberalisation.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Capital Management Framework

The Company's capital management policy is to create shareholders' value, deliver sustainable returns to the shareholder, 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 ("RBC") Framework, the insurer has to maintain a capital adequacy level that is commensurate with its risk profiles. The Capital Adequacy Ratio of the Company remained well at above the minimum capital requirement of 130% under the RBC Framework regulated 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 contingency 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.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk

The principal activity of the Company is underwriting of all classes of general insurance 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 insurance contracts across industry sectors and geography, 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. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when the 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 claims frequency and policy claims severity.

The Company works closely with reinsurers to put in place a prudent underwriting policy to ensure appropriate risk classification and premium levels. The Company’s reinsurance management strategy and policy are reviewed annually by the SMT, BRMC, and the Board as appropriate. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses.

Only foreign reinsurers meeting a minimum credit rating of Standard & Poor's “A-”, or its equivalent, or legally set up local reinsurers 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 claims trends and experience, as well as expenses to ensure that the policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

Stress Testing (“ST”) is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the general insurance fund under the various scenarios according to regulatory guidelines on stress testing, simulating drastic changes in major parameters such as new business volume, investment and loss ratios.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Risks under general insurance policies usually cover a twelve-month duration. The risk inherent in general insurance contracts is reflected in the insurance contract liabilities which include the premium and claim liabilities, as set out under Note 12 of the financial statements. The premium liabilities comprise the higher of Unearned Premium Reserves or Unexpired Risk Reserves, while the claim liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

Table 32(A1): The table below shows the concentration of premium liabilities by class of business:

	Gross premium liabilities RM	Reinsurance premium liabilities RM	Net premium liabilities RM
2018			
Fire	32,197,654	(9,032,210)	23,165,444
Motor	83,584,841	(6,817,332)	76,767,509
Marine, Aviation and Transit	7,374,643	(7,098,839)	275,804
Workmen's Compensation	807,848	14,873	822,721
Personal Accident and Health	50,903,681	(6,426,960)	44,476,721
Others	34,868,208	(20,391,055)	14,477,153
	209,736,875	**(49,751,523)**	**159,985,352**
2017			
Fire	39,471,740	(16,829,608)	22,642,132
Motor	69,148,013	(320,454)	68,827,559
Marine, Aviation and Transit	12,686,746	(12,501,468)	185,278
Workmen's Compensation	892,911	137,002	1,029,913
Personal Accident and Health	42,031,145	(1,531,564)	40,499,581
Others	30,016,439	(15,402,990)	14,613,449
	194,246,994	**(46,449,082)**	**147,797,912**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 32(A2): The table below shows the concentration of claim liabilities by class of business:

	Gross claims liabilities RM	Reinsurance claims liabilities RM	Net claims liabilities RM
2018			
Fire	45,220,270	(25,283,296)	19,936,974
Motor	119,003,782	(8,758,305)	110,245,477
Marine, Aviation and Transit	51,093,557	(49,060,812)	2,032,745
Workmen's Compensation	550,967	(12,721)	538,246
Personal Accident and Health	45,331,713	(5,960,249)	39,371,464
Others	83,067,979	(53,059,799)	30,008,180
	344,268,268	**(142,135,182)**	**202,133,086**
2017			
Fire	48,862,055	(34,561,133)	14,300,922
Motor	127,841,198	(8,722,617)	119,118,581
Marine, Aviation and Transit	46,764,320	(44,837,945)	1,926,375
Workmen's Compensation	770,170	(10,510)	759,660
Personal Accident and Health	35,863,440	(3,453,379)	32,410,061
Others	115,169,593	(88,875,199)	26,294,394
	375,270,776	**(180,460,783)**	**194,809,993**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

The general insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual premium and claim liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of general insurance contracts is mitigated by emphasising diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before taxation and shareholders' equity.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 32(A3): The table below shows the insurance risk sensitivity analysis:

	Changes in variables	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
2018					
Increase/(decrease):					
Provision for adverse deviation	+20%	4,584	4,988	(4,988)	(3,791)
("PRAD") margin	-20%	(4,584)	(4,988)	4,988	3,791
Selected loss ratio (for latest year)	+20%	141,373	117,897	(117,897)	(89,602)
	-20%	(107,043)	(87,094)	87,094	66,192
Claims handling expenses	+20%	943	2,356	(2,356)	(1,791)
	-20%	(943)	(2,356)	2,356	1,791

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 32(A3): The table below shows the insurance risk sensitivity analysis:

	Changes in variables	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
<u>2017</u>					
<u>Increase/(decrease):</u>					
Provision for adverse deviation ("PRAD") margin	+20%	4,362	5,261	(5,261)	(3,998)
	-20%	(4,362)	(5,261)	5,261	3,998
Selected loss ratio (for latest year)	+20%	136,546	106,348	(106,348)	(80,825)
	-20%	(102,996)	(79,897)	79,897	60,721
Claims handling expenses	+20%	389	905	(905)	(687)
	-20%	(388)	(904)	904	687

* *The impact on equity reflects the impact net of tax at 24% (2017: 24%)*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date:

Gross General Insurance Contract Liabilities For 2018:

Accident year	Note	Prior 2011 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM	Total RM
At the end of accident year		3,956,885,644	207,936,334	162,618,716	295,811,820	217,630,111	269,295,799	255,380,592	229,203,400	272,671,258	
One year later		1,552,366,914	230,182,139	174,527,552	263,352,963	225,821,390	277,009,059	233,065,696	233,005,418		
Two years later		1,533,347,136	173,307,559	171,765,873	223,135,903	222,266,869	227,100,093	228,241,786			
Three years later		1,520,616,971	168,756,254	165,343,460	223,225,980	218,599,624	254,138,660				
Four years later		1,586,919,656	165,307,073	165,300,210	248,510,262	213,023,141					
Five years later		1,581,427,493	164,406,812	163,425,148	239,829,051						
Six years later		1,540,903,334	159,627,517	159,219,837							
Seven years later		1,612,161,113	159,341,256								
Eight years later		1,564,693,623									
Nine years later											
Current estimate of cumulative claims incurred		**1,564,693,623**	**159,341,256**	**159,219,837**	**239,829,051**	**213,023,141**	**254,138,660**	**228,241,786**	**233,005,418**	**272,671,258**	**3,324,164,030**
At the end of accident year		2,964,945,976	76,681,802	84,564,888	84,240,032	73,154,298	83,570,279	109,406,241	109,039,935	123,665,261	
One year later		1,389,201,640	132,395,382	128,798,809	156,452,886	174,994,471	172,738,047	182,484,260	182,341,237		
Two years later		1,425,782,256	150,216,318	145,439,416	176,365,323	191,501,009	198,872,893	202,385,089			
Three years later		1,461,135,637	154,627,191	152,795,580	181,719,689	198,171,716	237,276,898				
Four years later		1,485,352,909	157,332,154	155,291,832	229,605,584	201,371,743					
Five years later		1,480,688,754	158,313,856	157,198,478	234,019,657						
Six years later		1,482,031,816	158,405,191	157,638,286							
Seven years later		1,482,644,021	158,471,699								
Eight years later		1,482,725,892									
Nine years later											
Cumulative payments to-date		**1,482,725,892**	**158,471,699**	**157,638,286**	**234,019,657**	**201,371,743**	**237,276,898**	**202,385,089**	**182,341,237**	**123,665,261**	**2,979,895,762**
Gross general insurance contract liabilities per Balance Sheet	*12(i)*	**81,967,731**	**869,557**	**1,581,551**	**5,809,394**	**11,651,398**	**16,861,762**	**25,856,697**	**50,664,181**	**149,005,997**	**344,268,268**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

Net General Insurance Contract Liabilities For 2018:

Accident year	Note	Prior 2011 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM	Total RM
At the end of accident year		2,301,645,858	158,310,475	123,588,391	196,908,860	143,087,271	145,035,562	171,217,017	175,031,561	214,863,801	
One year later		1,035,676,994	177,713,437	135,107,857	136,318,215	145,511,345	140,781,117	162,547,109	174,042,502		
Two years later		1,024,354,224	123,785,406	131,057,646	130,955,203	143,781,073	138,008,349	160,467,951			
Three years later		1,004,615,292	123,538,770	127,734,661	131,676,354	144,120,092	134,238,090				
Four years later		1,058,811,799	118,094,509	128,031,293	133,044,039	140,857,644					
Five years later		1,069,063,445	118,148,482	127,686,483	129,153,726						
Six years later		1,042,687,294	114,404,477	124,249,399							
Seven years later		1,029,151,152	114,186,340								
Eight years later		1,020,427,650									
Nine years later											
Current estimate of cumulative claims incurred		**1,020,427,650**	**114,186,340**	**124,249,399**	**129,153,726**	**140,857,644**	**134,238,090**	**160,467,951**	**174,042,502**	**214,863,801**	**2,212,487,103**
At the end of accident year		1,680,702,137	58,187,492	77,160,971	66,467,272	62,727,289	60,500,671	88,482,492	96,693,860	109,880,982	
One year later		931,114,445	97,624,197	106,827,704	109,522,813	118,472,967	109,508,077	134,081,944	149,825,095		
Two years later		953,473,712	107,972,263	117,967,522	119,998,811	129,984,384	120,434,727	145,114,015			
Three years later		968,506,958	111,165,388	121,691,972	122,486,678	133,945,014	124,101,663				
Four years later		980,448,630	112,897,673	123,058,168	123,642,256	135,542,447					
Five years later		982,627,691	113,365,929	123,386,824	125,059,625						
Six years later		983,029,384	113,439,134	123,761,663							
Seven years later		983,559,510	113,502,920								
Eight years later		983,565,607									
Nine years later											
Cumulative payments to-date		**983,565,607**	**113,502,920**	**123,761,663**	**125,059,625**	**135,542,447**	**124,101,663**	**145,114,015**	**149,825,095**	**109,880,982**	**2,010,354,017**
Net general insurance contract liabilities per Balance Sheet	*12(i)*	**36,862,043**	**683,420**	**487,736**	**4,094,101**	**5,315,197**	**10,136,427**	**15,353,936**	**24,217,407**	**104,982,819**	**202,133,086**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date:

Gross General Insurance Contract Liabilities For 2017:

Accident year	Note	Prior 2010 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM	Total RM
At the end of accident year		3,075,510,391	113,500,585	207,936,334	162,618,716	295,811,820	217,630,111	269,295,799	255,380,592	229,203,401	
One year later		767,874,668	158,805,737	230,182,139	174,527,552	263,352,963	225,821,390	277,009,059	233,065,696		
Two years later		1,393,561,177	155,353,123	173,307,559	171,765,873	223,135,903	222,266,869	227,100,093			
Three years later		1,377,994,013	147,218,068	168,756,254	165,343,460	223,225,980	218,599,624				
Four years later		1,373,398,903	144,152,973	165,307,073	165,300,210	248,510,262					
Five years later		1,442,766,683	142,672,826	164,406,812	163,425,148						
Six years later		1,438,754,667	136,169,464	159,627,517							
Seven years later		1,404,733,870	135,824,764								
Eight years later		1,476,336,349									
Nine years later											
Current estimate of cumulative claims incurred		**1,476,336,349**	**135,824,764**	**159,627,517**	**163,425,148**	**248,510,262**	**218,599,624**	**227,100,093**	**233,065,696**	**229,203,401**	**3,091,692,854**
At the end of accident year		2,254,633,146	53,860,911	76,681,802	84,564,888	84,240,032	73,154,298	83,570,279	109,406,241	109,039,935	
One year later		656,451,919	114,628,952	132,395,382	128,798,809	156,452,886	174,994,471	172,738,047	182,484,260		
Two years later		1,274,572,688	128,883,888	150,216,318	145,439,416	176,365,323	191,501,009	198,872,893			
Three years later		1,296,898,368	132,914,213	154,627,191	152,795,580	181,719,689	198,171,716				
Four years later		1,328,221,424	134,804,294	157,332,154	155,291,832	229,605,584					
Five years later		1,350,548,615	135,255,528	158,313,856	157,198,478						
Six years later		1,345,433,226	135,441,687	158,405,191							
Seven years later		1,346,590,129	135,537,970								
Eight years later		1,347,106,051									
Nine years later											
Cumulative payments to-date		**1,347,106,051**	**135,537,970**	**158,405,191**	**157,198,478**	**229,605,584**	**198,171,716**	**198,872,893**	**182,484,260**	**109,039,935**	**2,716,422,078**
Gross general insurance contract liabilities per Balance Sheet	*12(i)*	**129,230,298**	**286,794**	**1,222,326**	**6,226,670**	**18,904,678**	**20,427,908**	**28,227,200**	**50,581,436**	**120,163,466**	**375,270,776**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

Net general insurance contract liabilities for 2017:

Accident year	Note	Prior 2010 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM	Total RM
At the end of accident year		1,790,459,748	81,247,277	158,310,475	123,588,391	196,908,860	143,087,271	145,035,562	171,217,017	175,031,561	
One year later		429,938,833	119,859,290	177,713,437	135,107,857	136,318,215	145,511,345	140,781,117	162,547,109		
Two years later		915,817,704	118,685,939	123,785,406	131,057,646	130,955,203	143,781,073	138,008,349			
Three years later		905,668,285	113,403,560	123,538,770	127,734,661	131,676,354	144,120,092				
Four years later		891,211,732	111,666,146	118,094,509	128,031,293	133,044,038					
Five years later		947,145,653	109,709,189	118,148,482	127,686,483						
Six years later		959,354,256	106,435,489	114,404,478							
Seven years later		936,251,805	106,171,745								
Eight years later		922,979,407									
Nine years later											
Current estimate of cumulative claims incurred		**922,979,407**	**106,171,745**	**114,404,478**	**127,686,483**	**133,044,038**	**144,120,092**	**138,008,349**	**162,547,109**	**175,031,561**	**2,023,993,262**
At the end of accident year		1,261,064,736	44,156,291	58,187,492	77,160,971	66,467,272	62,727,289	60,500,671	88,482,492	96,693,859	
One year later		375,481,110	91,629,441	97,624,197	106,827,704	109,522,813	118,472,967	109,508,077	134,081,944		
Two years later		839,485,004	101,284,277	107,972,263	117,967,522	119,998,811	129,984,384	120,434,727			
Three years later		852,189,435	104,489,554	111,165,388	121,691,972	122,486,678	133,945,014				
Four years later		864,017,404	105,540,058	112,897,673	123,058,168	123,642,256					
Five years later		874,908,572	105,801,826	113,365,929	123,386,824						
Six years later		876,825,865	105,874,081	113,439,135							
Seven years later		877,155,303	105,919,237								
Eight years later		877,640,273									
Nine years later											
Cumulative payments to-date		**877,640,273**	**105,919,237**	**113,439,135**	**123,386,824**	**123,642,256**	**133,945,014**	**120,434,727**	**134,081,944**	**96,693,859**	**1,829,183,269**
Net general insurance contract liabilities per Balance Sheet	*12(i)*	**45,339,134**	**252,508**	**965,343**	**4,299,659**	**9,401,782**	**10,175,078**	**17,573,622**	**28,465,165**	**78,337,702**	**194,809,993**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks

Market risk arises when the market value of assets do not move consistently as the 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 and the General Insurance Fund. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction, risk measurement and approving hedging strategies. 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, liquidity risk, credit risk and concentration risk, is briefly described as follows:

(i) Interest Rate Risk

The Company is exposed to interest rate risk through investments in fixed income instruments. Since the Shareholder's Fund and General Insurance Fund have exposure to investments in fixed income instruments, it will incur an economic loss when interest rates rise.

(ii) 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. The Company does not have exposure to foreign currency risk via direct investments. However, foreign currency risk exists in some insurance policies of which premiums and/or claims are billed and paid in foreign currencies.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(iii) Equity Price Risk

Exposure to equity price risk exists in assets. Asset exposure exists through equity investment, where the Company through its investments, bears the volatility in returns and investment performance risk.

A robust monitoring process is in place to manage equity risk by having appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Certain investment limits are set as a percentage of equity holdings.

(iv) Credit Spread Risk

Exposure to credit spread risk exists in the Company's investments in corporate bonds. Credit spread is the difference between the corporate yields against the risk-free rate of similar 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 generally result in a fall in the value of the Company's bond portfolio.

(v) Liquidity Risks

Liquidity risks arise 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 obigations. 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 Company is exposed to liquidity risk from its insurance contract liabilities when actual claims development deviates from estimated claim liabilities. This is mitigated to some extent through the Company's periodic liability adequacy tests.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Unexpected liquidity demands are managed through a combination of diversification limits, investment strategies and systematic monitoring.

Maturity Profiles

Table 32(B1): The following tables show the maturity profile of the Company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis:

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.

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
2018						
Investments:						
Amortised cost	45,268,191	25,163,533	21,132,338	302,119	-	46,597,990
FVOCI	510,242,108	50,624,575	271,785,599	264,364,477	27,478,504	614,253,155
FVTPL	135,763,623	4,719,850	89,088,770	4,747,407	53,240,420	151,796,447
Reinsurance assets	142,135,182	79,426,019	42,858,970	7,312,347	12,537,846	142,135,182
Insurance receivables	82,181,969	82,181,969	-	-	-	82,181,969
Other receivables	70,316,641	15,825,770	-	54,278,332	-	70,104,102
Cash and bank balances	16,530,200	16,530,200	-	-	-	16,530,200
Total Assets	**1,002,437,914**	**274,471,916**	**424,865,677**	**331,004,682**	**93,256,770**	**1,123,599,045**
Insurance contract liabilities	344,268,268	170,736,334	100,279,395	13,640,593	59,611,946	344,268,268
Deposits from reinsurers	1,071,180	1,071,180	-	-	-	1,071,180
Insurance payables	59,701,784	59,701,784	-	-	-	59,701,784
Other payables	41,262,154	39,330,392	-	1,931,762	-	41,262,154
Total Liabilities	**446,303,386**	**270,839,690**	**100,279,395**	**15,572,355**	**59,611,946**	**446,303,386**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Maturity Profiles (cont'd.)

Table 32(B1): The following tables show the maturity profile of the Company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis:

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.

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
2017						
Investments:						
LAR	95,673,147	75,504,392	22,119,524	292,283	-	97,916,199
AFS	540,831,360	38,057,732	279,737,283	326,588,511	53,185,463	697,568,989
FVTPL	25,572,372	1,418,000	10,323,951	22,468,655	-	34,210,606
Reinsurance assets	180,460,783	120,466,251	42,239,121	7,045,177	10,710,234	180,460,783
Insurance receivables	73,321,937	73,321,937	-	-	-	73,321,937
Other receivables	70,486,903	13,002,415	-	56,970,281	-	69,972,696
Cash and bank balances	18,557,881	18,557,881	-	-	-	18,557,881
Total Assets	**1,004,904,383**	**340,328,608**	**354,419,879**	**413,364,907**	**63,895,697**	**1,172,009,091**
Insurance contract liabilities	375,270,776	191,939,092	103,390,591	12,793,525	67,147,568	375,270,776
Deposits from reinsurers	2,011,301	2,011,301	-	-	-	2,011,301
Insurance payables	58,930,399	58,930,399	-	-	-	58,930,399
Other payables	40,938,340	37,317,524	-	3,620,816	-	40,938,340
Total Liabilities	**477,150,816**	**290,198,316**	**103,390,591**	**16,414,341**	**67,147,568**	**477,150,816**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Included in other receivables and other payables is the Company's share in the assets and liabilities held under MMIP as disclosed in Note 8 and Note 16. The Company's share of insurance contract liabilities from MMIP are disclosed in Note 12 of the financial statements. These balances have not been offset in the financial statements of the Company as it is the view of the Directors and Management that no legal right of set-off exists. The assets have been contributed in line with the Company's obligations under the Collective Agreement signed on 16 November 1992 and the insurance contract liabilities represent the Company's share of the Pool's insurance contract liabilities arising from insurance contracts underwritten in respect of third party policyholders collectively, under the name of MMIP. Presented below is the Company's net position of its share in the net asset held under the MMIP as at 31 December 2018:

	2018 RM	2017 RM
Assets/(Liabilities):		
Assets:		
- Accumulated cash contributions to MMIP	21,849,491	25,359,477
- Other assets	32,428,841	31,610,804
Total Assets (Note 8)	54,278,332	56,970,281
Liabilities:		
- Insurance payables	(18,764)	(64,832)
- Other payables and provisions	(1,912,998)	(3,555,984)
Total Liabilities (Note 16)	(1,931,762)	(3,620,816)
Net assets held under MMIP	52,346,570	53,349,465
Insurance contract liabilities (Note 12)		
- Claim liabilities	(35,082,049)	(39,110,409)
- Premium liabilities	(2,935,375)	(3,426,279)
	(38,017,424)	(42,536,688)
Net position	**14,329,146**	**10,812,777**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Table 32(B2): The following table shows the current/non current classification of assets and liabilities:

	Current* RM	Non-Current** RM	Total RM
2018			
Assets			
Goodwill	-	18,182,598	18,182,598
Property and equipment	-	18,766,635	18,766,635
Investments:			
Amortised cost	24,235,468	21,032,723	45,268,191
FVOCI	56,539,495	453,702,613	510,242,108
FVTPL	-	135,763,623	135,763,623
Reinsurance assets	79,426,019	62,709,163	142,135,182
Insurance receivables	82,181,969	-	82,181,969
Other receivables	15,825,770	54,278,332	70,104,102
Deferred tax assets	-	126,303	126,303
Cash and bank balances	16,530,200	-	16,530,200
Total assets	**274,738,921**	**764,561,990**	**1,039,300,911**
Liabilities			
Insurance contract liabilities	(170,736,334)	(173,531,934)	(344,268,268)
Deposits from reinsurers	(1,071,180)	-	(1,071,180)
Insurance payables	(59,701,784)	-	(59,701,784)
Provision for taxation	(6,922,697)	-	(6,922,697)
Other payables	(39,330,392)	(1,931,762)	(41,262,154)
Total liabilities	**(277,762,387)**	**(175,463,696)**	**(453,226,083)**
	(3,023,466)	**589,098,294**	**586,074,828**

* *Expected utilisation or settlement within 12 months from the Balance Sheet date.*

** *Included in non-current FVOCI financial assets are quoted equity securities and collective investment schemes of RM27,478,504 and RM53,240,420 with no maturity date.*

NOTES TO THE FINANCIAL STATEMENTS

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Table 32(B2): The following table shows the current/non current classification of assets and liabilities (cont'd.):

	Current* RM	Non-Current** RM	Tot R
2017			
Assets			
Goodwill	-	18,182,598	18,182,598
Property and equipment	-	19,350,326	19,350,326
Investments:			
LAR	74,576,169	21,096,978	95,673,147
AFS	14,969,400	525,861,960	540,831,360
FVTPL	9,200	25,563,172	25,572,372
Reinsurance assets	120,466,251	59,994,532	180,460,783
Insurance receivables	73,321,937	-	73,321,937
Other receivables	13,002,415	56,970,281	69,972,696
Assets held for sale	11,692,000	-	11,692,000
Cash and bank balances	18,557,881	-	18,557,881
Total assets	**326,595,253**	**727,019,847**	**1,053,615,100**
Liabilities			
Insurance contract liabilities	(191,939,092)	(183,331,684)	(375,270,776)
Deferred tax liabilities	-	(1,680,748)	(1,680,748)
Deposits from reinsurers	(2,011,301)	-	(2,011,301)
Insurance payables	(58,930,399)	-	(58,930,399)
Provision for taxation	(8,342,450)	-	(8,342,450)
Other payables	(37,317,524)	(3,620,816)	(40,938,340)
Total liabilities	**(298,540,766)**	**(188,633,248)**	**(487,174,01**
	28,054,487	**538,386,599**	**566,441,0**

* *Expected utilisation or settlement within 12 months from the Balance Sheet date.*

** *Included in non-current AFS financial assets are quoted equity securities and collective investment schemes of RM2,211,721 and RM50,973,742 with no maturity date.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk mainly through (i) investment in cash, deposits and bonds, (ii) corporate lending activities, (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts and (iv) non-payment of premiums. 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 arising from financial instruments is undertaken by 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, and are reviewed on a regular basis. The creditworthiness of reinsurers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Treaty reinsurance is placed with counterparties that have good rating while facultative reinsurance is placed with counterparties that have been carefully selected via internal guidelines to minimise the credit risk.

Credit risk in respect of non-payment of premiums past the grace period is being actively monitored and guided by strict credit control guideline.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

For corporate lending, the amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Credit risk is mitigated by entering into collateral agreements and collaterals are revalued on a periodic 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:

	Type of Collateral	Carrying Amount of Loans RM	Fair Value of Collateral RM
2018			
Mortgage loans	Properties	78,749	518,750
Secured loans			
- Vehicle loans	Vehicle	981,839	981,839
- Government guaranteed loans	Nil	20,013,110	-
		21,073,698	**1,500,589**
2017			
Mortgage loans	Properties	144,708	530,430
Secured loans			
- Vehicle loans	Vehicle	1,055,931	1,055,931
- Government guaranteed loans	Nil	20,022,508	-
		21,223,147	**1,586,361**

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Table 32(C1): The table below shows the maximum exposure to credit risk for the components of the balance sheet and items such as future commitments by funds.

	Insurance Fund RM	Shareholder's Fund RM	Total RM
2018			
Financial assets at amortised cost:			
Loans	21,068,191	-	21,068,191
Deposits with licensed financial institutions	23,300,000	900,000	24,200,000
Financial assets at FVOCI:			
Malaysian government securities	71,662,590	-	71,662,590
Debt securities	407,744,821	3,356,193	411,101,014
Financial assets at FVTPL:			
Debt securities	77,626,624	4,888,579	82,515,203
Reinsurance assets	191,886,705	-	191,886,705
Insurance receivables	82,181,969	-	82,181,969
Other receivables	70,202,784	113,857	70,316,641
Cash and bank balances	16,216,711	313,489	16,530,200
	961,890,395	**9,572,118**	**971,462,513**
2017			
LAR:			
Loans	16,217,520	5,005,627	21,223,147
Deposits with licensed financial institutions	63,600,000	10,850,000	74,450,000
Financial assets at AFS:			
Malaysian government securities	38,277,600	-	38,277,600
Debt securities	434,359,789	15,008,508	449,368,297
Financial assets at FVTPL:			
Debt securities	21,228,583	4,334,589	25,563,172
Reinsurance assets	226,909,865	-	226,909,865
Insurance receivables	73,321,937	-	73,321,937
Other receivables	70,183,113	303,790	70,486,903
Cash and bank balances	18,203,565	354,316	18,557,881
	962,301,972	**35,856,830**	**998,158,802**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Table 32(C2): The following table sets out information about the credit quality of financial assets measured at amortised cost and debt securities at FVOCI (2017: available-for-sale). The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For loan commitments, the amounts in the table represent the amounts committed.

For explanation of the terms: "12-month ECL", "lifetime ECL" and "credit-impaired", refer to Note 32(vi).

	2018				2017
	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM	Total RM
Loans at amortised cost (2017: LAR)					
Government guaranteed and low risk bonds	20,013,110	-	-	20,013,110	20,022,508
Not rated	1,060,588	-	-	1,060,588	1,200,639
	21,073,698	-	-	21,073,698	21,223,147
Loss allowance	(5,507)	-	-	(5,507)	-
Carrying amount	**21,068,191**	**-**	**-**	**21,068,191**	**21,223,147**
Debt securities at FVOCI (2017: AFS)					
Government guaranteed and low risk bonds	236,615,090	-	-	236,615,090	138,150,850
Investment grade (BBB to AAA)	192,318,612	52,878,190	-	245,196,802	348,588,255
Non-investment grade (C to BB)	-	951,712	-	951,712	906,792
	428,933,702	53,829,902	-	482,763,604	487,645,897
Loss allowance	(356,843)	(1,695,516)	-	(2,052,359)	-
Carrying amount	**428,576,859**	**52,134,386**	**-**	**480,711,245**	**487,645,897**
Other receivables					
Investment grade (BBB to AAA)	-	500,000	-	500,000	500,000
Loss allowance	-	(26,917)	-	(26,917)	-
Carrying amount	**-**	**473,083**	**-**	**473,083**	**500,000**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure By Credit Rating

Table 32(C3): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties:

	Neither past-due nor impaired					
	Government guaranteed/ Investment grade* (BBB - AAA) RM	Non-investment grade* (C to BB) RM	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
2018						
Financial assets at amortised cost:						
Loans	20,007,603	-	-	1,060,588	-	21,068,191
Deposits with licensed financial institutions	24,200,000	-	-	-	-	24,200,000
Financial assets at FVOCI:						
Malaysian government securities	71,662,590	-	-	-	-	71,662,590
Debt securities	410,149,303	951,711	-	-	-	411,101,014
Financial assets at FVTPL:						
Debt securities	82,515,203	-	-	-	-	82,515,203
Reinsurance assets	180,763,794	-	11,122,911	-	-	191,886,705
Insurance receivables	2,774,760	-	26,853,834	-	52,553,375	82,181,969
Other receivables	11,932,888	-	58,383,753	-	-	70,316,641
Cash and bank balances	16,530,200	-	-	-	-	16,530,200
	820,536,341	**951,711**	**96,360,498**	**1,060,588**	**52,553,375**	**971,462,513**

* *Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.*

** *An aging analysis for financial assets past due is provided on page 150.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 32(C3): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties: (cont'd.)

	Neither past-due nor impaired					
	Government guaranteed/ Investment grade* (BBB - AAA) RM	Non-investment grade* (C to BB) RM	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
2017						
LAR:						
Loans	20,022,508	-	-	1,200,639	-	21,223,147
Deposits with licensed financial institutions	74,450,000	-	-	-	-	74,450,000
Financial assets at AFS:						
Malaysian government securities	38,277,600	-	-	-	-	38,277,600
Debt securities	328,792,745	906,792	119,668,760	-	-	449,368,297
Financial assets at FVTPL:						
Debt securities	25,563,172	-	-	-	-	25,563,172
Reinsurance assets	222,667,146	-	4,242,719	-	-	226,909,865
Insurance receivables	2,843,149	-	26,789,780	-	43,689,008	73,321,937
Other receivables	10,264,307	-	60,222,596	-	-	70,486,903
Cash and bank balances	18,557,881	-	-	-	-	18,557,881
	741,438,508	**906,792**	**210,923,855**	**1,200,639**	**43,689,008**	**998,158,802**

* *Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.*
** *An aging analysis for financial assets past due is provided on page 150.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 32(C4): The table below provides aging analysis of financial assets that are past due at the balance sheet date:

Aging Analysis of financial assets past due:

	Past-due but not impaired							
	<30 days RM	31 to 60 days RM	61 to 90 days RM	91 to 180 days RM	More than 180 days RM	Total RM	Past due and impaired RM	Total past due RM
2018								
Insurance Receivables	9,091,090	10,325,721	8,192,680	16,485,614	8,458,270	52,553,375	3,815,395	56,368,770
2017								
Insurance Receivables	12,738,705	7,565,868	6,924,645	9,046,673	7,413,117	43,689,008	16,563,970	60,252,978

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 are unsecured in nature.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

This disclosure below relates to MFRS9 which came into effect in 2018.

Amounts Arising From Expected Credit Loss ("ECL")

Measurement Of ECL - Explanation Of Inputs, Assumptions And Estimation Techniques

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (“PD”);
- loss given default (“LGD”); and
- exposure at default (“EAD”).

These parameters are derived from the statistical models which are internally developed by the Company based on the historical data. They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation at the time of default, either over the next 12 months (“12M PD”), or over the remaining lifetime (“Lifetime PD”) of the obligation. They are estimates at a certain date, which are calculated based on the statistical rating models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors.

If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. The ECL considers the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability of collateral, geographical location and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on the statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty, including amortisation schedules. The EAD of a financial asset is its gross carrying amount.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Amounts Arising From Expected Credit Loss ("ECL") (cont'd.)

Measurement Of ECL - Explanation Of Inputs, Assumptions And Estimation Techniques (cont'd.)

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The trade and lease receivables are in scope for ECL impairment provisions using the simplified assumption of lifetime ECL.

Significant Increase In Credit Risk

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative model, the 12M PD is determined to have increased by more than 100% since origination. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Significant Increase In Credit Risk (cont'd.)

Using its experienced credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Company uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

The Company considers “low credit risk” to be an investment grade credit rating using a combination of internal and external credit rating models.

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

Quantitative criteria

For insurance receivables, the counterparty fails to make contractual payments within 12 months when they fall due, which are derived based on the Company’s historical information. For bonds and loans, the instrument is in overdue status and there are non-payments on another debt obligation of the same issuer to the Company.

Qualitative criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within a given timeframe.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's expected loss calculations.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Incorporating Of Forward-Looking Information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Experienced judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, after which, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company for the year ended 31 December 2018.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Loss Allowance - Provision For ECL

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

	2018			
	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM
Loans at amortised cost				
Opening balance	4,210	-	-	4,210
Net remeasurement of loss allowance	450	-	-	450
New financial assets purchased	1,203	-	-	1,203
Financial assets that have been derecognised	(1,052)	-	-	(1,052)
Changes in models/risk parameters	696	-	-	696
Closing balance	**5,507**	**-**	**-**	**5,507**
Debt securities at FVOCI				
Opening balance	190,522	3,270,771	-	3,461,293
Transfer to 12-month ECL	600,364	(600,364)	-	-
Transfer to lifetime ECL not credit-impaired	(7,796)	7,796	-	-
Additional loss allowance due to transfer	(481,563)	43,241	-	(438,322)
Net remeasurement of loss allowance	39,647	(434,873)	-	(395,226)
New financial assets purchased	129,638	612,863	-	742,501
Financial assets that have been derecognised	(151,060)	(1,220,071)	-	(1,371,131)
Changes in models/risk parameters	37,091	16,153	-	53,244
Closing balance	**356,843**	**1,695,516**	**-**	**2,052,359**
Other receivables				
Opening balance	-	24,636	-	24,636
Net remeasurement of loss allowance	-	1,336	-	1,336
Changes in models/risk parameters	-	945	-	945
Closing balance	**-**	**26,917**	**-**	**26,917**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vii) Concentration Risk

An important element of managing both market and credit risks 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.

(viii) 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 of financial assets measured at ("FVOCI").

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(viii) Sensitivity Analysis On Financial Risks (cont'd.)

The table below shows the market risk sensitivity analysis:

	2018			2017		
	Changes in variable	Impact on profit after taxation RM'000	Impact on equity* RM'000	Changes in variable	Impact on profit after taxation RM'000	Impact on equity* RM'000
Equity (KLCI)	+20%	8,093	12,271	+20%	-	8,093
	-20%	(8,093)	(12,271)	-20%	-	(8,093)
Interest rate	Yield curve +100 bps	(2,688)	(18,593)	Yield curve +100 bps	(2,434)	(21,328)
	Yield curve -100 bps	2,688	19,561	Yield curve -100 bps	2,434	23,034
Credit spread	Spread +100 bps	-	(12,978)	Spread +100 bps	-	(16,822)
	Spread -100 bps	-	13,777	Spread -100 bps	-	18,361

* *The impact on equity reflects the after tax impact, when applicable.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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 resulting 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 the ethical standards and in compliance with the relevant laws and regulations governing insurance 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 strengthens:

- Fit and Proper
- Sales Advisory Process
- Training and Competency
- Business Conduct

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 the 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
- Counter financing of terrorism.

The day-to-day management of operational, market conduct and compliance risk 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 reports 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 risk.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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.

33. FAIR VALUES OF ASSETS AND LIABILITIES

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Fair Values Hierarchy

	Quoted market price (Level 1) RM	Valuation technique using observable inputs (Level 2) RM	Total RM
31 December 2018			
Assets measured at fair value on a recurring basis:			
Financial assets at FVOCI:			
Malaysian government securities	-	71,662,590	71,662,590
Debt securities	-	411,101,014	411,101,014
Equity securities	27,478,504	-	27,478,504
Financial assets at FVTPL:			
Debt securities	-	82,515,203	82,515,203
Equity securities	8,000	-	8,000
Collective investment schemes	-	53,240,420	53,240,420
	27,486,504	**618,519,227**	**646,005,731**

33. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D.)

Fair Values Hierarchy (cont'd.)

	Quoted market price (Level 1) RM	Valuation technique using observable inputs (Level 2) RM	Total RM
31 December 2017			
Assets measured at fair value on a recurring basis:			
Financial assets at AFS:			
Malaysian government securities	-	38,277,600	38,277,600
Debt securities	-	449,368,297	449,368,297
Equity securities	2,211,721	-	2,211,721
Collective investment schemes	-	50,973,742	50,973,742
Financial assets at FVTPL:			
Debt securities	-	25,563,172	25,563,172
Equity securities	9,200	-	9,200
	2,220,921	**564,182,811**	**566,403,732**

Valuation Techniques

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

The following is a description of the method by which the fair values of financial instruments which are recorded at fair value are determined using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments:

33. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D.)

Valuation Techniques (cont'd.)

FVOCI (2017: AFS)/FVTPL Financial Assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on the balance sheet date.

Investments in financial instruments with embedded derivatives consist of investments in structured deposits. The fair values of structured deposits are determined by reference to banks' valuation at the close of business on the balance sheet date.

For investment in Collective Investment Schemes, fair values are determined by reference to published net asset values.

34. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2018, as prescribed under the RBC Framework is provided below:

	2018 RM	2017 RM
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	273,936,035	262,079,596
	373,936,035	362,079,596
Tier 2 Capital:		
Eligible Reserves	583,715	5,126,998
Deductions	(18,370,467)	(18,182,598)
Total Capital Available	**356,149,283**	**349,023,996**

35. UPDATES ON MALAYSIAN COMPETITION COMMISSION ("MYCC")

On 22 February 2017, the Malaysian Competition Commission ("MyCC") issued its Proposed Decision on an alleged infringement by the General Insurance Association of Malaysia ("PIAM") and its 22 members under the Section 4(2)(a) of the Competition Act 2010 ("the Act"). MyCC's Proposed Decision is with respect to the agreement reached between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") in respect to the trade discount rates for parts of certain vehicle makes and labour rates for workshops under the PIAM Approved Repairers Scheme.

As a result, MyCC has proposed various remedies on the general insurers, including financial penalties amounting to a total of RM213.45 million. The proposed financial penalty on the Company is RM2.95 million.

In line with the appointment of a new Chairman for MyCC which took effect on 5 September 2018, a new oral hearing was requested by the legal counsel of PIAM on 8 November 2018 so as to provide further clarification that the new Chairman and/or MyCC may have prior to the finalisation of any decisions.

The date for the oral representation has been tentatively fixed for 19 to 21 February 2019.