



DOING GREAT FOR YOU


GREAT EASTERN LIFE
ASSURANCE (MALAYSIA) BERHAD
ANNUAL REPORT 2019



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DOING GREAT FOR YOU



At Great Eastern, we believe in delivering our best because You deserve nothing less. We are committed to developing innovative solutions and empowering our customers to LIVE THE GREAT LIFE.

The digital elements featured in this year's annual report reflect our ongoing effort to harness the power of technology to transform the company, and the way in which we live, work and play.

WHO WE ARE

We are a LIFE company.

WHAT WE BELIEVE IN

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

WHAT WE DO

Inspiring people to
LIVE GREAT.

VISION

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

MISSION

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

CORE VALUES

- INTEGRITY
- INITIATIVE
- INVOLVEMENT

ETHOS

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

KEY FIGURES PERFORMANCE HIGHLIGHTS FY2019



RM818.4

MILLION

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

RM8,728

MILLION

GROSS PREMIUMS



RM87,292

MILLION

TOTAL ASSETS

RM2,667

MILLION

SHAREHOLDERS FUND

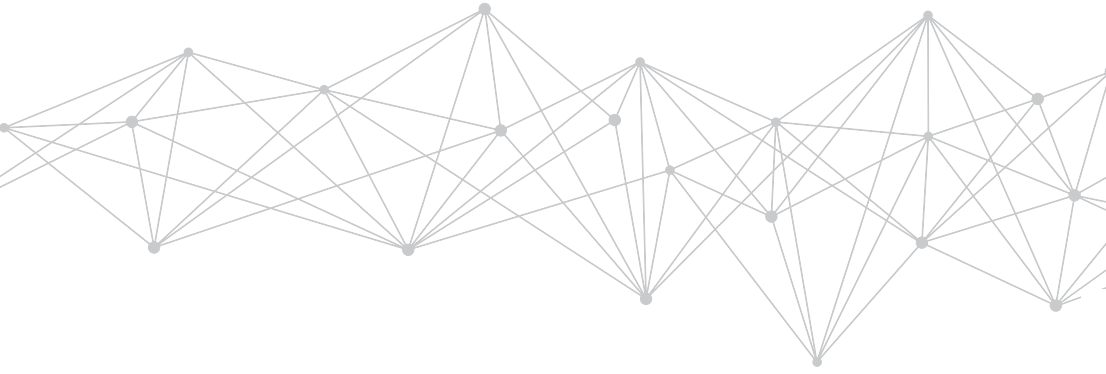
RM8.18

DISTRIBUTION PER SHARE

RM5,867.3

MILLION

INVESTMENT INCOME
AND CAPITAL GAIN



GREAT SOLUTIONS FOR EVERY NEED



Putting Our Customers First

We place our customers at the heart of all that we do. Guided by our core values of integrity, initiative and involvement, we provide insurance solutions to meet their needs and goals through innovation and technology.





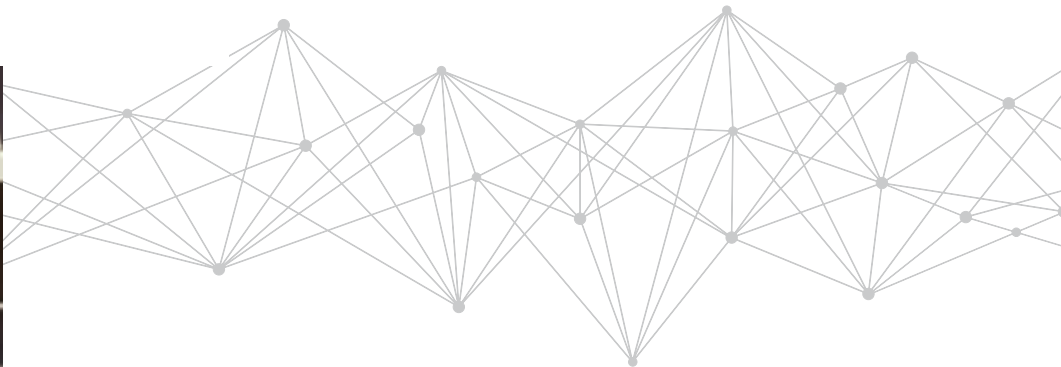


GREAT MINDS THINK ALIKE

Working Together
To Achieve
A Common Purpose



We are passionate about empowering our people. We believe in creating a conducive environment that supports personal and professional development, where everyone can grow with the company to realise their full potential.



GOING TO GREAT LENGTHS

Doing good in the community

We go to great lengths to make a difference in the communities where we operate. Through the many charitable causes we support, we hope to make a strong social impact through our employees and financial representatives as they continue to use their talents to do good for others.





LETTER FROM THE CHAIRMAN AND CEO

NORMAN KA CHEUNG IP
Chairman



Dear Shareholders,

We are pleased to report that despite 2019 being a challenging year, Great Eastern recorded good growth and maintained our market leadership in the conventional life insurance business.

The year ended with a growth of 15.9% in new businesses embedded value and we increased our asset size to RM87.3 billion at the end of 2019 from RM81.2 billion in the preceding year.

We continued to place our customers at the heart of all our initiatives. Guided by our core values of integrity, initiative and involvement, we optimised product solutions to meet customer needs and goals through innovation and technology. We also strategically deployed resources to strengthen our distribution management capabilities while enhancing touchpoints with our customers with a view to enhance shareholder value.

During the year, which also marked our 111th anniversary, we continued to leverage on a sustained and resilient business strategy underscored by our legacy as a preferred life insurer since 1908.

To this end, the Board has recommended a second and final single tier dividend of RM1.00 per ordinary share. Total dividends for the financial year 2019 would amount to RM1.45 per ordinary share, including the interim single tier dividend of RM0.45 per ordinary share paid in August 2019.

SERVING OUR CUSTOMER NEEDS WITH INNOVATIVE SOLUTIONS

At Great Eastern, innovation continues to drive our strategic approach to product development. We remain focused on developing plans to address the specific needs of our customers in the different stages of their life's journey through long-term life insurance protection.



Y BHG DATO KOH YAW HUI
Chief Executive Officer



RM818.4
MILLION

PROFIT ATTRIBUTABLE
TO SHAREHOLDERS

In the first half of 2019, we emphasized on insurance plans to ensure a secured future for children through SmartProtect Junior, a comprehensive child insurance plan with the flexibility of attaching medical, accidental and payor riders.

Responding to the important needs of expecting mothers, Smart Baby Shield was also launched, as a pre-natal rider aimed at providing early protection for unborn babies with congenital issues during pregnancy complications.

To complete the protection benefits for children, we developed the Investment-linked (IL) Junior CI Plus rider, which provides critical illness coverage that focuses on child-prone conditions while the IL EduSaver rider is aimed at building an education fund for the child.

We further enhanced our IL product suite by launching SmartProtect Essential 3, an IL life protection plan, which provides customers with a wide range of riders for additional protection from medical to accidental coverage. Two new additions to the portfolio were SmartProtect Legacy Max and SmartProtect Wealth 20, catered for customers with legacy planning and debt cancellation in mind.

In meeting the needs of customers seeking an affordable plan, Great Love4u was launched to offer high coverage of up to 4 times the basic sum assured for accidental death. The plan is also easily accessible with hassle-free enrolment and no medical underwriting.

LETTER FROM THE CHAIRMAN AND CEO

STRENGTHENING OUR CUSTOMER ENGAGEMENT

Living a healthier lifestyle remains the cornerstone of our LIVE GREAT Programme. We continue to engage with our customers to reinforce this important message and motivate them to take action to live great as individuals while participating in wholesome activities.

Our annual LIVE GREAT Run returned for the eighth consecutive year, drawing over 14,000 runners to Bukit Jalil National Stadium with competitive and casual runners taking part in the signature 12km Run and the 5km Triple Fun Run respectively. The event further extended to an evening of healthy fun with classic carnival games, photo booths, food galore and a dazzling display of fireworks to end the night.

At the Great Eastern Viper Challenge 2019, a record-breaking 52,000 participants tested their endurance, strength and teamwork in the challenging obstacle courses. The fitness aficionados took on the new challenge of completing all five locations throughout the course of the year at the Sepang Night Track, Penang Second Bridge, Port Dickson, Bukit Jalil National Stadium and Sepang International Circuit.

Great Eastern continued our partnership into Season 3 of the world's largest talent competition, Asia's Got Talent (AGT), showcasing our LIVE GREAT banner as we encouraged Malaysians to pursue their passions and achieve their dreams with confidence.

An extension of our AGT sponsorship, we also organised #RoadtoGreatness; the on-ground event congregated major talents from across the region to the big stage in Kuala Lumpur. They included the winner of AGT Season 2, Indonesian illusionist The Sacred Riana spellbinding the audience with her illusionism acts. Whilst, the Season 3 fan favourites such as Malaysia's Yaashwin Sarawanan, NAMA, and Freaky Girls along with Indonesia's Raisa Putri and Singapore's Louis Sue performed to inspire all Malaysians to achieve their lives' greatness.

We were also the main sponsor for the eighth year running for the Star Health Expo, Malaysia's biggest health and fitness exhibition. The event attracted some 18,000 participants to its health talks, booth activities, live workout sessions and demonstrations. Our LIVE GREAT events, namely the LIVE GREAT Dodgeball Open, Kinect Workout, LIVE GREAT Sky Track and Bike Race events were all very well received.

BOOSTING OUR DISTRIBUTION CAPABILITIES

The year kicked off with a record-breaking attendance of 5,000 agents at the National Head Start 2019. The convention served to provide an impetus to achieve business goals whilst product development, operational support and incentive programmes motivated them to strive for greatness and excellence.

Key initiatives continued over the year to enhance the expertise and skill set of our agency force who are pivotal in driving business growth. We introduced the new Professional Standard Membership Requirements to boost the advisory capabilities of our graduates, marking an important milestone in our agency development blueprint from an academic certification to a professional certification.

In 2019, the Life Planning Advisor (LPA) programme graduates increased to 3,389 with another 356 members currently pursuing various modules. Our iDream app take-up rate rose to 95% with more than 2,500 LPA graduates adopting the regional sales tool app to increase their productivity. The USM Venture Programme continued to show strong programme participation, which resulted in 800 new recruits with strong business acumen and leadership skills.

In tandem with our digital transformation journey in strengthening business communication channels, we launched Great Link, a mobile app that allows our agency force access to relevant and timely vital information with security control. Information on performance levels corresponding to their Balanced Score Card, newly launched agency contests, nationwide & regional agency events, tracking of contest timeline enabled the agent to respond more efficiently to business needs.

Since its launch in July 2019, there have been over 10,000 users registered on Great Link, signalling a strong and positive uptake amongst the agency force members. Plans to enhance the mobile app with operational features and to integrate with MPOS are well underway into 2020. The integration would be an added advantage for the agents to elevate their customers' experience during the insurance sales process.

Building on our synergistic bancassurance partnership with OCBC Bank, we launched MaxEmpower and Max Step-up to expand savings and protection solutions as well as MaxSure, an innovative regular premium to increase customer footfall to OCBC branches.

HUMAN CAPITAL

At Great Eastern, we place the utmost importance in the well-being of our staff and the pivotal role they each play to support our sustainability and competitiveness in the marketplace.

To drive a people empowerment strategy while ensuring corporate governance, we collaborated with the Industry Administrative Officers Association Peninsular Malaysia (IIAOA) to support a positive and harmonious work environment. Enhanced employee benefits such as extended maternity leave and special leave for long-serving staff were announced.

As part of our ongoing employee LIFE Programme comprising fitness classes, health talks and healthy food giveaways, we participated in the Activ@ Work Challenge by PERKESO which encourages employers to motivate employees to remain active at the workplace. In addition, we also collaborated with MyPerintis to introduce 'Sweat Off Depression and Anxiety' (SODA), a new initiative to highlight the importance of mental health.

In conjunction with the company's 111th birthday celebrations, the Great Eastern Culture Project was launched to reiterate the company's core values of Integrity, Initiative and Involvement and to promote a healthy work culture while driving customer-centricity and future readiness.

Supporting the company's ongoing digital transformation, the Human Capital department commenced its efforts to digitalise human resource processes. Further preparations scheduled for first half of 2020 are also underway to streamline processes and increase operational efficiency.

ALIGNING TO REGULATORY CHANGES

In 2019, Bank Negara Malaysia (BNM) issued several new regulations for the Investment-Linked Product (ILP) Insurance Policy. The regulation requires insurance companies to disclose the sustainability of coverage.

BNM also issued a policy document on Operating Cost Controls for Life Insurance and Family Takaful, which comes into effect on 1 January 2020. The policy document sets out a roadmap for the deregulation of operation cost control limits for licensed life insurers and family takaful operators, along with standards to strengthen the professionalism of their intermediaries. The final new policy document introduced in 2019 will facilitate the orderly development of universal life businesses in Malaysia.

We are committed to full compliance with BNM's new guidelines and regulations, which serve to raise the bar for the insurance industry in Malaysia and to establish greater transparency for the benefit of customers.

BUILDING BRIGHTER FUTURES FOR THE UNDERPRIVILEGED

Great Eastern is passionate about making positive changes in our communities, especially among underprivileged children to ensure they have brighter futures. Over the year, several initiatives were conducted under the three core pillars of our Corporate Social Responsibility programme, ChildrenCare - Education, Personal Development and Health and Wellness.

LETTER FROM THE CHAIRMAN AND CEO

Under the Education pillar, we organised the Let's Score 'A', PT3 and SPM Workshops to provide study materials, syllabus revisions, examination tips and answering techniques to underprivileged children, under the purview of Jabatan Kebajikan Masyarakat or Social Welfare Department, helping them to excel in their public school examinations. These children would receive RM100 for every A scored in the examinations and we have awarded almost RM75,000 to children across Peninsular and East Malaysia for their outstanding effort since 2014.

Under the Personal Development pillar, we organised initiatives that focused on enhancing the children's life skills and creative skills. Lantern making sessions and cookie-baking workshops were conducted to usher in the celebration of the multi-cultural festivities amongst the 140 children.

Throughout the year, we worked with professional players and experienced instructors to organise workshops to introduce the children to the basics of futsal, dodgeball and badminton under the Health and Wellness pillar. These sessions were aimed to encourage the children to cultivate healthy lifestyle through sports and they also received the sport equipment as motivation to continue playing the game.

ACCOLADES

2019 marked a year of achievements and recognition. Our market leadership coupled with our meaningful engagement with community and strong industry presence won us several notable accolades.

We are truly honoured to be voted by consumers for the Gold Award for Life Insurance at the Reader's Digest Trusted Brand Awards for the 16th consecutive year, the longest winning streak by a life insurer in the award's history. The Company also won the Gold Award for Health Insurance for the second consecutive year.

We also received the BrandLaureate Nation Branding Award and the BrandLaureate Greatest ICONIC Brand of the Decade Industry Champion Award in recognition of our contribution to business, community and the nation.

For the second consecutive year, consumer voting earned Great Eastern the Top Brand in Banking, Investment and Insurance at the Putra Brand Awards, the only award endorsed by the Malaysia External Trade Development Corporation (MATRADE).

In recognition of our employer branding efforts, we earned a Silver at the Asia Recruitment Awards for 'Best Candidate Experience by a Corporate HR Team' and a Silver for 'Excellence in Retention Strategy' at the HR Excellence Awards. We also received the Graduates Choice Award.

Great Eastern was among HR Asia's Best Companies to Work For in Asia 2019 and Malaysia's 100 Leading Graduate Employers. Our commitment to advance talent development through LOMA's professional programmes won us the LOMA Excellence in Education award.

OUTLOOK IN 2020

Although 2020 began with initial optimism for a global economic recovery, all indicators now point to it to be another challenging year as the world enters an economic slowdown.

Local economies will be impacted by weak global demand, supply chain disruptions, travel restrictions and domestic containment measures, mainly due to the COVID-19 pandemic, which has become a life threatening challenge facing nations across the globe.

In response to the COVID-19 outbreak, Great Eastern pledges a total of RM1 million under the Financial Assistance Programme to help customers who are affected by the virus. The programme aims to support Great Eastern customers and their immediate family members (spouse and children up to age 18 years) with financial assistance upon diagnosis of COVID-19. The programme is extended to customers of Great Eastern Life Assurance (Malaysia) Berhad, Great Eastern General Insurance (Malaysia) Berhad and Great Eastern Takaful Berhad.

We also participated in the COVID-19 TEST FUND (CTF), a joint initiative by the industry associations, namely, The Life Insurance Association of Malaysia, Persatuan Insurans Am Malaysia and the Malaysian Takaful Association.

The CTF is in support of the Ministry of Health efforts to conduct more COVID-19 tests, targeting over 26,600 people. The fund will subsidize the costs of the test for policyholders, healthcare front liners, persons under investigation and those who are at risk of being infected.

Weighing in on the challenging scenario are the ongoing trade negotiations between the US and China, the finalisation of Brexit and the US elections, all of which will take prominence once mitigating measures to contain COVID-19 see headway and when a vaccine is found.

Moving ahead, we expect countries in Asia, Europe and the US to introduce aggressive policies to address economic growth. Malaysia's gross domestic product is projected to be between -2% and 0.5% in 2020 and the government's stimulus package coupled with the cut in the overnight policy rate is aimed at cushioning the effect while driving economic recovery. Meanwhile, the life insurance industry, which registered a 14.19% increase in new business in 2019, remains uncertain following COVID-19, with gradual recovery expected in the second half of 2020 barring unforeseen circumstances.

Given the challenging conditions in these unprecedented times, Great Eastern will continue to take a prudent and calculated approach in our underwriting and investments and will carefully manage our exposure and market risks.

Our business fundamentals remain strong. While remaining vigilant, we will continue to harness the experience and expertise of our dedicated and experienced team to ensure operational efficiency and to tap on the power of technology through our ongoing digital transformation.

We are committed to deliver value to our stakeholders and to safeguard the interest of our large customer base.

ACKNOWLEDGEMENT

During the year at the end of July 2019, Mdm Tan Fong Sang has voluntarily resigned as a Director of the Company, to help facilitate the compliance with the Corporate Governance Policy Document requirement of having minority common directors within the affiliates of the financial institutions of the Great Eastern Group of Companies in Malaysia. On behalf of the Board, we wish to extend our heartfelt appreciation for her contribution during her tenure with the Company. The Company wish to announce the appointment of a new Independent Director, Mr Ou Shian Waei on 15 January 2020. Mr Ou is a veteran in information technology having served 30 years in IBM, retired as its Managing Director. He also brings with him years of experience in general insurance, banking and financial technology amongst others, to augment the strength of the Board.

We wish to accord our heartfelt thanks and appreciation to Bank Negara Malaysia, Great Eastern Holdings Limited, and OCBC Bank for their valued guidance. We would like to thank the Board of Directors and Management Team who have provided strategic leadership and vision as we continue to build our business. To our customers, shareholders and agency force, we are truly grateful for your unwavering trust and confidence as we forge ahead to raise the bar and achieve excellence in the industry.

We will continue to deliver on our value propositions and drive the Company to greater heights.



NORMAN KA CHEUNG IP
Chairman



DATO KOH YAW HUI
Chief Executive Officer

BOARD OF DIRECTORS



MR NORMAN KA CHEUNG IP

Chairman

Mr Norman Ip was appointed to the Board of Directors (“Board”) of Great Eastern Life Assurance (Malaysia) Berhad (the “Company”) on 8 August 2014 as an Independent Director and Chairman of the Board. He was re-elected as the Company Director on 6 May 2020. He is also the Chairman of Great Eastern General Insurance (Malaysia) Berhad as well as a Director of Great Eastern Takaful Berhad.

Mr Norman Ip is currently the Deputy Chairman of Building and Construction Authority and a Member of Securities Industry Council.

Mr Norman Ip was previously the Group Managing Director of United Engineers Limited and Chairman of Malaysia Smelting Corporation Berhad, UE E&C Ltd and WBL Corporation Limited as well as a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange. He is a Chartered Accountant by training and has over 33 years of experience in finance and investments, real estate and managing companies. From 2000 to 2009, he was President and Group Chief Executive Officer of The Straits Trading Company Limited (“STC”), the main activities of which are in real estate, mining and hospitality. Prior to joining STC in 1983, he was with Ernst & Whinney (now known as Ernst & Young LLP).

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



MR TAN YAM PIN

Mr Tan was appointed to the Company’s Board on 3 January 2017 as an Independent Director. He was re-elected as the Company Director on 16 April 2019.

Mr Tan is also a Director of Keppel Land Limited and Lee Kuan Yew Scholarship Fund. He previously served as a Member and Deputy Chairman of the Singapore Public Service Commission.

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



MR KOH POH TIONG

Mr Koh was appointed to the Company's Board on 1 October 2017 as an Independent Director. He was re-appointed as the Company Director on 17 April 2018. He is also a Director of Great Eastern General Insurance (Malaysia) Berhad.

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

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



MR KHOR HOCK SENG

Mr Khor was appointed to the Company's Board on 1 March 2016 as a Non-Independent Non-Executive Director. He was redesignated as an Executive Director on 3 August 2016. He was re-elected as the Company Director on 17 April 2018. Mr Khor is also a Director of Great Eastern General Insurance (Malaysia) Berhad and Great Eastern Takaful Berhad.

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

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

BOARD OF DIRECTORS



MR NG HON SOON

Mr Ng was appointed to the Company's Board on 1 November 2014 as an Independent Director. He was re-elected as the Company Director on 6 May 2020.

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

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



MR DAVID SIEW KAH TOONG

Mr David Siew was appointed to the Company's Board on 1 March 2019 as an Independent Director. He was re-appointed as the Company Director on 16 April 2019.

Mr David Siew is currently the Managing Partner of Sekhar & Tan. He also serves as a Director in several companies, including Fraser and Neave Holdings Berhad and Tan Chong Motor Holdings Berhad. He previously served as a Director of Wing Tai Malaysia Berhad and Emas Kiara Industries Bhd.

Mr David Siew was involved in the role of Special Administrator for several public listed companies pursuant to the Pengurusan Danaharta Nasional Berhad Act, 1998 and successfully restructured them for re-listing. Mr Siew's area of expertise is in auditing, financial reporting and corporate advisory. He has served as the audit engagement partner on many public listed companies.

Mr David Siew is a member of the Malaysian Institute of Accountants ("MIA"), the Malaysian Institute of Certified Public Accountants ("MICPA") and CPA Australia. He is also a member of the Practice Review Committee of the MIA and the Financial Statements Review Committee and Accounting and Auditing Technical Committee of MICPA.



MR OU SHIAN WAEI

Mr Ou was appointed to the Company's Board on 15 January 2020 as an Independent Director. He was re-appointed as the Company Director on 6 May 2020.

Mr Ou currently serves as a Director in several companies, including AIG Malaysia Insurance Berhad, Private Pension Administrator Malaysia and FIDE FORUM. He previously served as a Director of Alliance Financial Group Berhad and Alliance Bank Malaysia Berhad.

Mr Ou served as CEO/Country General Manager of IBM Malaysia from 1996 to 1999 and was appointed to the same role again in 2007 until his retirement in January 2010. Prior to joining IBM in 1976, Mr Ou was a key member in the Corporate Planning Department of Malayan Banking Berhad that implemented the first online banking system for the bank in Malaysia and also for MBB Singapore.

Mr Ou holds a Bachelor of Science degree in Chemistry from the University of Malaya, Kuala Lumpur

SENIOR MANAGEMENT TEAM



Y Bhg Dato Koh Yaw Hui
Chief Executive Officer



Loke Chang Yueh
Chief Financial Officer



Jeffrey Yem Voon Cheat
Chief Operations Officer



Nicholas Kua Choo Ming
Chief Marketing Officer



Cheong Soo Ching
Chief Risk Officer
(Retired effective 1 February 2020)



Alexis Jong Kian Wei
Chief Investment Officer



Audra Chung Kit Li
Chief Internal Auditor





Leslie Chow Khee Leong
Head, Group Insurance- Employee Benefits
*(Relocated to Great Eastern Life Assurance Company
Limited effective 1 January 2020)*



Chan Chee Wei
Head, Bancassurance



Foong Chee Kwan
Head, Group Insurance- Affinity



Chan Chia Khaw
Appointed Actuary



Vincent Chin Kok Lean
Head, Information Technology



Liza Hanim Binti Zainal Abidin
Company Secretary, Company
Secretariat and Legal



Dennis Tan Koh Tiong
Head, Human Capital



CORPORATE INFORMATION

As at 6 May 2020

BOARD OF DIRECTORS

Mr Norman Ka Cheung Ip (Chairman)
Mr Tan Yam Pin
Mr Koh Poh Tiong
Mr Khor Hock Seng
Mr Ng Hon Soon
Mr David Siew Kah Toong
Mr Ou Shian Waei

BOARD AUDIT COMMITTEE

Mr David Siew Kah Toong (Chairman)
Mr Ng Hon Soon
Mr Ou Shian Waei

BOARD NOMINATIONS AND REMUNERATION COMMITTEE

Mr Tan Yam Pin (Chairman)
Mr Norman Ka Cheung Ip
Mr Koh Poh Tiong

BOARD RISK MANAGEMENT COMMITTEE

Mr Ng Hon Soon (Chairman)
Mr Norman Ka Cheung Ip
Mr Ou Shian Waei

CHIEF EXECUTIVE OFFICER

Y Bhg Dato Koh Yaw Hui

APPOINTED ACTUARY

Chan Chia Khow

COMPANY SECRETARY

Liza Hanim Binti Zainal Abidin

REGISTERED OFFICE

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

AUDITORS

Messrs Ernst & Young PLT
(Retired at the Annual General Meeting on
6 May 2020)

Messrs PricewaterhouseCoopers PLT
(Appointed at the Annual General Meeting on
6 May 2020)

KEY FUNCTIONAL DIVISIONS

As at 31 December 2019

AGENCY DISTRIBUTION TEAM

Koh Ken Yong
Head, National Agency Sales

Eric Soo Hong Kee
Regional Senior Agency Director, Central Region 2

Alex Hew Aik Thye
Regional Agency Director, Central Region 1

James Pang Shau Hwa
Regional Senior Agency Director, Southern Region

Lau Kok Hin
Regional Senior Agency Director, Northern Region

See Han Chung
Regional Agency Director, East Coast Region

Steven Chong Nyuk Phin
Regional Agency Director, Sabah Region

Ricky Voon Woo Kian
Regional Agency Director, Sarawak Region

CENTRE FOR EXCELLENCE

Andy Ng Yen Heng
Head, Centre for Excellence

AGENCY RECRUITMENT, COMMUNICATIONS AND E&P

Loke Shee Yan
Head, Agency Recruitment, Communications and E&P

AGENCY SUPPORT

Ken Ng Kean Hooi
Head, Agency Support

CHIEF MARKETING OFFICER'S OFFICE

Nicholas Kua Choo Ming
Chief Marketing Officer

Wong Mei Chim
Head
Product Management

Mandy Wong Sook Man
Head
Marketing and Customer Management

Juliet Wong Poh Choo
Head
Brand and Communications

GROUP INSURANCE

Leslie Chow Khee Leong
Head
Group Insurance-Employee Benefits
(Relocated to Great Eastern Life Assurance
Company Limited, effective January 2020)

Foong Chee Kwan
Head
Group Insurance-Affinity

BANCASSURANCE

Chan Chee Wei
Head, Bancassurance

ACTUARIAL

Chan Chia Khaw
Appointed Actuary

KEY FUNCTIONAL DIVISIONS

As at 31 December 2019

COMPANY SECRETARIAT AND LEGAL

Liza Hanim Binti Zainal Abidin
Company Secretary, Secretariat and Legal

Mazlin Haslinda Mohammed
Head
Legal

Wendy Chin Loong Ying
Vice President
Company Secretariat

CHIEF FINANCIAL OFFICER'S OFFICE

Loke Chang Yueh
Chief Financial Officer

Mah Poon Keong
Head, Finance

Gan Geok Lai
Manager, Investment Operations

CHIEF RISK OFFICER'S OFFICE

Cheong Soo Ching
Chief Risk Officer
(Retirement, effective February 2020)

Helen Quat Li Huang
Head
Compliance

HUMAN CAPITAL

Dennis Tan Koh Tiong
Head, Human Capital

Kwon Yen May
Head
Office Services

INTERNAL AUDIT

Audra Chung Kit Li
Chief Internal Auditor

INFORMATION TECHNOLOGY

Vincent Chin Kok Lean
Head, Information Technology

DIGITAL TRANSFORMATION

Lo Chin Loon
Head, Digital Transformation

INVESTMENT

Alexis Jong Kian Wei
Chief Investment Officer

Goh Pei Kuan
Head
Equity

CHIEF OPERATIONS OFFICER'S OFFICE

Jeffrey Yem Voon Cheat
Chief Operations Officer

Dr Ang Tze Yeow
Head
HealthCare Services

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

Kong Siew Choe
Head
Operations Support

Ng Li Yan
Head
New Business

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

2019 AGENTS' HONOUR ROLL CEO'S EXCELLENCE AWARD



From left:

DATO' TOH CHUN SHIONG (Top Group Manager)

YIP HOY YEAN (Top Unit Manager)

ANG WEI PIN (Top Career Agent)

HENG YING HUI (Top Agent)

TOP PRODUCERS



From left:

DATO' TOH CHUN SHIONG (Top Group Manager for Whole Group)

YIP HOY YEAN (Top Unit Manager)

HENG YING HUI (Top Personal Producer & Top Agent)

ANG WEI PIN (Top Career Agent)

2019 AGENTS' HONOUR ROLL

TOP 3 GROUP MANAGERS (WHOLE GROUP)

Name	Award
DATO' TOH CHUN SHIONG	Champion
TAN LAY SEONG	1st Runner Up
KOH SHENG YI	2nd Runner Up

TOP 3 GROUP MANAGERS (DIRECT GROUP)

Name	Award
KANG QIAN WEI	Champion
DATO' TOH CHUN SHIONG	1st Runner Up
KOH SHENG YI	2nd Runner Up

TOP 3 UNIT MANAGERS (DIRECT GROUP)

Name	Award
YIP HOY YEAN	Champion
BO CHIN HOONG	1st Runner Up
DATO' GAN AI LING	2nd Runner Up

TOP 3 PERSONAL PRODUCERS

Name	Award
HENG YING HUI	Champion
YIP PUI YEAN	1st Runner Up
DATO' TOH CHUN SHIONG	2nd Runner Up

TOP 3 CAREER AGENTS

Name	Award
ANG WEI PIN	Champion
WATT SOO KIANG	1st Runner Up
LAI YIT CHEN	2nd Runner Up

TOP 3 AGENTS

Name	Award
HENG YING HUI	Champion
YIP PUI YEAN	1st Runner Up
ANG CHING YEE	2nd Runner Up

GREAT ICONIC LEADERS CLUB

Agent Name
CHEE CHYL ANN
CHIA AI HUANG
DATO' TOH CHUN SHIONG
GOON MEI LEAN
KOAY KEAT SOON
KOH SHENG YI
MANIARASU A/L SWAMINAIDU
SHA KAH YONG
SHAH LEE HUAT

GREAT SUPREME PRODUCERS CLUB

PLATINUM

Agent Name
DATO' GAN AI LING
DATO' TOH CHUN SHIONG
EVELYN AUN KYE YIN
LIM SU CHEN
PUA LIAN HOO
YIP PUI YEAN

GOLD

Agent Name
ANG CHING YEE
ANG WEI PIN
CHEONG CHOON KEONG
CHOO YIN WEI
CHUA TONG SENG
HENG YING HUI
LEE MING MIN
LOO CING CON
PHUA XIN HUI
PUA LIAN KENG
TAN TZIA TZIA

2019 AGENTS' HONOUR ROLL

GREAT SUPREME PRODUCERS CLUB (CONTINUED)

SILVER

Agent Name

CHIEW HUI YIN
CHOW KAR LING
DONG POOI SUNN
HOOI TEEK HONG
KONG HOW LI
LAW SUOK UNG
LEE LI CHENG
LEW HAN SERN
LIEW SIEW YUN
PHOON YUH JIUN
POOK KUI HENG
TOO CHANG WEE
WATT SOO KIANG
YAP YIN ROU

CLASSIC

Agent Name

ABDUL AKIM BIN M.K.S MOHAMED ALI
ADRIAN RICHARD A/L ARPUTHAN DOSS
ALISON GOH EE PHIN
ANG GAIK HOON
ANG SOO CHUAN
ANGELINE TEH LYE THENG
AWEY YEN TING
BENNIE HOO WEI CHUAN
BO CHIN HOONG
BON SZE SHEAN @ WOON SZE SHEAN
CHAN LAI SIM
CHAN YUAN NEE
CHANG MING JEN
CHEAH HAR MOOI
CHIA WOEI
CHIN FA HOY
CHIN XUE FEN
CHONG HAO FOONG
CHOO LEE HONG
CHOW CHUI YEE
CHRISTOPHER NG YEE MIN
CHUA ALAN
CHUA BOON POH
CHUAH KANG BOON
DANAPALAN A/L KUNJAMBU
DATO' CHEN FOONG LING
DATO' GUI SIEW LUANG
DAVID WONG CHIANG FAI

Agent Name

DONG LEONG MOI
DR TED MITCHEL LEONG
EE CHEA CHEA
ENG LI FUNG
FOO LI CHIAU
FOO YEE MUN
FOONG CAI QIAN
FOONG CHEE TIONG
FUM CHON LONG
GAN CHOON WAH
GAN KAH HUI
GOH EE LIN
GOON MEI LEAN
HENG SIEW KEAN
HING AI LONG
HONG CHOW PENG
IAN WONG JOON HO
INDRANI A/P RAGAVAN
JASON TEOH KEAN LOON
JESSICA OOI LI MEI
KEE CHIEW GUEK
KEE TECK HUAT
KHOO CHUN YEE
KHOO SEWE TIN
KHOR BOON HWA
KONG SET WAH
KUAN WEI YING
LAI YIT CHEN
LAW KIM NOI
LEE JIA CHYI
LEE KOK HOOI
LEE SHOOK HAN
LEE TIAM OON
LEE WAN PING
LEONG CHAI LING
LEONG LAI YEE
LIEW LEE HOU
LIEW SIEW PING
LIM CHAI HONG
LIM HUI LENG
LIM MEOW LIH
LIM TONG CHING
LIM XIN NI
LOH KAW YEH
LOO CHUNG HON
LOOI BOH MING
LOW LEE SAN
LYDIA CHOE SOONG ERN
MITESH KUMAR A/L HAMENDRA KUMAR
NALINEE A/P PALANI
NEO WEI CHENG

Agent Name

NG CHIA MUAR
NG KAH GIN
NG SHEAU FERN
NG WEI JIN
ONG HUI YEN
OO BOON BENG
OOI LIN THIAN
OOI TZE QIAN
PHONG YAP KEONG
PHUA LEI KUN
POON TUCK CHUN
PUA HAN NEE
PUA LIAN KOK
RYAN LAU LE AN
SANG VUN SIUNG
SHIRLEY TAN AI WEI
SIA PUEH SEE
SOH SOON HUAT
SOO YIK HONG
TAN BEE IMM
TAN CHOO MENG
TAN HUI HUANG
TAN KOK WEI
TAN SEOW LI
TAN SIN YIT
TAN TECK KANG
TAN TEONG KEE
TEAR YU CHUAN
TEE SHY LEE
TEH CHUI ANN
TENG CHONG BOON
TEOH YIN CHIOU
TEONG KIM ENG
THONG KEING OWI
TIEH PUI YEN
TIEW WAY CHIN
TOK AI LIAN
WANG TEE SUAN
WEE LEE PAW
WILSON NG
WONG KOK CHWAN
WONG SHU FON
WOON NYUK FOONG
YAP CHING CHEONG
YAP POH LENG
YAP YIN YIN
YEAP MEE GUIK
YONG YIT MENG
YU SIONG CHOO

MDRT TOP OF THE TABLE

Agent Name	Years
DATO' TOH CHUN SHIONG	20 Q&L

MDRT COURT OF THE TABLE

Agent Name	Years
HENG SHOOU JU	23 Q&L
DATO' GUI SIEW LUANG	20 Q&L
TAN LAY SEONG	20 Q&L
DATO' CHEN FOONG LING	18 Q&L
LAW SUOK UNG	18 Q&L
BENNIE HOO WEI CHUAN	17 Q&L
DATO' GAN AI LING	10 Q&L
PUA LIAN HOO	14 Q
LIM MEOW LIH	7 Q
YIP PUI YEAN	5 Q
CHRISTOPHER NG YEE MIN	4 Q
LIM SU CHEN	4 Q
CHONG JIT SHAN	2 Q
LIM TONG CHING	2 Q
NG SOON HOE	2 Q
RYAN LAU LE AN	2 Q
TAN BEE IMM	2 Q

QUARTER CENTURY CLUB

Agent Name
ROBERT CHEAH BOOY
G SATHEESAN
CHONG MOAN LAM @ CHEONG MOON LAM
V MAHALINGAM
A UTHAY KUMARAN
LAW KIM NOI

HONOUR ROLL

Agent Name
G SATHEESAN
ROBERT CHEAH BOOY
V MAHALINGAM
A UTHAY KUMARAN
LAI KOK FUNG
CHEAH HAR MOOI
HENG SHOOU JU
LAW KIM NOI
LEE MOI CHIN
PARTHIBAN A/L NADESEN
CHENG WAN LENG
DATO' GUI SIEW LUANG
DATO' TOH CHUN SHIONG
TANG YET KIEW
FOO KWAI KHENG
KHO SIANG KIT
LIEW SIEW YUN
PUA LIAN KENG
DATO' CHEN FOONG LING
CHONG CHING SHON
LAW SUOK UNG
TAN CHOO MENG
BENNIE HOO WEI CHUAN
GAN CHOON WAH
YU SIONG CHOO
CHEN LAI LI
WONG CHEN SEONG

MDRT QUALIFYING & LIFE MEMBERS

Agent Name	Years
V MAHALINGAM	28 Q&L
LAW KIM NOI	25 Q&L
CHEAH HAR MOOI	24 Q&L
PARTHIBAN A/L NADESEN	23 Q&L
YU SIONG CHOO	21 Q&L
CHENG WAN LENG	20 Q&L
KHO SIANG KIT	19 Q&L
LIEW SIEW YUN	19 Q&L
PUA LIAN KENG	19 Q&L
TAN CHOO MENG	19 Q&L
CHONG CHING SHON	18 Q&L
GAN CHOON WAH	17 Q&L
CHEN LAI LI	16 Q&L

Agent Name	Years
WONG CHEN SEONG	15 Q&L
LO NYOK MOOI	14 Q&L
TAN HUI HUANG	13 Q&L
TIEW WAY CHIN	13 Q&L
BON SZE SHEAN @ WOON SZE SHEAN	12 Q&L
CHIA SIEW PIO	12 Q&L
GOON MEI LEAN	12 Q&L
WOONG MOOI FONG	12 Q&L
BO CHIN HOONG	11 Q&L
CHONG NYUK CHUI	11 Q&L
DANAPALAN A/L KUNJAMBU	11 Q&L
FOO YEW MUN	11 Q&L
ANG CHING YEE	10 Q&L
HONG CHOW PENG	10 Q&L
HOOI TEEK HONG	10 Q&L
LEE GEAT MENG	10 Q&L
NEO WEI CHENG	10 Q&L
TENG CHONG BOON	10 Q&L
WEE LEE PAW	10 Q&L
WOON LI WEI	10 Q&L

MDRT LIFE MEMBERS

Agent Name	Years
ROBERT CHEAH BOOY	37
G SATHEESAN	35
CHONG MOAN LAM @ CHEONG MOON LAM	29
A UTHAY KUMARAN	26
LAI KOK FUNG	25
LEE MOI CHIN	23
YAP MEE LEN	23
CHEONG KIM CHEE	22
TANG YET KIEW	22
TAN KIM KOK	21
PHANG BOON CHAI	20
FOO KWAI KHENG	19
KOH KER LIK	18
CHEH YOKE LENG	17
DATO' CHAN MON CHI	17
NG YOKE HWA	17
AW AY FONG	16
CHONG PUI KIM	15
GAJAINDRAN A/L RAMA KRISHNAN	13
NGO LIANG CHIAU	13

* The above is subjected to their application and official acceptance by MDRT 2020 - names printed are based on Company's Life Production record only.

* Information is accurate at time of printing.

CALENDAR OF EVENTS



JANUARY

- The 2019 National Head Start was held at the Arena of Stars, Genting Highlands with 5,000 agents present
- Great Eastern was the proud partner of Asia's Got Talent (AGT) Season 3



FEBRUARY

- Chinese New Year Celebration during the GELM Townhall
- The ChildrenCare Chinese New Year Paper Cutting Workshop involved 100 underprivileged children from BRDB Rotary Children's Residence, Yayasan Sunbeams and Praise Emmanuel Children's Home
- Some 8,000 took part in the Great Eastern Viper Challenge held for the first time on the tracks of Sepang International Circuit
- The 2019 Earth Boar Chinese New Year Prosperity Celebration was celebrated with our agency force at the Great Eastern Hall, Menara Great Eastern



MARCH

- GELM organised #RoadtoGreatness on-ground event, in conjunction with the Asia's Got Talent Season 3
- The 2019 Health and Wellness programme kicked off with the first Futsal Workshop for 85 underprivileged children
- The 2018 Great Eastern Supremacy Summit was held at the Genting International Convention Centre (GICC), Genting Highlands
- The three-day Star Health Expo in Penang was held for the fifth consecutive year
- The Great Eastern Viper Challenge organised the world's first bridge obstacle challenge on the Penang Second Bridge, attracting more than 12,000 participants



APRIL

- GELM won the Silver for Best Candidate Experience by Corporate HR Team at the Asia Recruitment Awards 2019



CALENDAR OF EVENTS

MAY

- The GELM ChildrenCare Program Aspirasi Gemilang 'A' awarded RM5,900 cash to 29 underprivileged children from homes under the Jabatan Kebajikan Masyarakat (JKM)
- GELM organised the Great Eastern Viper Challenge in Port Dickson which attracted more than 8,000 participants



JUNE

- ChildrenCare organised the Sunny Lebaran Baking Workshop for 40 underprivileged children in conjunction with Hari Raya Aidilfitri
- GELM won the Reader's Digest Trusted Brands 2019 Gold Awards for Life Insurance and Health Insurance categories
- GELM bagged the Nation Branding Award in the BrandLaureate BestBrands Awards 2018-2019





JULY

- Hari Raya Aidilfitri Celebration during the GELM Townhall
- At the Life Planning Advisors (LPA) 2018 Graduation, 234 members graduated from the Class of 2018, bringing the current total of LPA graduates to 3,400
- GELM organised the Great Eastern Viper Challenge at the Bukit Jalil National Stadium, which attracted over 8,000 participants



AUGUST

- The ChildrenCare Health and Wellness Dodgeball Workshop, the second initiative under the Health and Wellness Programme, was hosted for almost 80 underprivileged children
- ChildrenCare conducted a two-day interactive Let's Score 'A' Workshop (UPSR) for 39 underprivileged children under JKM
- GELM celebrated its 111th Anniversary
- Great Eastern LIVE GREAT Run 2019 held at Bukit Jalil National Stadium attracted over 14,000 participants

CALENDAR OF EVENTS



SEPTEMBER

- ChildrenCare conducted the Let's Score 'A' Workshop (PT3) for 65 underprivileged children under the Jabatan Kebajikan Masyarakat to help them excel in the national examination
- GELM won the Top Brand in Investment, Banking and Insurance Category at the 2019 Putra Brand Awards



OCTOBER

- ChildrenCare conducted the Let's Score 'A' Workshop (SPM) for underprivileged children under Jabatan Kebajikan Masyarakat and shared tips and techniques in answering examination questions
- GELM organised 'Together We Support' Breast Cancer Awareness Campaign
- GELM Annual Dinner and Dance for staff, with the theme, 'The Glitz of Rock & Roll', was held at the Kuala Lumpur Convention Centre (KLCC)
- GELM won the Best Employer Brand in Insurance category at the Graduates' Choice Award 2019



NOVEMBER

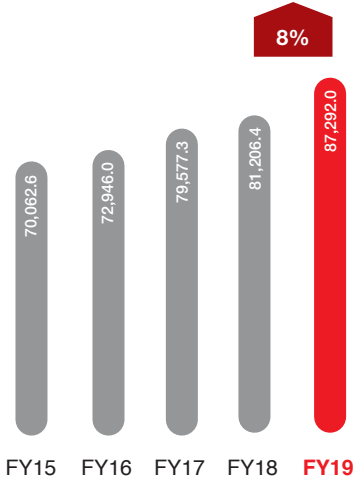
- The ChildrenCare Health and Wellness Badminton Workshop was organised for 100 underprivileged children from six NGO homes namely, Rumah Charis, Rumah KIDS, Shelter Home, Rumah Perlindungan Nur Qaseh, Rumah Keluarga Kami and Rumah Bakti
- The ChildrenCare Deepavali Celebration saw the distribution of festive dinner packs, gifts and gift vouchers to 6 homes registered under the Jabatan Kebajikan Masyarakat
- The LIFE Programme Brisk Walk was held within the Great Eastern Mall

DECEMBER

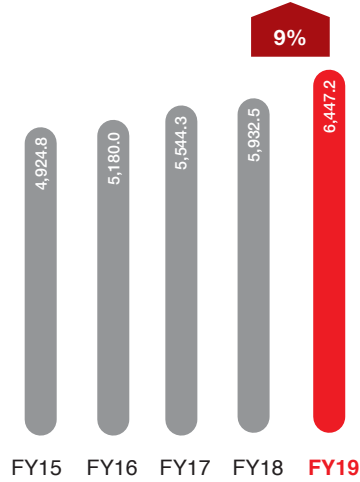
- ChildrenCare hosted the final Health and Wellness programme, focusing on futsal, for 100 underprivileged children
- For the ChildrenCare Christmas Celebration, vouchers, festive dinner packs and gifts were distributed to Bethesda Care Centre, Rumah Hope, Rumah Ozanam, Pusat Jagaan Kanak-Kanak Istimewa Lagenda, Rumah Keluarga KAMI and Pusat Jagaan Peace and Rumah Sayangan
- GELM won the BrandLaureate Greatest ICONIC Brand of the Decade Award at the BrandLaureate Brand ICON Leadership Awards 2019
- GELM attracted more than 17,000 participants to the Great Eastern Viper Challenge 2019 Finale at Sepang

FINANCIAL SYNOPSIS 2019

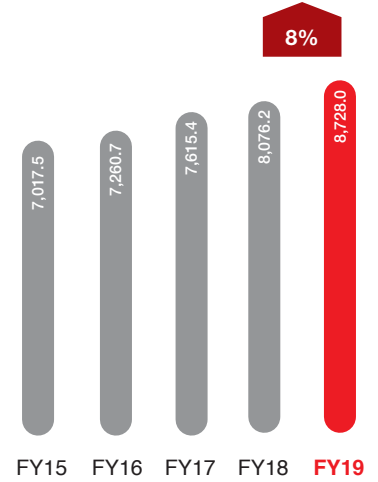
Total assets
RM millions



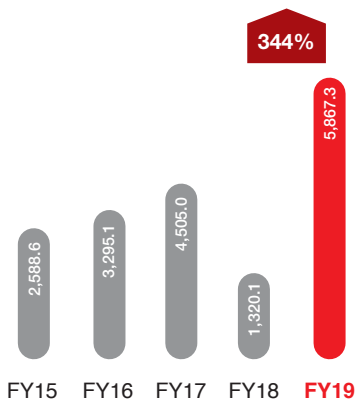
Benefits to policy owners
RM millions



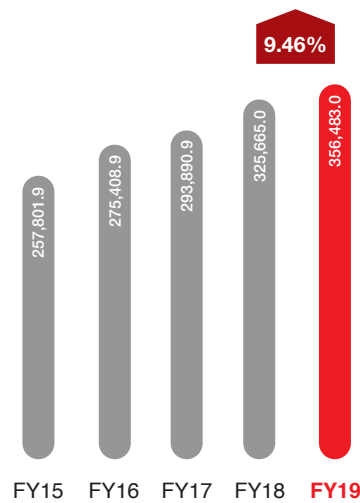
Gross premium income
RM millions



Investment income & capital gain
RM millions



Business in force
RM millions



DIRECTORS' REPORT

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 2019.

PRINCIPAL ACTIVITY

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

RESULTS

	RM'000
Net profit for the year	818,400

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.

SUBSEQUENT EVENTS

On 9 November 2018 and 24 January 2019, the Great Eastern Group (the "Group") announced that in line with the objectives of the Malaysian authorities, the Group has opted to make a contribution of RM2 billion to the National B40 Protection Trust Fund in satisfaction and in lieu of the local shareholder requirement imposed on its subsidiary, Great Eastern Life Assurance (Malaysia) Berhad.

Subsequent to the announcements, the contribution was revised to RM2.37 billion and was paid to the National B40 Protection Trust Fund on 5 March 2020.

ULTIMATE HOLDING COMPANY

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of financial year ended 31 December 2018:	
Final single tier dividend of RM6.53 per ordinary share on 100,000,005 ordinary shares declared on 16 April 2019 and paid on 6 May 2019	653,000
In respect of financial year ended 31 December 2019:	
Interim single tier dividend of RM0.45 per ordinary share on 100,000,005 ordinary shares paid on 23 August 2019	45,000
	698,000

At the forthcoming Annual General Meeting, a second and final single tier dividend in respect of the current financial year ended 31 December 2019 on 100,000,005 ordinary shares amounting to a total dividend of RM100,000,005 (RM1.00 per share) will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 December 2020.

DIRECTORS' REPORT

DIRECTORS

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

Mr Norman Ka Cheung Ip (Chairman)
 Mr Tan Yam Pin
 Mr Koh Poh Tiong
 Mr Khor Hock Seng
 Mr Ng Hon Soon
 Mr Siew Kah Toong (Appointed on 1 March 2019)
 Mr Ou Shian Waei (Appointed on 15 January 2020)
 Y Bhg Datuk Kamaruddin bin Taib (Stepped down on 28 February 2019)
 Y Bhg Dato' Yeoh Beow Tit (Stepped down on 20 March 2019)
 Mdm Tan Fong Sang (Stepped down on 31 July 2019)

In accordance with Clause 70 of the Company's Constitution, Mr Norman Ip and Mr Ng Hon Soon respectively would retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Clause 74 of the Company's Constitution, Mr Ou Shian Waei would retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 25(b) and 32(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 Great Eastern Capital (Malaysia) Sdn Bhd ("GEC") on behalf of all the directors and officers within the GEC Group for the financial year ended 31 December 2019 pursuant to Section 289 of the Companies Act 2016. The cost of insurance effected amounted to RM122,089.

DIRECTORS' INTERESTS

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

	Shareholdings in which Directors have a direct interest			
	1.1.2019	Acquired	Disposed	31.12.2019
(a) Ordinary shares in the capital of OCBC Bank				
Mr Norman Ka Cheung Ip	4,284	209	-	4,493
Mr Khor Hock Seng	387,239	71,035	-	458,274
Mr Siew Kah Toong	4,125	201	-	4,326

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

	Shareholdings in which Directors are deemed to have an interest			
	1.1.2019	Granted	Vested	31.12.2019
Mr Khor Hock Seng	157,999	90,801	(49,822)	198,978 ⁽¹⁾

Notes:

⁽¹⁾ Deemed interest arising from the OCBC Deferred Share Plan.

	Shareholdings in which Directors have a direct interest			
	1.1.2019	Acquired	Disposed	31.12.2019
(b) 5.1% non cumulative non convertible Preference Shares in OCBC Capital Corporation (2008)				
Mr Tan Yam Pin	2,000	-	-	2,000

	Expiry Date	Exercise Price S\$	Options held by Directors in their own name			
			1.1.2019	Granted	Exercised	31.12.2019
(c) Options to subscribe for ordinary shares in the capital of OCBC Bank						
Mr Khor Hock Seng	22.3.2027	9.60	327,082	-	-	327,082
	21.3.2028	13.34	122,135	-	-	122,135

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

CORPORATE GOVERNANCE DISCLOSURES

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

OTHER STATUTORY INFORMATION

- (a) Before the balance sheet, income statement and statement of comprehensive income of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write-off any bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.
- (g) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital Framework for insurers issued by BNM.

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

AUDITORS

The auditors, Ernst & Young PLT, will not seek for re-appointment at the forthcoming Annual General Meeting. Details of Auditor's remuneration for their services as auditors are disclosed in Note 25 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 4 May 2020.

Ng Hon Soon
Kuala Lumpur

Siew Kah Toong

STATEMENT OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE DISCLOSURES (AS REFERRED TO IN THE DIRECTORS' REPORT)

The Board of Directors (the "Board") and Management of Great Eastern Life Assurance (Malaysia) Berhad (the "Company") place great importance on high standards of corporate governance 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 as guided by the 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

The Board provides strategic direction 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 Officers¹ and Non-Senior Officers², such that the Board is satisfied with their collective competence 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;
- (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;

Notes:

- 1 Senior Officers of the Company referred throughout this Corporate Governance Disclosures are the Senior Management Team and such other executives as the Board and/or regulator should determine.
- 2 Non-Senior Officers of the Company referred throughout this Corporate Governance Disclosures are Senior Vice Presidents and above, Head of Compliance and Other Material Risk Takers.

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Board's responsibilities and accountability (continued)

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: (continued)

- (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.

Board Approval

The Company has internal guidelines to provide guidance on matters that require Board approval. The matters 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.

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

Board Committees

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

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. 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 Committee meetings, which provide fair and accurate record of the discussions, key deliberations and decisions taken during the meetings, are maintained and circulated to the Board.

Meetings and Directors' Attendance

The Board meets regularly during the year to review the business performance and key activities of the Company, and to consider business proposals 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 2019, the Board convened seven scheduled Board meetings and organised one Board Retreat.

Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Constitution. Directors who are unable to attend any Board or Board Committee meeting will still be provided with all meeting papers for their information. Directors are equipped with electronic tablets that allow secured access to Board and Board Committee meeting materials.

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

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Meetings and Directors' Attendance (continued)

The number of meetings of the Board and Board Committees held in 2019 and the attendance of the Directors at those meetings are tabulated below:

Directors' attendance at Board and Board Committee meetings in 2019

Name of Director	Board		Board Risk Management Committee	
	No. of Meetings		No. of Meetings	
	Scheduled		Scheduled	
	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip ⁽¹⁾	7	7	3	3
Mr Tan Yam Pin ⁽²⁾	7	7	1	1
Mr Koh Poh Tiong ⁽³⁾	7	7	-	-
Mr Khor Hock Seng	7	7	-	-
YBhg Datuk Kamaruddin bin Taib ⁽⁴⁾	2	2	-	-
YBhg Dato' Yeoh Beow Tit ⁽⁵⁾	3	3	2	2
Mr Ng Hon Soon ⁽⁶⁾	7	7	5	5
Mdm Tan Fong Sang ⁽⁷⁾	5	5	4	4
Mr Siew Kah Toong ⁽⁸⁾	5	5	-	-

Name of Director	Board Nominations and Remuneration Committee			Board Audit Committee		
	No. of Meetings			No. of Meetings		
	Scheduled		Ad hoc	Scheduled		Ad hoc
	Held	Attended	Attended	Held	Attended	Attended
Mr Norman Ka Cheung Ip ⁽¹⁾	5	5	1	-	-	-
Mr Tan Yam Pin ⁽²⁾	5	5	1	3	3	1
Mr Koh Poh Tiong ⁽³⁾	2	2	-	-	-	-
Mr Khor Hock Seng	-	-	-	-	-	-
YBhg Datuk Kamaruddin bin Taib ⁽⁴⁾	2	2	-	2	2	-
YBhg Dato' Yeoh Beow Tit ⁽⁵⁾	3	3	-	3	3	-
Mr Ng Hon Soon ⁽⁶⁾	3	3	1	1	1	1
Mdm Tan Fong Sang ⁽⁷⁾	-	-	-	5	5	-
Mr Siew Kah Toong ⁽⁸⁾	-	-	-	4	4	1

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Directors' attendance at Board and Board Committee meetings in 2019 (continued)

Notes:

- (1) Appointed as Member of the Board Risk Management Committee on 21 March 2019.
- (2) Appointed as Member and Chairman of the Board Audit Committee on 21 March 2019 and 23 April 2019 respectively, and Member of the Board Risk Management Committee on 1 August 2019.
- (3) Appointed as Member of the Board Nominations and Remuneration Committee on 1 August 2019.
- (4) Stepped down as Director and relinquished his position as Chairman of the Board Audit Committee and Member of the Board Nominations and Remuneration Committee on 28 February 2019.
- (5) Stepped down as Director and relinquished his position as Member of the Board Nominations and Remuneration Committee, Board Audit Committee and Board Risk Management Committee on 20 March 2019.
- (6) Relinquished his position as the Member of the Board Nominations and Remuneration Committee on 31 July 2019 and appointed as Member of the Board Audit Committee on 1 August 2019.
- (7) Stepped down as Director and relinquished her position as Member of the Board Audit Committee and Board Risk Management Committee on 31 July 2019.
- (8) Appointed as Director and Member of the Board Audit Committee on 1 March 2019.
- (-) Not applicable to the Non-Member of the respective Board Committees.

Directors' attendance at the Annual General Meeting, Extraordinary General Meetings and Board Retreat of the Company are not included in the above table.

There were 2 Joint Board Audit Committee – Board Risk Management Committee meetings held in 2019. Directors' attendance at these meetings are 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.

Total number of ad hoc meetings held in 2019 – Board Nominations and Remuneration Committee: 1, Board Audit Committee: 1.

Access to Information

The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. 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.

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

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

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 professional advice, whenever necessary and appropriate, so as to effectively discharge their roles and responsibilities.

STATEMENT OF CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Board Membership

The Company's present Board of seven Directors comprises an Independent Chairman, Mr Norman Ka Cheung Ip, five other Non-Executive Directors and one Executive Director. The five Non-Executive Directors are Mr Tan Yam Pin, Mr Koh Poh Tiong, Mr Ng Hon Soon, Mr Siew Kah Toong and Mr Ou Shian Waei. Mr Khor Hock Seng is the Executive Director.

Y Bhg Datuk Kamaruddin Bin Taib and Y Bhg Dato' Yeoh Beow Tit stepped down from the Board on 28 February 2019 and 20 March 2019 respectively.

Mr Siew Kah Toong was appointed to the Board on 1 March 2019. He retired pursuant to Article 70 of the Company's Constitution and was re-appointed to the Board at the Company's Annual General Meeting on 16 April 2019.

Mr Tan Yam Pin and Mdm Tan Fong Sang retired by rotation pursuant to Article 66 of the Company's Constitution and were re-elected to the Board at the Company's Annual General Meeting on 16 April 2019.

Mdm Tan Fong Sang stepped down from the Board on 31 July 2019.

Mr Ou Shian Waei was appointed to the Board on 15 January 2020. He will retire pursuant to Clause 74 of the Company's Constitution and is eligible to be re-appointed to the Board at the Company's Annual General Meeting to be convened on 14 April 2020.

All appointments and re-appointments of Directors of the Company are subject to the approval of BNM.

The Directors of the Company have confirmed that they are not active politicians as defined in the CG PD. In addition, 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 and re-appointment as Director.

Key Information on Directors

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 Report³. The Directors' membership in the various Board Committees is also set out herein. Information on their shareholdings 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 2019 ("FY2019"). The Directors do not hold any shares in the Company or its penultimate holding company, Great Eastern Holdings Limited ("GEH").

Board Composition and Independence

The Company determines the independence of its Directors in accordance with the requirements of the CG PD. Under the CG PD, an Independent Director must be independent in character and judgment, and free from associations or circumstances that may impair the exercise of his independent judgment. An Independent Director of the Company must be one who himself or any person linked to him has not been an executive of the Company in the last two (2) years, is not a substantial shareholder 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 Board⁴.

The CG PD emphasizes the requirement of having a majority of Independent Directors.

The Company's Board comprises a majority of Independent Directors as determined by the Board Nominations and Remuneration Committee annually. The Independent Directors are currently Mr Norman Ka Cheung Ip, Mr Tan Yam Pin, Mr Koh Poh Tiong, Mr Ng Hon Soon, Mr Siew Kah Toong and Mr Ou Shian Waei.

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

Notes:

3 Available at the Company's website.

4 CG PD provides for tenure limits of independent directors to generally not exceed nine years except under exceptional circumstances or as part of the transitional arrangement.

STATEMENT OF CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

Board Composition and Independence (continued)

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

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.

In addition, 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.

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, information technology, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its roles and responsibilities, approving agendas of 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.

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

Under the CG PD, the Board Nominations and Remuneration Committee is required to comprise at least three Non-Executive Directors with majority of them being Independent Directors. The Board Nominations and Remuneration Committee must be chaired by an Independent Director, who is not the Chairman of the Company.

The Board Nominations and Remuneration Committee comprises the following Directors:

- Mr Tan Yam Pin, Chairman
- Mr Norman Ka Cheung Ip, Member
- Mr Koh Poh Tiong, Member

STATEMENT OF CORPORATE GOVERNANCE

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

All the members (including the Chairman) are Independent Directors.

The responsibilities of the Board Nominations and Remuneration Committee are set out in its Board-approved terms of reference. The Board Nominations and Remuneration Committee reviews the Board and Board Committee compositions annually. It is responsible for identifying candidates for directorship, reviewing and recommending nominations of Directors on the Board and Board Committees. It also reviews nominations and dismissals or resignations of Senior Officers and Non-Senior Officers positions in the Company.

The Board Nominations and Remuneration Committee held a total of six meetings in 2019.

Process for Appointment of New Directors, Re-appointment of Existing Directors and Re-election of Directors

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 and re-appointment of existing 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 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.

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 appointment or re-appointment will not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he is a fit and proper person for the office, taking into account his track record, age, experience, capabilities, skills and other relevant factors as may be determined by the Board Nominations and Remuneration Committee. Such reviews are also conducted on an annual basis to ensure that each Director remains qualified for the office based on the above criteria.

At each Annual General Meeting of the Company, one-third of the Directors, being those who have served longest in office since their first re-election, are required to retire by rotation in accordance with the Company's Constitution. Retiring Directors are eligible for re-election. Newly appointed Directors will hold office until the next Annual General Meeting and, if eligible, can stand for re-election.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Directors provide declarations of changes on 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 of the Company that a Director may assume. Each of the Directors' listed company directorships and principal commitments are provided under the section "Further Information on Directors" of the Annual Report. The Board Nominations and Remuneration Committee annually assesses each Director's attendance record and meeting participation to determine if a Director is able to and has been diligently discharging his duties as a Director of the Company.

Board Orientation and Training

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.

STATEMENT OF CORPORATE GOVERNANCE

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Orientation and Training (continued)

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 Board Nominations and Remuneration Committee facilitates attendance of the newly appointed Directors in completing the mandatory “Financial Institutions Directors’ Education (“FIDE”) Core Programme within the year from their date of appointment. Industry-related and topical articles are regularly circulated to Directors as part of the Directors’ continuous development programme. The Board Nominations and Remuneration Committee also encourages the Directors to be continually updated on developments affecting the insurance industry by offering them attendance at appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the FIDE FORUM, at their convenience. 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.

From time to time, in collaboration with the Board Nomination and Remuneration Committee, the Board Risk Management Committee organises Board Educational Series, with briefings 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.

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

- 4th Distinguished Board Leadership Series: Digital to the Core
- Artificial Intelligence and Its Role in Financial Institutions
- BNM-FIDE FORUM Masterclass on Cybersecurity: Unseen Threats
- Board Educational Series: Amended Agency Contract Effective 1 January 2020 and its impact on the Company
- Board Educational Series: Amendment to MACC Act
- Board Educational Series: Cloud Architecture Mechanism on IFRS
- Board Educational Series: Emerging Trend in Money Laundering and Terrorism Financing: e-Wallet
- Board Educational Series: Implementation of MFRS 17 Insurance Contracts - Technical Accounting Papers (Batch 1)
- Board Educational Series: Implementation of MFRS 17 Insurance Contracts - Technical Accounting Papers (Batch 2)
- Board Educational Series: IT Strategies & Cybersecurity Roadmap
- Board Educational Series: Perspectives on Cyber Security
- Board Educational Series: Post Implementation Review of Agency Balanced Scorecard under LIFE Framework For GELM
- Board Educational Series: What is IFRS 17 and How it affects Financial Disclosure
- FIDE Core Programme - Module A & B
- MFRS 17: Understanding Its Impact and Consequences
- Reading the Signs: The Next Financial Crisis and Potential Impact on Asia

Board Performance

The Board has an annual performance evaluation process, carried out by the Board Nominations and Remuneration Committee, to assess the effectiveness of the Board, Board Committees and each Director’s contributions. This annual assessment process consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees. The assessment of the contributions of individual directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year.

An external party is engaged to facilitate the Board Evaluation process and to provide the Board with an independent perspective of the Board’s performance, including benchmarks against peer boards. In 2019, the Board Nominations and Remuneration Committee engaged Aon Hewitt Malaysia Sdn. Bhd. (“Aon Hewitt”) to facilitate the Board Evaluation process. Aon Hewitt and its consultants are independent and not related to the Company or its Directors. The 2019 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.

STATEMENT OF CORPORATE GOVERNANCE

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Performance (continued)

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

Conflicts of Interest

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.

Directors with conflicts of interest recuse themselves from discussions and decisions involving issues of conflict.

Appointment and Performance of Senior Officers and Non-Senior Officers

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 and Non-Senior Officers of the Company.

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

Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure on Remuneration

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel. In considering its recommendations to the Board and in approving remuneration, the Board Nominations and Remuneration Committee ensures the remuneration policies are in line with the Company's strategic objectives and corporate values, and do not give rise to conflicts between the objectives of the Company and interests of individual Directors, Senior Officers and Non-Senior Officers.

The Board Nominations and Remuneration Committee is tasked to ensure that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of individual Directors, Senior Officers and Non-Senior Officers.

It is also responsible to recommend to the Board, Policy on Remuneration for Directors, CEO, Senior Officers and Non-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

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 own remuneration.

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

STATEMENT OF CORPORATE GOVERNANCE

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Remuneration of Non-Executive Directors (continued)

The Board has considered the market practices for Non-Executive Director remuneration, and has decided to use the same fee structure for computing the fee for each Non-Executive Director for the FY2019 as that used in the previous financial year (in the table set out below):

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

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

Disclosure of Directors' and CEO Remuneration

The total Directors' Remuneration from the Company in respect of FY2019 is shown under Note 25(b) in the Company's Financial Statements. Fees for Non-Executive Directors totaling RM1,205,742 in respect of FY2019 will be approved at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2019 are disclosed under Note 25(b) in the Company's Financial Statements.

Remuneration Policy in respect of Senior Officers and Non-Senior Officers of the Company

The remuneration policy is approved by the Board and is subject to annual review taking into account changes in the remuneration practices and/or regulator's requirements from time to time.

The remuneration of the CEO and the respective Senior Officers and Non-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. Currently, there are fourteen identified Senior Officers and seven identified Non-Senior Officers under the purview of the Board Nominations and Remuneration Committee.

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

Pursuant to the CG PD, Other Material Risk Taker 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 four identified Other Material Risk Takers who are subject to risk control Key Performance Indicators and risk adjusted variable compensation.

In the 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.

STATEMENT OF CORPORATE GOVERNANCE

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Remuneration Policy in respect of Senior Officers and Non-Senior Officers of the Company (continued)

As part of the Company's continuous efforts to create sustainable value for stakeholders through broad-based growth across its core markets, delivering sustained earning, driving core competencies of disciplined risk management, prudent investment and continued upgrading of technology and people, and ensuring sustainable business practices, the performance measures set for each business units embeds these objectives, which match their functions and are consistent with the Company's risk appetite. In determining the remuneration of Senior Officers and Non-Senior Officers, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing their overall performance, in addition to their achievement in business and operations performance. Senior Officers and Non-Senior Officers are remunerated based on the achievements of their own performance measures, relevant departmental risk control KPI, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles.

To ensure that its remuneration packages are competitive, the Company regularly reviews salary levels and benefits packages based on market data provided by recognised consultants who conduct surveys on comparative groups in the financial sector. The determination of the Company's variable compensation pool is fully discretionary and the factors taken into consideration include financial and non-financial metrics such as the Company's performance, audit ratings, risk indicators and compliance issues, market condition and competitive market practices.

The total compensation packages for Senior Officers and Non-Senior Officers comprise basic salary, various performance bonus, allowances, deferred share awards and benefits.

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. Senior Officers are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

The annual budget for salary increment, performance-related variable compensation, reviewed and endorsed by the Board Nominations and Remuneration Committee, is submitted to the Board for approval.

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 on-going 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.

Senior Officers and Non-Senior Officers 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.

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 the Risk Management Department assess how the Performance Assessment and Remuneration Framework affects the Company's risk profile.

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

The Company does not have any share option scheme or share plan in place. Instead, the Company's ultimate holding company, OCBC Bank, awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Company. The Company has ceased granting OCBC share options to eligible executives with effect from FY2019. All grants and awards are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Company's risk profile/rating.

STATEMENT OF CORPORATE GOVERNANCE

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Remuneration Policy in respect of Senior Officers and Non-Senior Officers of the Company (continued)

Details of the remuneration granted to the eligible executives are disclosed in the table below.

Total value of remuneration awards for FY2019:

	Unrestricted		Deferred	
	No. of pax	RM	No. of pax	Units
Fixed remuneration	21	10,975,213	-	-
- Cash-based	1	25,825	-	-
- Other				
Variable remuneration				
- Cash-based	20	4,101,728		
- Share and share-linked instruments	20	1,740,189	19	89,758 units (Deferred Share, Share Option and Employee Share Purchase Plan)
- Other	21	2,733,065	-	-

BOARD AUDIT COMMITTEE

Under the CG PD, the Board Audit Committee is required to comprise at least three Non-Executive Directors, with majority of them being Independent Directors. The Board Audit Committee must be chaired by an Independent Director who is not the Chairman of the Company.

The Board Audit Committee comprises the following Directors:

- Mr Tan Yam Pin, Chairman
- Mr Ng Hon Soon, Member
- Mr Siew Kah Toong, Member

All the Members (including the Chairman) are Independent Directors.

The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2019 included the following:

- Reviewed with the Internal Auditors:
 - their audit plan, their evaluation of the system of internal controls and their audit reports;
 - the scope and results of the internal audits; and
 - the assistance given by the officers of the Company to the internal auditors.
- Reviewed with the External Auditors:
 - their audit plan prior to the commencement of the annual audit;
 - 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;
 - 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);

STATEMENT OF CORPORATE GOVERNANCE

BOARD AUDIT COMMITTEE (CONTINUED)

The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2019 included the following: (continued)

- (b) Reviewed with the External Auditors: (continued)
 - (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 internal audit function of the Company.
- (e) Maintained an appropriate relationship with both the internal and external auditors, and met them in separate sessions without the presence of the Management to consider matters which may be raised privately.
- (f) Met with the Management without the presence of the internal auditors to consider matters which may be raised privately.
- (g) Reviewed and approved among others, the remuneration and performance evaluation of the Chief Internal Auditor.
- (h) Recommended the appointment of the new external auditor to the Board.
- (i) Recommended the remuneration and terms of engagement of the existing external auditor to the Board.
- (j) Reviewed and updated the Board on all related-party transactions.
- (k) Monitored compliance with the Directors' Conflict of Interest Guide.

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 Officers to attend its meetings.

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

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

The Board Audit Committee held a total of seven meetings in 2019. The Board Audit Committee meetings were attended by the internal auditors, external auditors (when required), the Executive Director, Group Chief Financial Officer, Group Chief Internal Auditor and invited members of the Senior Officers.

STATEMENT OF CORPORATE GOVERNANCE

INTERNAL AUDIT

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

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

BOARD RISK MANAGEMENT COMMITTEE

Under the CG PD, the Board Risk Management Committee is required to comprise at least three Non-Executive Directors, with majority of them being Independent Directors. The Board Risk Management Committee must be chaired by an Independent Director, who is not the Chairman of the Company.

The Board Risk Management Committee comprises the following Directors:

- Mr Ng Hon Soon, Chairman
- Mr Norman Ka Cheung Ip, Member
- Mr Tan Yam Pin, Member
- Mr Ou Shian Waei, Member (appointed on 15 January 2020)

All the Members (including the Chairman) are Independent Directors.

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

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 34 to the Financial Statements.

The Board Risk Management Committee held a total of five meetings in 2019.

INTERNAL CONTROL FRAMEWORK

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

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

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

Infrastructure

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

The authority delegated by the Board to the Board Committees and the CEO are formalised in the Company's Authority Grid. Other documents that guide on the delegation of the CEO's authority include underwriting limits, claim limits and investment limits.

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

Frameworks, Policies and Procedures

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

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

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

STATEMENT OF CORPORATE GOVERNANCE

INTERNAL CONTROL FRAMEWORK (CONTINUED)

Frameworks, Policies and Procedures (continued)

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

Self-assessment Process

A mature self-assessment process that is supported by the use of the Risk Control Self-assessment and Compliance Requirements Self-assessment tools is entrenched in the Company. The results of the assessment are reviewed by the Senior 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 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. This report is also submitted to the Board for notation. This self-assessment process is further supplemented by an annual assurance report on risk management and internal controls.

Monitoring and Reporting

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

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

Regulatory breaches and operational incidents are reported in the Enterprise Risk Dashboard while investment breaches are reported via the limits report and compliance examination reports. The 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

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 FY2019 are set out in Note 32 of the Notes to the Financial Statements.

ETHICAL STANDARDS

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 staff intranet.

The Company has a suite of policies in place for proper governance and management that staff has 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.

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

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

We, Ng Hon Soon and Siew Kah Toong, being two of the Directors of Great Eastern Life Assurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 60 to 161 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 4 May 2020.

Ng Hon Soon

Siew Kah Toong

Kuala Lumpur
4 May 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, Loke Chang Yueh, being the officer primarily responsible for the financial management of Great Eastern Life Assurance (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 60 to 161 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 Loke Chang Yueh
at Kuala Lumpur in the Federal Territory
on 4 May 2020

Loke Chang Yueh

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Great Eastern Life Assurance (Malaysia) Berhad ("the Company"), which comprise the balance sheet as at 31 December 2019, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 161.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Other matters

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

Ernst & Young PLT
202006000003 (LLP 0022760 - LCA) & AF 0039
Chartered Accountants

Yeo Beng Yean
No. 03013/10/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
4 May 2020

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Property and equipment			
- Owned	3(a)	475,869	457,457
- Right-of-use assets	3(b)	20,230	-
Intangible assets	4	5,180	-
Investment properties	5	1,145,950	1,137,600
Prepaid land lease payments	6	-	16,253
Investments	7	83,503,538	77,693,699
Derivatives	13	5,832	5,354
Reinsurance assets	8	108,013	50,672
Insurance receivables	9	296,159	320,304
Other receivables	10	685,136	712,254
Cash and bank balances		1,046,106	812,773
Total assets		87,292,013	81,206,366
Equity			
Share capital	11	100,000	100,000
Retained earnings		2,488,842	2,379,139
Other comprehensive income fair value reserves		78,179	16,487
Total equity		2,667,021	2,495,626
Liabilities			
Insurance contract liabilities	12	81,795,688	76,073,013
Derivatives	13	20,595	24,849
Agents' retirement benefits	14	885,033	828,281
Deferred tax liabilities	15	759,740	601,589
Other financial liabilities	16	52,009	75,312
Insurance payables	17	290,778	342,776
Provision for taxation		239,130	188,974
Lease liabilities	3(c)	4,352	-
Other payables	18	577,667	575,946
Total liabilities		84,624,992	78,710,740
Total equity and liabilities		87,292,013	81,206,366

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Gross earned premiums	19(a)	8,727,964	8,076,172
Earned premiums ceded to reinsurers	19(b)	(214,788)	(207,560)
Net earned premiums		8,513,176	7,868,612
Investment income	20	3,460,663	3,363,567
Realised gains and losses	21	(54,991)	(421,963)
Fair value gains and losses	22	2,457,074	(1,629,433)
(Increase)/decrease in provision for impairment of:			
Insurance receivables	9	(1,429)	(542)
Other receivables	10	186	(79)
Property and equipment	3(a)	-	(61)
Investments		4,506	7,921
Fees and commission income	23	24,964	16,631
Other operating revenue		1,004	20,993
Other revenue		5,891,977	1,357,034
Gross benefits and claims paid	24(a)	(6,447,247)	(5,932,482)
Claims ceded to reinsurers	24(b)	149,285	94,623
Gross change in contract liabilities	24(c)	(4,957,395)	(577,182)
Change in contract liabilities ceded to reinsurers	24(d)	52,303	3,903
Net benefits and claims		(11,203,054)	(6,411,138)
Fees and commission expense		(1,228,553)	(1,114,631)
Management expenses	25	(533,255)	(538,137)
Other operating expenses		(32,559)	(605)
Taxation of life insurance business	26(a)	(415,541)	(48,920)
Other expenses		(2,209,908)	(1,702,293)
Profit before taxation		992,191	1,112,215
Taxation	26(b)	(173,791)	(226,471)
Net profit for the year		818,400	885,744
Earnings per share (sen)			
Basic and diluted	27	818	886

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RM'000	2018 RM'000
Net profit for the year	818,400	885,744
Other comprehensive income/(loss):		
Other comprehensive income/(loss) that will not be reclassified to income statement in subsequent periods:		
Net gain/(loss) on equity instrument designated at fair value through other comprehensive income ("FVOCI")	12,822	(72,931)
Tax effects thereon (Note 15)	(4,610)	17,598
Net other comprehensive income/(loss) that will not be reclassified to income statement in subsequent periods (net of tax)	8,212	(55,333)
Other comprehensive income/(loss) that may be reclassified to income statement in subsequent periods:		
Debt instruments at FVOCI:		
Net gain arising during the year	75,827	9,930
Changes in allowance for Expected Credit Loss ("ECL")	333	(1,356)
Net realised gain transferred to income statement	(19,867)	(5,437)
	56,293	3,137
Tax effects thereon (Note 15)	(13,510)	(753)
Net other comprehensive income that may be reclassified to income statement in subsequent periods (net of tax)	42,783	2,384
Other comprehensive income/(loss) for the year, net of tax	50,995	(52,949)
Total comprehensive income for the year, net of tax	869,395	832,795

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital RM'000	Non-Distributable			Distributable			Total Equity RM'000
		Fair Value Reserves			Retained Earnings			
		Non- participating Fund	Shareholder's Fund	Sub-total	Non- participating Fund*	Shareholder's Fund	Sub-total	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2018	100,000	66,074	4,268	70,342	633,195	1,384,294	2,017,489	2,187,831
Net profit for the year	-	-	-	-	671,358	214,386	885,744	885,744
Other comprehensive loss for the year	-	(31,368)	(21,581)	(52,949)	-	-	-	(52,949)
Total comprehensive (loss)/income for the year	-	(31,368)	(21,581)	(52,949)	671,358	214,386	885,744	832,795
Transfer of fair value reserve of equity instruments designated at FVOCI (net of tax)	-	(768)	(138)	(906)	768	138	906	-
Transfer from non-participating fund as recommended by Appointed Actuary (net of tax)	-	-	-	-	(577,600)	577,600	-	-
Dividends paid during the year (Note 28)	-	-	-	-	-	(525,000)	(525,000)	(525,000)
At 31 December 2018	100,000	33,938	(17,451)	16,487	727,721	1,651,418	2,379,139	2,495,626
At 1 January 2019	100,000	33,938	(17,451)	16,487	727,721	1,651,418	2,379,139	2,495,626
Net profit for the year	-	-	-	-	574,802	243,598	818,400	818,400
Other comprehensive income for the year	-	47,223	3,772	50,995	-	-	-	50,995
Total comprehensive income for the year	-	47,223	3,772	50,995	574,802	243,598	818,400	869,395
Transfer of fair value reserve of equity instruments designated at FVOCI (net of tax) (Note 7(b))	-	6,461	4,236	10,697	(6,461)	(4,236)	(10,697)	-
Transfer from non-participating fund as recommended by Appointed Actuary (net of tax)	-	-	-	-	(518,320)	518,320	-	-
Dividends paid during the year (Note 28)	-	-	-	-	-	(698,000)	(698,000)	(698,000)
At 31 December 2019	100,000	87,622	(9,443)	78,179	777,742	1,711,100	2,488,842	2,667,021

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Operating activities			
Cash used in operating activities	29	(1,108,920)	(461,525)
Dividend/distribution income received		948,139	961,773
Interest/profit income received		2,510,227	2,390,126
Rental income on investment properties received		67,444	57,221
Agents' retirement benefits paid	14	(71,768)	(80,883)
Expense relating to leases of low-value assets	3(b)	(242)	-
Expense relating to short-term leases	3(b)	(71)	-
Income tax paid		(397,108)	(352,828)
Net cash flows generated from operating activities		1,947,701	2,513,884
Investing activities			
Proceeds from disposal of property and equipment		136	98
Purchase of property and equipment	3(a)	(69,957)	(46,678)
Purchase of intangible assets	4	(5,247)	-
Purchase of investment properties	5	(1,314)	(434,348)
Net cash flows used in investing activities		(76,382)	(480,928)
Financing activities			
Dividends paid to equity holder	28	(698,000)	(525,000)
Payment of principal portion of lease liabilities		(629)	-
Interest paid on lease liabilities		(189)	-
Net cash flows used in financing activities		(698,818)	(525,000)
Net increase in cash and cash equivalents		1,172,501	1,507,956
Cash and cash equivalents at beginning of year		3,813,328	2,305,372
Cash and cash equivalents at end of year		4,985,829	3,813,328
Cash and cash equivalents comprise of:			
Cash and bank balances		1,046,106	812,773
Short term deposits with original maturity periods of less than 3 months	7(a)	3,939,723	3,000,555
		4,985,829	3,813,328

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 the underwriting of life insurance business including investment-linked business.

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

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

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 4 May 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

The Company has met the minimum capital requirements as prescribed by the Risk-based Capital ("RBC") Framework as at the reporting date.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and Equipment and Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Property and Equipment and Depreciation (continued)

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

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

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

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

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

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

Included in the Life Insurance Fund's property and equipment are freehold land, and leasehold and freehold buildings occupied for own use for the operations of the Company.

In line with the adoption of MFRS 16 Leases, the Company has reclassified its leasehold prepaid land lease payment to right-of-use assets as described in Note 3(b). Prepaid land lease payment refers to long term lease with an unexpired period of fifty years or more.

(b) Investment Properties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Leases (Policy applicable before 1 January 2019)

(i) Classification

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

(ii) Finance Leases - the Company as Lessee

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

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

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

(iii) Operating Leases - the Company as Lessee

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

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

(iv) Operating Leases - the Company as Lessor

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

(d) Leases (Policy applicable after 1 January 2019)

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (Policy applicable after 1 January 2019) (continued)

(i) As Lessee

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made or before the commencement date, any indirect costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment (see Note 2.2(a)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

The Company presents its right-of-use assets in 'property and equipment' and 'lease liabilities' in the balance sheet.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and leases liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As Lessor

The Company classifies all leases for which it is a lessor as operating leases, because each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term and are reported as rental income. The accounting policy for rental income is set out in Note 2.2(q).

(e) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible Assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Intangible assets of the Company comprise of a portal ("Distribution Platform") developed to sell or distribute the Company's products digitally. This Distribution Platform is recognised at cost on initial recognition. Following initial recognition, this Distribution Platform is amortised on a straight-line basis over its estimated useful life of 6.5 years.

(f) Investments and Financial Assets

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 ("FVTPL"), 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investments and Financial Assets (continued)

Initial Recognition and Measurement (continued)

Classification

On initial recognition, a financial asset is classified as measured at Amortised Cost ("AC"), FVOCI or 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 asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 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.

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 asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investments and Financial Assets (continued)

Initial Recognition and Measurement (continued)

Business model assessment (continued)

Financial assets that are held for trading or managed, 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.

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.

Subsequent measurement

I 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:

(i) Amortised Cost (“AC”)

Debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in income statement. Gains or losses are also recognised in income statement when the assets are derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investments and Financial Assets (continued)

Subsequent measurement (continued)

I Debt Instruments (continued)

(ii) Fair value through other comprehensive income ("FVOCI")

Debt instruments that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are classified as 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 income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement when the financial asset is de-recognised.

(iii) Fair value through profit or loss ("FVTPL")

Debt instruments that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL. Any gains or losses from changes in fair value and interest are recognised in the income statement.

II 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. 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.

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

III Derivatives and Hedging Activities

The Company applies economic hedge for currency and foreign exchange risks involving derivatives such as cross currency swap and forward currency contracts. All derivatives are carried as financial asset when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) **Investments and Financial Assets** (continued)

Subsequent measurement (continued)

IV Loans and Receivables (“LAR”)

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

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

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

(g) **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 the effective interest method. Loss allowance is measured at an amount equal to lifetime expected credit losses with the impairment loss recognised in the income statement.

Subsequent increases in the recoverable amount of the insurance receivable are treated as reversal of the previous expected credit loss impairment amount.

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

(h) **Derivatives**

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

(i) **Financial Liabilities and Insurance Payables**

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Liabilities and Insurance Payables (continued)

(i) Financial liabilities at FVTPL

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

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

The Company has not designated any financial liabilities at FVTPL.

(ii) Other financial liabilities

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

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

(j) Fair Value Measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 7(a).

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fair Value Measurement (continued)

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

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

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

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

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

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

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

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

(k) 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:

- (i) Debt instruments measured at FVOCI;
- (ii) Loans and receivables measured at amortised cost; and
- (iii) Loan commitments.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of Financial Assets (continued)

The Company assesses on a forward looking basis the ECL associated with its loans and debt instruments carried at amortised cost and FVOCI and its loan commitments. For trade and 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. 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 represent 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; or
- 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.

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 counterparty or issuer;
- A breach of contract such as default or past due event;
- The restructuring of a loan or receivable of the Company on terms that the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of Financial Assets (continued)

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 counterparty 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.

(l) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset has expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow 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.

On derecognition of a financial asset in its entirety 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 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 directly in equity 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 the income statement.

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

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

(m) Impairment of Non-Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of Non-Financial Assets (continued)

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

(n) Insurance Contract

(i) Product Classification

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Insurance Contract (continued)

(i) Product Classification (continued)

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

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

(ii) Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

(a) Life Assurance contract liabilities comprising:

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

(b) Reinsurance contracts

(iii) Life Assurance Contract Liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Insurance Contract (continued)

(iii) Life Assurance Contract Liabilities (continued)

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Reinsurance Contracts

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

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

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

(p) Life Insurance Underwriting Results

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

(i) Gross Premium Income

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

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

(ii) Reinsurance Premiums

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

(iii) Creation of Units

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

(iv) Commission and Agency Expenses

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Life Insurance Underwriting Results (continued)

(v) Claims and Policy Benefits

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

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

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

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

(q) Other Revenue Recognition

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

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

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

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

(r) Fees and Commission Income

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Agents' Retirement Benefits

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

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

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

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

(t) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in the income statement. Exchange differences on non-monetary item such as equity investments classified as Fair Value Through Comprehensive Income are included in the fair value reserve in equity.

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

	2019	2018
	RM	RM
Singapore Dollar	3.04	3.04
United States Dollar	4.09	4.13
British Pound	5.42	5.27
Australian Dollar	2.87	2.91
Hong Kong Dollar	0.53	0.53
Japanese Yen	0.04	0.04
China Yuan	0.59	-

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income Tax

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

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

Deferred tax is provided for, using the liability method, on temporary differences at the reporting 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 reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(v) Employee Benefits

(i) Defined Contribution Plans Under Statutory Regulations

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

(ii) Employee Leave Entitlements

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

(iii) Share Options

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) **Employee Benefits** (continued)

(iii) **Share Options** (continued)

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.

The Company has ceased granting OCBC share options to eligible executives with effect from FY2019.

(iv) **Deferred Share Plan**

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

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

(w) **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.

(x) **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 reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision is discounted using a current pre-tax rate that reflects the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(y) **Offsetting of Financial Assets and Financial Liabilities**

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Investment in subsidiary

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

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

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to standards and interpretation of standards:

On 1 January 2019, the Company adopted the following amended MFRSs mandatory for annual 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 Arrangements (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 119 *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 cycle)*

The adoption of the above standards and pronouncements other than MFRS 16 *Leases* did not have any significant impact on the financial statements of the Company.

The Company applies, for the first time in the current financial year, MFRS 16 *Leases*. As required by MFRS 134, the nature and effect of adopting MFRS 16 are disclosed below in Table A.

Several other amendments and interpretations are also applicable for the first time in 2019 but do not have an impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

MFRS 16 Leases

MFRS 16 *Leases* became effective for companies with annual periods beginning on or after 1 January 2019. The Company applied the standard from its mandatory adoption date, applying the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

Table A

	RM'000
Right-of-use assets	
Operating lease commitments disclosed as at 31 December 2018	1,854
Discounted using the lessee's incremental borrowing rate at the date of initial application	
(Less): short-term leases recognised on a straight-line basis as expense	(136)
(Less): low-value leases recognised on a straight-line basis as expense	(320)
Lease liability recognised as at 1 January 2019	1,398
Of which are:	
Current lease liabilities	399
Non-current lease liabilities	999
	1,398

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The recognised right-of-use assets relate to the following types of assets:

	31.12.2019 RM'000	01.01.2019 RM'000
Right-of-use assets:		
- Leasehold land (previously recognised on the balance sheet as prepaid land lease payments)	16,115	16,253
- Additional right-of-use assets (arising from MFRS 16)	4,115	1,398
Total right-of-use asset	20,230	17,651

Practical expedients applied

In applying MFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single source discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

MFRS 16 Leases (continued)

Practical expedients applied (continued)

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In conjunction with the adoption of MFRS 16, the Company has reclassified its prepaid land lease payments to right-of-use assets. Prepaid land lease payments refer to long term lease with an unexpired period of fifty years or more.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Effective for financial periods beginning on or after 1 January 2020

- Amendments to MFRS 3 *Business Combination*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*

Effective for financial periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

Deferred

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgements Made in Applying Accounting Policies

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

(i) Classification Between Investment Properties and Property and Equipment (Notes 3 and 5)

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

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

(ii) Impairment of Financial Assets (Note 34(g))

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.

(iii) Insurance Contract Classification (Note 12)

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

(b) Key Sources of Estimation Uncertainty

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

(i) Valuation of Life Insurance Contract Liabilities (Note 12)

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Key Sources of Estimation Uncertainty (continued)

(i) Valuation of Life Insurance Contract Liabilities (Note 12) (continued)

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

(ii) Agents' Retirement Benefits (Note 14)

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

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

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

(iii) Deferred tax (Note 15)

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

(a) OWNED

	Properties			Capital Work- in- Progress RM'000	Motor Vehicles RM'000	Office Machinery RM'000	Office Furniture and Fittings RM'000	Computer Equipment RM'000	Total RM'000
	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land RM'000						
Cost									
At 1 January 2019	11,907	341,213	100,747	21,239	1,947	84,002	33,154	543,683	1,137,892
Additions	-	-	72	20,366	814	4,258	2,699	41,748	69,957
Disposals	-	-	-	-	(1,011)	-	-	(481)	(1,492)
Reclassification	-	-	114	(208)	-	-	94	-	-
Transfer to investment properties (Note 5)	-	-	-	(1,281)	-	-	-	-	(1,281)
Write-offs	-	-	-	(376)	-	-	-	(48)	(424)
At 31 December 2019	11,907	341,213	100,933	39,740	1,750	88,260	35,947	584,902	1,204,652
Accumulated Depreciation and Impairment									
At 1 January 2019	-	133,748	27,615	-	1,748	76,940	20,608	419,776	680,435
Depreciation charge for the year (Note 25)	-	6,826	2,017	-	94	2,543	2,352	36,008	49,840
Disposals	-	-	-	-	(1,011)	-	-	(481)	(1,492)
At 31 December 2019	-	140,574	29,632	-	831	79,483	22,960	455,303	728,783
Net Book Value									
At 31 December 2019	11,907	200,639	71,301	39,740	919	8,777	12,987	129,599	475,869

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT (CONTINUED)

(a) OWNED (continued)

	Properties			Capital Work- in- Progress RM'000	Motor Vehicles RM'000	Office Machinery RM'000	Office Furniture and Fittings RM'000	Computer Equipment RM'000	Total RM'000
	Freehold Land RM'000	Freehold Buildings on Land RM'000	Leasehold Buildings on Land RM'000						
Cost									
At 1 January 2018	13,861	342,864	99,901	9,837	2,485	79,985	28,216	518,404	1,095,553
Additions	-	-	106	14,335	174	3,337	3,425	25,301	46,678
Disposals	-	-	-	-	(712)	-	-	-	(712)
Reclassification	-	-	740	(2,933)	-	680	1,513	-	-
Transfer to investment properties (Note 5)	(1,954)	-	-	-	-	-	-	-	(1,954)
Write-offs	-	(1,651)	-	-	-	-	-	(22)	(1,673)
At 31 December 2018	11,907	341,213	100,747	21,239	1,947	84,002	33,154	543,683	1,137,892
Accumulated Depreciation and Impairment									
At 1 January 2018	-	128,406	25,541	-	2,377	73,803	18,470	383,698	632,295
Depreciation charge for the year (Note 25)	-	6,826	2,013	-	83	3,137	2,138	36,078	50,275
Impairment	-	-	61	-	-	-	-	-	61
Disposals	-	-	-	-	(712)	-	-	-	(712)
Write-offs	-	(1,484)	-	-	-	-	-	-	(1,484)
At 31 December 2018	-	133,748	27,615	-	1,748	76,940	20,608	419,776	680,435
Net Book Value									
At 31 December 2018	11,907	207,465	73,132	21,239	199	7,062	12,546	123,907	457,457

Included in property and equipment are the cost of fully depreciated assets which are still in use amounting to RM471,384,685 (2018: RM441,334,747).

Included in property and equipment are properties with a total net book value amounting to RM32,421,022 (2018: RM34,739,233) for which title deeds are still in the process of being transferred to the Life Insurance Fund.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT (CONTINUED)

(b) RIGHT-OF-USE ASSETS

	Long Term Leasehold Land* RM'000	Other Right-of- Use Assets RM'000	Total RM'000
Cost			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16 (Note 6)	17,906	1,398	19,304
At 1 January 2019 (restated)	17,906	1,398	19,304
Additions	-	3,583	3,583
At 31 December 2019	17,906	4,981	22,887
Accumulated amortisation/depreciation			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16 (Note 6)	(1,653)	-	(1,653)
At 1 January 2019 (restated)	(1,653)	-	(1,653)
Charge for the year (Note 25)	(138)	(866)	(1,004)
At 31 December 2019	(1,791)	(866)	(2,657)
Net Book Value			
At 31 December 2019	16,115	4,115	20,230

* Previously classified as prepaid land lease payments as at 31 December 2018.

This note provides information for leases where the Company is a lessee.

The Company has entered into operating lease agreements for computer equipment and office rental. These non-cancellable leases have remaining non-cancellable lease terms of between 3 and 6 years. Several of these lease contracts also include extension and termination options.

The Company also has certain leases of office equipment and carparks with lease terms of 12 months or less and leases with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT (CONTINUED)

(b) RIGHT-OF-USE ASSETS (continued)

The following are the amounts recognised in profit or loss:

	2019 RM'000	2018 RM'000
Depreciation expense of right-of-use assets	866	-
Interest expense on lease liabilities	189	-
Expense relating to leases of low-value assets	242	-
Expense relating to short-term leases	71	-
Amortisation of prepaid land lease payments	-	137
Operating lease payments	-	799
Total amount recognised in profit or loss	1,368	936

The total cash outflow for leases in 2019 was RM1,130,918.

(c) LEASE LIABILITIES

	Lease Liabilities: Buildings RM'000	Lease Liabilities: Office equipment RM'000	Total RM'000
Lease liabilities			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16	1,398	-	1,398
At 1 January 2019 (restated)	1,398	-	1,398
Additions	1,406	2,177	3,583
Payment of lease liabilities	(487)	(331)	(818)
Interest expense on lease liabilities	106	83	189
At 31 December 2019	2,423	1,929	4,352

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS

	Distribution Platform RM'000
Cost	
At 1 January 2019	-
Additions	5,247
At 31 December 2019	5,247
Accumulated Amortisation	
At 1 January 2019	-
Amortisation for the year (Note 25)	67
At 31 December 2019	67
Net Book Value	
At 31 December 2019	5,180

5. INVESTMENT PROPERTIES

	2019 RM'000	2018 RM'000
At 1 January	1,137,600	601,421
Additions	1,314	434,348
Transfer from deposits (Note i)	-	108,815
Transfer from property and equipment (Note 3)	1,281	1,954
Write-off	(9)	(1,385)
Fair value gain/(loss) (Note 22)	5,764	(7,553)
At 31 December	1,145,950	1,137,600

Note (i): The amount in the previous financial year relates to the capitalisation of an office building upon completion of its construction.

The Company's investment properties consist of commercial and residential properties in Malaysia.

As at 31 December 2019, the fair values of the properties are based on valuations performed by Messrs. Savills (Malaysia) Sdn. Bhd. (2018: Messrs. Savills (Malaysia) Sdn. Bhd.), an accredited independent firm of property valuers. The property valuers are specialists in valuing these types of investment properties. The valuation models applied are in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13 *Fair Value Measurements*.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES (CONTINUED)

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

	2019 RM'000	2018 RM'000
Rental income derived from investment properties	38,105	26,285
Direct operating expenses (including repairs and maintenance) incurred in generating rental income	(20,694)	(16,292)
	17,411	9,993

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

Fair value disclosures for investment properties have been provided in Note 35.

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

6. PREPAID LAND LEASE PAYMENTS

	2019 RM'000	2018 RM'000
Long term leasehold land		
Cost		
At 1 January	17,906	17,906
Effect of adoption of MFRS 16 - reclassified to right-of-use assets (Note 3(b))	(17,906)	-
At 1 January (restated)	-	17,906
Additions	-	-
At 31 December	-	17,906
Accumulated amortisation		
At 1 January	(1,653)	(1,516)
Effect of adoption of MFRS 16 - reclassified to right-of-use assets (Note 3(b))	1,653	-
At 1 January (restated)	-	(1,516)
Amortisation for the year (Note 25)	-	(137)
At 31 December	-	(1,653)
Net Book Value		
At 31 December	-	16,253

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS

	2019				2018			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000
Malaysian government securities	15,299	6,105,933	292,664	6,413,896	-	7,126,271	213,644	7,339,915
Debt securities	290,054	36,063,221	2,170,046	38,523,321	194,338	34,102,927	2,028,856	36,326,121
Equity securities	275,774	19,465,791	5,557,363	25,298,928	221,451	17,357,667	3,871,298	21,450,416
Unit and property trust funds	-	2,524,011	198,907	2,722,918	-	1,934,070	143,544	2,077,614
Loans	816	5,834,019	-	5,834,835	2,489	6,904,066	-	6,906,555
Deposits with financial institutions	-	3,418,573	661,150	4,079,723	-	1,853,675	1,313,480	3,167,155
Investment in subsidiary: Collective investment scheme	458,002	171,915	-	629,917	425,923	-	-	425,923
	1,039,945	73,583,463	8,880,130	83,503,538	844,201	69,278,676	7,570,822	77,693,699

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

AC (Note 7(a))	816	9,252,592	661,150	9,914,558	2,489	8,757,741	1,313,480	10,073,710
FVOCI (Note 7(b))	515,212	2,110,580	-	2,625,792	341,317	1,824,998	-	2,166,315
FVTPL (Note 7(c))	523,917	62,220,291	8,218,980	70,963,188	500,395	58,695,937	6,257,342	65,453,674
	1,039,945	73,583,463	8,880,130	83,503,538	844,201	69,278,676	7,570,822	77,693,699

The following
investments
mature after
12 months:

AC	816	865,622	-	866,438	2,489	1,435,656	-	1,438,145
FVOCI	219,535	1,426,476	-	1,646,011	119,866	1,242,908	-	1,362,774
FVTPL	47,641	38,306,141	2,333,126	40,686,908	74,472	37,651,589	2,028,196	39,754,257
	267,992	40,598,239	2,333,126	43,199,357	196,827	40,330,153	2,028,196	42,555,176

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS (CONTINUED)

(a) AC

	2019				2018			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000
At Amortised Cost:								
Deposits with financial institutions:								
Licensed banks	-	3,418,573	661,150	4,079,723	-	1,853,675	1,313,480	3,167,155
Policy loans	-	4,510,209	-	4,510,209	-	4,448,049	-	4,448,049
Mortgage loans	-	566,925	-	566,925	-	507,699	-	507,699
Secured loans	-	282,098	-	282,098	-	1,283,222	-	1,283,222
Unsecured loans	816	490,009	-	490,825	2,489	685,158	-	687,647
	816	9,267,814	661,150	9,929,780	2,489	8,777,803	1,313,480	10,093,772
Provision for expected credit loss ("ECL") (Note 34(g))	-	(15,222)	-	(15,222)	-	(20,062)	-	(20,062)
	816	9,252,592	661,150	9,914,558	2,489	8,757,741	1,313,480	10,073,710

Included in deposits with financial institutions of the Company are short term deposits with original maturity periods of less than 3 months amounting to RM3,939,722,666 (2018: RM3,000,555,000), which have been classified as cash and cash equivalents for the purpose of the cash flow statement.

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

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

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS (CONTINUED)

(b) FVOCI

	2019				2018			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000
At Fair Value:								
Equity securities:								
Quoted in								
Malaysia								
- Kuala Lumpur								
Stock Exchange	171,635	260,496	-	432,131	140,651	237,539	-	378,190
Quoted outside								
Malaysia								
- Singapore								
Exchange	38,833	121,957	-	160,790	24,045	108,078	-	132,123
- Hong Kong								
Exchange	64,603	150,223	-	214,826	56,190	122,583	-	178,773
Unquoted in								
Malaysia	558	86,774	-	87,332	565	80,285	-	80,850
Malaysian								
government								
securities	15,299	87,092	-	102,391	-	150,184	-	150,184
Debt securities:								
Unquoted in								
Malaysia	224,284	1,404,038	-	1,628,322	119,866	1,126,329	-	1,246,195
	515,212	2,110,580	-	2,625,792	341,317	1,824,998	-	2,166,315

During the financial year ended 31 December 2019, the Company sold listed equity securities as the underlying investments are no longer aligned with the Company's long-term investment strategy. These investments had a fair value of RM149,259,194 (2018: RM80,353,946) at the date of disposal. The cumulative loss on disposal (net of tax) of RM10,697,000 (2018: cumulative gain on disposal (net of tax) of RM906,000) was reclassified from fair value reserve to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS (CONTINUED)

(c) FVTPL

	2019				2018			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000
At Fair Value:								
Mandatorily measured:								
Equity securities:								
Quoted in								
Malaysia	145	15,689,680	5,232,809	20,922,634	-	14,192,206	3,630,882	17,823,088
Quoted outside								
Malaysia	-	3,072,474	324,554	3,397,028	-	2,539,611	240,416	2,780,027
Unquoted in								
Malaysia	-	84,187	-	84,187	-	77,365	-	77,365
Debt securities:								
Quoted outside								
Malaysia	-	454,566	20,746	475,312	-	202,842	20,828	223,670
Unquoted in								
Malaysia	65,770	3,096,341	447,227	3,609,338	74,472	4,436,357	338,068	4,848,897
Unquoted								
outside Malaysia	-	104,195	20,839	125,034	-	-	-	-
Unit and property								
trust funds:								
Quoted in								
Malaysia	-	491,545	150,270	641,815	-	487,399	112,027	599,426
Quoted outside								
Malaysia	-	1,968,950	48,637	2,017,587	-	1,446,671	31,517	1,478,188
Unquoted in								
Malaysia	-	63,516	-	63,516	-	-	-	-
Collective investment schemes								
- subsidiary								
Unquoted in								
Malaysia	458,002	171,915	-	629,917	425,923	-	-	425,923
	523,917	25,197,369	6,245,082	31,966,368	500,395	23,382,451	4,373,738	28,256,584

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS (CONTINUED)

(c) FVTPL (continued)

	2019				2018			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000
At Fair Value:								
(continued)								
Designated upon initial recognition:								
Malaysian government securities	-	6,018,841	292,664	6,311,505	-	6,976,087	213,644	7,189,731
Debt securities:								
Unquoted in Malaysia	-	30,940,433	1,681,234	32,621,667	-	28,251,730	1,669,960	29,921,690
Unquoted outside Malaysia	-	63,648	-	63,648	-	85,669	-	85,669
	-	37,022,922	1,973,898	38,996,820	-	35,313,486	1,883,604	37,197,090
	523,917	62,220,291	8,218,980	70,963,188	500,395	58,695,937	6,257,342	65,453,674

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS (CONTINUED)

(d) Investment in subsidiary - collective investment scheme

	2019 RM'000	2018 RM'000
At fair value:		
FVTPL (Note 7(c))	629,917	425,923

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

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company	
		2019	2018
Affin Hwang Wholesale Income Fund	Investment in debt securities and money market	91.67%	88.89%

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

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

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

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

8. REINSURANCE ASSETS

Life Insurance Fund

	2019 RM'000	2018 RM'000
Reinsurance of insurance contracts (Note 12)	108,013	50,672

NOTES TO THE FINANCIAL STATEMENTS

9. INSURANCE RECEIVABLES

Life Insurance Fund

	2019 RM'000	2018 RM'000
Due premiums including agents/brokers and co-insurers balances	300,478	323,610
Due from reinsurers	416	-
	300,894	323,610
Allowance for impairment	(4,735)	(3,306)
	296,159	320,304
Movement in impairment allowance account:		
At 1 January	3,306	2,764
Impairment for the year	1,429	542
At 31 December	4,735	3,306

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

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

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
31 December 2019			
Premiums ceded	(5,928)	-	(5,928)
Commissions receivable	-	2,887	2,887
Claims recoveries	-	3,457	3,457
	(5,928)	6,344	416

10. OTHER RECEIVABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 31 December 2019				
<u>Non-financial assets</u>				
Prepayments	-	9,972	-	9,972
<u>Financial assets</u>				
Income due and accrued	3,229	601,085	59,065	663,379
Other receivables	1,245	1,993	-	3,238
Amount due from:				
- related companies	9,126	-	-	9,126
- holding company	65	-	-	65
	13,665	603,078	59,065	675,808
Allowance for impairment	-	(644)	-	(644)
	13,665	602,434	59,065	675,164
Total other receivables	13,665	612,406	59,065	685,136
Receivable after 12 months	-	2,075	-	2,075

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER RECEIVABLES (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 31 December 2018				
Non-financial assets				
Prepayments	-	14,650	-	14,650
Financial assets				
Income due and accrued	2,291	615,530	72,094	689,915
Other receivables	1,636	1,963	-	3,599
Amount due from:				
- related companies	4,897	-	-	4,897
- holding company	23	-	-	23
	8,847	617,493	72,094	698,434
Allowance for impairment	-	(830)	-	(830)
	8,847	616,663	72,094	697,604
Total other receivables	8,847	631,313	72,094	712,254
Receivable after 12 months	61	5,010	-	5,071

Related companies in these financial statements refer to companies within Oversea-Chinese Banking Corporation Limited ("OCBC Group"). The amounts due from related companies and holding company are unsecured, interest-free and are repayable on demand.

	2019 RM'000	2018 RM'000
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	830	751
(Reversal of impairment)/impairment for the year	(186)	79
At 31 December	644	830

There were no collectively impaired other receivables for the years ended 31 December 2019 and 2018.

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

11. SHARE CAPITAL

	2019		2018	
	No. of shares ('000)	RM'000	No. of shares ('000)	RM'000
Ordinary shares				
At beginning and end of year	100,000	100,000	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS

12. INSURANCE CONTRACT LIABILITIES

Life Insurance Fund

	2019			2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	10,424,231	(22,205)	10,402,026	9,658,952	(17,167)	9,641,785
Actuarial liabilities	52,270,975	(85,808)	52,185,167	50,657,674	(33,505)	50,624,169
Unallocated surplus	10,163,400	-	10,163,400	8,130,220	-	8,130,220
Net asset value attributable to unitholders	8,937,082	-	8,937,082	7,626,167	-	7,626,167
	81,795,688	(108,013)	81,687,675	76,073,013	(50,672)	76,022,341

	Gross			Reinsurance			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2019	64,998,892	11,074,121	76,073,013	(1,453)	(49,219)	(50,672)	76,022,341
Premiums received	2,962,790	1,494,920	4,457,710	(65,595)	(149,193)	(214,788)	4,242,922
Liabilities paid for death, maturities, surrenders, benefits and claims	(4,305,936)	(517,206)	(4,823,142)	30,217	119,068	149,285	(4,673,857)
Policy movements	1,180,665	720,968	1,901,633	(24,185)	(23,953)	(48,138)	1,853,495
Interest rate	5,097	354,915	360,012	-	(914)	(914)	359,098
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(156,644)	24,036	(132,608)	-	(2,357)	(2,357)	(134,965)
<i>Expenses</i>	(29,119)	(16,798)	(45,917)	-	-	-	(45,917)
<i>Lapse</i>	(503,644)	(17,521)	(521,165)	-	8	8	(521,157)
<i>Others</i>	92,007	(59,626)	32,381	-	(902)	(902)	31,479
Model change	21,765	(2,802)	18,963	-	-	-	18,963
Claims benefit experience variation	681,735	83,547	765,282	34,885	25,580	60,465	825,747
Net asset value attributable to unitholders	-	333,199	333,199	-	-	-	333,199
Unallocated surplus	3,376,327	-	3,376,327	-	-	-	3,376,327
At 31 December 2019	68,323,935	13,471,753	81,795,688	(26,131)	(81,882)	(108,013)	81,687,675

Policy benefits bear interest at 5% per annum.

NOTES TO THE FINANCIAL STATEMENTS

12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2018	64,439,190	10,329,433	74,768,623	(5,540)	(47,352)	(52,892)	74,715,731
Premiums received	3,212,545	1,285,365	4,497,910	(72,984)	(134,576)	(207,560)	4,290,350
Liabilities paid for death, maturities, surrenders, benefits and claims	(4,149,829)	(491,643)	(4,641,472)	29,429	65,193	94,622	(4,546,850)
Policy movements	903,365	478,030	1,381,395	-	(6,718)	(6,718)	1,374,677
Interest rate	(711)	(21,486)	(22,197)	-	182	182	(22,015)
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(318,019)	(72,843)	(390,862)	-	5,005	5,005	(385,857)
<i>Expenses</i>	125,909	68,082	193,991	-	(14)	(14)	193,977
<i>Lapse</i>	(1,031)	(15,291)	(16,322)	-	(2,356)	(2,356)	(18,678)
<i>Others</i>	(46,087)	(20,112)	(66,199)	-	(3)	(3)	(66,202)
Model change	-	(180)	(180)	-	-	-	(180)
Claims benefit experience variation	686,363	40,845	727,208	47,642	71,420	119,062	846,270
Net asset value attributable to unitholders	-	(506,079)	(506,079)	-	-	-	(506,079)
Unallocated surplus	147,197	-	147,197	-	-	-	147,197
At 31 December 2018	64,998,892	11,074,121	76,073,013	(1,453)	(49,219)	(50,672)	76,022,341

Policy benefits bear interest at 5% per annum.

13. DERIVATIVES

	Asset		Liability	
	Notional Principal RM'000	Fair Value RM'000	Notional Principal RM'000	Fair Value RM'000
31 December 2019				
Life Insurance Fund				
Derivatives held for trading:				
Currency swaps	174,419	5,609	300,110	20,595
Interest rate swap	1,000	9	-	-
	175,419	5,618	300,110	20,595
Unit-linked				
Derivatives held for trading:				
Currency swaps	20,740	214	-	-
	196,159	5,832	300,110	20,595

NOTES TO THE FINANCIAL STATEMENTS

13. DERIVATIVES (CONTINUED)

	Asset		Liability	
	Notional Principal RM'000	Fair Value RM'000	Notional Principal RM'000	Fair Value RM'000
31 December 2018				
Life Insurance Fund				
Derivatives held for trading:				
Currency swaps	105,800	5,353	60,220	24,849
Interest rate swap	1,000	1	-	-
	<u>106,800</u>	<u>5,354</u>	<u>60,220</u>	<u>24,849</u>

14. AGENTS' RETIREMENT BENEFITS

Life Insurance Fund

	2019 RM'000	2018 RM'000
At 1 January	828,281	829,311
Provision for the year	128,520	79,853
Paid during the year	(71,768)	(80,883)
At 31 December	<u>885,033</u>	<u>828,281</u>
Payable after 12 months	543,718	534,712

15. DEFERRED TAXATION

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 1 January 2019	227,360	370,770	3,459	601,589
Recognised in:				
Income statement (Note 26)	20,833	117,318	1,880	140,031
Other comprehensive income	18,120	-	-	18,120
Insurance contract liabilities	-	-	-	-
At 31 December 2019	266,313	488,088	5,339	759,740
At 1 January 2018	211,317	512,944	66,383	790,644
Recognised in:				
Income statement (Note 26)	32,888	(142,174)	(62,924)	(172,210)
Other comprehensive income	(16,845)	-	-	(16,845)
At 31 December 2018	227,360	370,770	3,459	601,589

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.

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED TAXATION (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
Presented after appropriate offsetting as follows:				
At 31 December 2019				
Deferred tax liabilities	268,223	489,306	5,339	762,868
Deferred tax assets	(1,910)	(1,218)	-	(3,128)
	266,313	488,088	5,339	759,740
At 31 December 2018				
Deferred tax liabilities	229,224	372,375	3,459	605,058
Deferred tax assets	(1,864)	(1,605)	-	(3,469)
	227,360	370,770	3,459	601,589

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

Deferred Tax Liabilities

	Fair value of investment assets RM'000	Unallocated Surplus of Non- Participating Funds RM'000	Total RM'000
Shareholder's Fund			
At 1 January 2019			
Recognised in other comprehensive income	4,394	224,830	229,224
Recognised in income statement	19,480	(1,360)	18,120
	3,148	17,731	20,879
At 31 December 2019	27,022	241,201	268,223
At 1 January 2018			
Recognised in other comprehensive income	20,625	192,631	213,256
Recognised in income statement	(17,088)	161	(16,927)
	857	32,038	32,895
At 31 December 2018	4,394	224,830	229,224
Life Insurance Fund			
At 1 January 2019			
Recognised in income statement	18,364	351,846	372,375
	450	116,585	116,931
At 31 December 2019	18,814	468,431	489,306
At 1 January 2018			
Recognised in income statement	18,979	534,800	557,278
	(615)	(182,954)	(184,903)
At 31 December 2018	18,364	351,846	372,375

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED TAXATION (CONTINUED)

	Fair value of investment assets RM'000	Total RM'000
Unit-linked		
At 1 January 2019	3,459	3,459
Recognised in income statement	1,880	1,880
At 31 December 2019	5,339	5,339
At 1 January 2018	66,383	66,383
Recognised in income statement	(62,924)	(62,924)
At 31 December 2018	3,459	3,459

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

Deferred Tax Assets

	Accretion of discounts on investments RM'000	Provision for impairment of investments RM'000	Total RM'000
Shareholder's Fund			
At 1 January 2019	(1,864)	-	(1,864)
Recognised in income statement	(46)	-	(46)
Recognised in comprehensive income	-	-	-
At 31 December 2019	(1,910)	-	(1,910)
At 1 January 2018	(1,857)	(82)	(1,939)
Recognised in income statement	(7)	-	(7)
Recognised in comprehensive income	-	82	82
At 31 December 2018	(1,864)	-	(1,864)

	Provision for impairment of investments RM'000
Life Insurance Fund	
At 1 January 2019	(1,605)
Recognised in income statement	387
At 31 December 2019	(1,218)
At 1 January 2018	(44,334)
Recognised in income statement	42,729
At 31 December 2018	(1,605)

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER FINANCIAL LIABILITIES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2019				
Deposits received from reinsurers	-	443	-	443
Outstanding purchases of investment securities	-	41,487	10,079	51,566
	-	41,930	10,079	52,009
31 December 2018				
Deposits received from reinsurers	-	478	-	478
Outstanding purchases of investment securities	-	41,394	33,440	74,834
	-	41,872	33,440	75,312

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

17. INSURANCE PAYABLES

	2019 RM'000	2018 RM'000
Life Insurance Fund		
Due to reinsurers	34,750	72,243
Due to agents and intermediaries	256,028	270,533
	290,778	342,776

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

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

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
31 December 2019			
Premiums ceded	201,775	-	201,775
Commissions receivable	-	(23,523)	(23,523)
Claims recoveries	-	(143,502)	(143,502)
	201,775	(167,025)	34,750
31 December 2018			
Premiums ceded	183,759	-	183,759
Commissions receivable	-	(16,764)	(16,764)
Claims recoveries	-	(94,752)	(94,752)
	183,759	(111,516)	72,243

NOTES TO THE FINANCIAL STATEMENTS

18. OTHER PAYABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2019				
<u>Non-financial liabilities</u>				
Accrued expenses	16	118,829	92	118,937
Premium suspense	-	34,752	-	34,752
	16	153,581	92	153,689
<u>Financial liabilities</u>				
Deposits from tenants	-	21,066	-	21,066
Dividends payable	48,172	-	-	48,172
Advance premium	-	184,875	-	184,875
Amount due to ultimate holding company	879	-	-	879
Amount due to intermediate holding company	24,183	-	-	24,183
Others	5,219	139,251	333	144,803
	78,453	345,192	333	423,978
Total payables	78,469	498,773	425	577,667
31 December 2018				
<u>Non-financial liabilities</u>				
Accrued expenses	14	112,477	75	112,566
Premium suspense	-	29,010	-	29,010
	14	141,487	75	141,576
<u>Financial liabilities</u>				
Deposits from tenants	-	18,954	-	18,954
Dividends payable	3,167	-	-	3,167
Advance premium	-	227,262	-	227,262
Amount due to ultimate holding company	983	-	-	983
Amount due to intermediate holding company	30,310	-	-	30,310
Others	-	153,411	283	153,694
	34,460	399,627	283	434,370
Total payables	34,474	541,114	358	575,946

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

19. NET EARNED PREMIUMS

Life Insurance Fund

	2019 RM'000	2018 RM'000
(a) Gross earned premiums		
Life insurance contracts	8,727,964	8,076,172
(b) Earned premiums ceded to reinsurers		
Life insurance contracts	(214,788)	(207,560)
Net earned premiums	8,513,176	7,868,612

NOTES TO THE FINANCIAL STATEMENTS

20. INVESTMENT INCOME

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2019			
Rental income from:			
- investment properties	-	38,105	38,105
- owner occupied properties	-	29,578	29,578
Financial assets at FVTPL			
- mandatorily measured:			
Interest income	4,598	276,857	281,455
Dividend income:			
- equity securities quoted in Malaysia	20,022	724,225	744,247
- equity securities quoted outside Malaysia	-	153,148	153,148
- equity securities unquoted in Malaysia	-	2,773	2,773
- designated upon initial recognition:			
Interest income	-	1,616,693	1,616,693
Financial assets at FVOCI:			
Interest income	10,057	58,372	68,429
Dividend income*:			
- equity securities quoted in Malaysia	8,400	13,322	21,722
- equity securities quoted outside Malaysia	6,077	17,175	23,252
- equity securities unquoted in Malaysia	20	2,161	2,181
LAR interest income	41	402,074	402,115
Cash and bank balances interest income	3,952	139,679	143,631
Gross investment income	53,167	3,474,162	3,527,329
Less: investment expenses	(51)	(66,615)	(66,666)
	53,116	3,407,547	3,460,663

* During the year ended 31 December 2019, dividend income earned in respect of equity investments measured at FVOCI were as follows:

	RM'000
On investments derecognised during the reporting year	5,586
On investments held at the end of the reporting year	41,569
	47,155

NOTES TO THE FINANCIAL STATEMENTS

20. INVESTMENT INCOME (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2018			
Rental income from:			
- investment properties	-	26,285	26,285
- owner occupied properties	-	30,178	30,178
Financial assets at FVTPL			
- mandatorily measured:			
Interest income	4,380	257,949	262,329
Dividend income:			
- equity securities quoted in Malaysia	16,576	671,166	687,742
- equity securities quoted outside Malaysia	-	195,343	195,343
- equity securities unquoted in Malaysia	-	1,065	1,065
- designated upon initial recognition:			
Interest income	-	1,560,910	1,560,910
Financial assets at FVOCI:			
Interest income	6,960	75,775	82,735
Dividend income*:			
- equity securities quoted in Malaysia	6,387	10,040	16,427
- equity securities quoted outside Malaysia	5,106	12,101	17,207
- equity securities unquoted in Malaysia	25	1,249	1,274
LAR interest income	115	429,665	429,780
Cash and bank balances interest income	1,513	108,802	110,315
Gross investment income	41,062	3,380,528	3,421,590
Less: investment expenses	-	(58,023)	(58,023)
	41,062	3,322,505	3,363,567

* During the year ended 31 December 2018, dividend income earned in respect of equity investments measured at FVOCI were as follows:

	RM'000
On investments derecognised during the reporting year	1,378
On investments held at the end of the reporting year	33,530
	34,908

Included in rental income from properties is contingent rent for the year amounting to RM109,822 (2018: 181,845). Contingent rental arrangements are computed based on sales or profit achieved by tenants.

NOTES TO THE FINANCIAL STATEMENTS

21. REALISED GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2019			
Property and equipment			
Realised gains	-	136	136
FVOCI financial assets*			
Realised gains:			
Debt securities:			
- unquoted in Malaysia	1,721	18,146	19,867
Total realised gains for FVOCI financial assets	1,721	18,146	19,867
FVTPL financial assets			
Realised (losses)/gains:			
<u>Mandatorily measured:</u>			
Debt securities:			
- unquoted in Malaysia	(187)	(26,723)	(26,910)
- quoted outside Malaysia	-	237	237
Equity securities:			
- quoted in Malaysia	-	(12,857)	(12,857)
- quoted outside Malaysia	-	(63,734)	(63,734)
	(187)	(103,077)	(103,264)
<u>Designated upon initial recognition:</u>			
Debt securities:			
- unquoted in Malaysia	-	23,362	23,362
- unquoted outside Malaysia	-	4,908	4,908
	-	28,270	28,270
Total realised losses for FVTPL financial assets	(187)	(74,807)	(74,994)
Total realised gains/(losses)	1,534	(56,525)	(54,991)

NOTES TO THE FINANCIAL STATEMENTS

21. REALISED GAINS AND LOSSES (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2018			
Property and equipment			
Realised losses	-	(1,453)	(1,453)
FVOCI financial assets*			
Realised gains:			
Debt securities:			
- unquoted in Malaysia	784	4,653	5,437
Total realised gains for FVOCI financial assets	784	4,653	5,437
FVTPL financial assets			
Realised (losses)/gains:			
Mandatorily measured:			
Debt securities:			
- unquoted in Malaysia	(272)	(1,482)	(1,754)
Equity securities:			
- quoted in Malaysia	-	(380,625)	(380,625)
- quoted outside Malaysia	-	(45,471)	(45,471)
	(272)	(427,578)	(427,850)
Designated upon initial recognition:			
Debt securities:			
- unquoted in Malaysia	-	2,269	2,269
- unquoted outside Malaysia	-	(366)	(366)
	-	1,903	1,903
Total realised losses for FVTPL financial assets	(272)	(425,675)	(425,947)
Total realised gains/(losses)	512	(422,475)	(421,963)

* Included in realised gains/(losses) from FVOCI financial assets of the Life Insurance Fund is net realised gain of RM18,146,379 (2018: realised gain of RM4,653,078) arising from the Non-participating Fund.

NOTES TO THE FINANCIAL STATEMENTS

22. FAIR VALUE GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2019			
Investment properties (Note 5)	-	5,764	5,764
Financial investments - FVTPL:			
- mandatorily measured	13,536	273,837	287,373
- designated upon initial recognition	-	2,163,937	2,163,937
	13,536	2,443,538	2,457,074
2018			
Investment properties (Note 5)	-	(7,553)	(7,553)
Financial investments - FVTPL:			
- mandatorily measured	1,737	(1,951,223)	(1,949,486)
- designated upon initial recognition	-	327,606	327,606
	1,737	(1,631,170)	(1,629,433)

23. FEES AND COMMISSION INCOME

Life Insurance Fund

	2019 RM'000	2018 RM'000
Reinsurance commission income	24,964	16,631

24. NET BENEFITS AND CLAIMS

Life Insurance Fund

	2019 RM'000	2018 RM'000
(a) Gross benefits and claims paid		
Life insurance contracts:		
Death	(513,321)	(448,048)
Maturity	(602,257)	(571,053)
Surrender	(1,997,106)	(1,894,194)
Cash bonus	(1,418,281)	(1,392,305)
Others	(1,916,282)	(1,626,882)
	(6,447,247)	(5,932,482)
(b) Claims ceded to reinsurers		
Life insurance contracts	149,285	94,623
(c) Gross change in contract liabilities		
Life insurance contracts	(4,957,395)	(577,182)
(d) Change in contract liabilities ceded to reinsurers		
Life insurance contracts	52,303	3,903

NOTES TO THE FINANCIAL STATEMENTS

25. MANAGEMENT EXPENSES

		Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2019				
Employee benefits expense	25(a)	187	245,370	245,557
Non-executive directors' remuneration	25(b)	-	1,205	1,205
Auditors' remuneration:				
- statutory audits		12	633	645
- regulatory related fees		-	193	193
- other services		-	8,049	8,049
Depreciation of:				
- property and equipment	3(a)	-	49,840	49,840
- right-of-use assets	3(b)	-	866	866
Amortisation of:				
- right-of-use assets	3(b)	-	138	138
- intangible assets	4	67	-	67
Rental of properties		24	350	374
Advertising and promotion		1,246	32,870	34,116
Finance charges		417	60,743	61,160
Group service fees		-	7,687	7,687
IT and computer expenses		-	33,967	33,967
Policyholder expenses		-	13,174	13,174
Postal and telecommunication		-	12,291	12,291
Printing and stationery		-	2,402	2,402
Professional fees		622	11,193	11,815
Repairs and maintenance		-	3,465	3,465
Transport and travelling		-	2,408	2,408
Utilities		-	6,624	6,624
Interest expense on lease liabilities		-	189	189
Expense relating to leases of low-value assets		-	242	242
Expense relating to short-term leases		-	71	71
Others		25,538	11,172	36,710
		28,113	505,142	533,255
(a) Employee Benefits Expense				
Wages and salaries		187	201,686	201,873
Short term accumulating compensated absences		-	245	245
Social security contributions		-	1,406	1,406
Defined contribution plans - EPF		-	32,731	32,731
Other employee benefits expense		-	9,302	9,302
		187	245,370	245,557

NOTES TO THE FINANCIAL STATEMENTS

25. MANAGEMENT EXPENSES (CONTINUED)

(b) CEO and Directors' Remuneration

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

		Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2019				
CEO:				
Salaries and other emoluments		-	3,245	3,245
Bonus		-	978	978
Estimated money value of benefits-in-kind		-	26	26
		-	4,249	4,249
Non-executive:				
Fees		-	1,205	1,205
Total directors' remuneration		-	5,454	5,454
Represented by:				
Directors' fees		-	1,205	1,205
Amount included in employee benefits expense		-	4,249	4,249
		-	5,454	5,454
2018				
	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Employee benefits expense	25(a)	240	215,534	215,774
Non-executive directors' remuneration	25(b)	-	1,345	1,345
Auditors' remuneration:				
- statutory audits		11	651	662
- regulatory related fees		-	339	339
- other services		-	2,002	2,002
Depreciation of property and equipment	3(a)	-	50,275	50,275
Amortisation of prepaid land lease payments	6	-	137	137
Rental of properties		31	327	358
Operating lease payments		-	799	799
Advertising and promotion		641	29,272	29,913
Finance charges		162	57,117	57,279
Group service fees		-	23,943	23,943
IT and computer expenses		-	37,746	37,746
Policyholder expenses		-	9,311	9,311
Postal and telecommunication		-	12,696	12,696
Printing and stationery		-	2,801	2,801
Professional fees		1	13,942	13,943
Repairs and maintenance		-	3,798	3,798
Transport and travelling		-	2,988	2,988
Utilities		-	6,219	6,219
GST expense		6	35,733	35,739
Others		25,520	4,550	30,070
		26,612	511,525	538,137

NOTES TO THE FINANCIAL STATEMENTS

25. MANAGEMENT EXPENSES (CONTINUED)

(a) Employee Benefits Expense

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Wages and salaries	240	174,276	174,516
Short term accumulating compensated absences	-	140	140
Social security contributions	-	1,368	1,368
Defined contribution plans - EPF	-	28,866	28,866
Other employee benefits expense	-	10,884	10,884
	240	215,534	215,774

(b) CEO and Directors' Remuneration

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
CEO:			
Salaries and other emoluments	-	3,053	3,053
Bonus	-	1,030	1,030
Estimated money value of benefits-in-kind	-	23	23
	-	4,106	4,106
Non-executive:			
Fees	-	1,345	1,345
Total directors' remuneration	-	5,451	5,451
Represented by:			
Directors' fees	-	1,345	1,345
Amount included in employee benefits expense	-	4,106	4,106
	-	5,451	5,451

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

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

	Number of Directors	
	2019	2018
Non-Executive Directors		
Below RM50,000	1	-
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	3	1
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	3	5

The Executive Director does not receive any director fees.

NOTES TO THE FINANCIAL STATEMENTS

25. MANAGEMENT EXPENSES (CONTINUED)

(b) CEO and Directors' Remuneration (continued)

Name		Salaries RM'000	Bonus RM'000	2019 Benefits in kind RM'000	Fees RM'000	Total RM'000
Y Bhg Dato Koh Yaw Hui	CEO	3,245	978	26	-	4,249
Total CEO's remuneration		3,245	978	26	-	4,249
	Status of directorship					
Mr Norman Ka Cheung Ip	Non - Executive	-	-	-	249	249
Mr Tan Yam Pin	Non - Executive	-	-	-	237	237
Mr Koh Poh Tiong	Non - Executive	-	-	-	135	135
Y Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	47	47
Y Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	68	68
Mr Siew Kah Toong	Non - Executive	-	-	-	124	124
Mr Ng Hon Soon	Non - Executive	-	-	-	223	223
Mdm Tan Fong Sang	Non - Executive	-	-	-	122	122
Total Non-Executive Directors' remuneration		-	-	-	1,205	1,205
Total remuneration		3,245	978	26	1,205	5,454

Name		Salaries RM'000	Bonus RM'000	2018 Benefits in kind RM'000	Fees RM'000	Total RM'000
Y Bhg Dato Koh Yaw Hui	CEO	3,053	1,030	23	-	4,106
Total CEO's remuneration		3,053	1,030	23	-	4,106
	Status of directorship					
Mr Norman Ka Cheung Ip	Non - Executive	-	-	-	210	210
Mr Tan Yam Pin	Non - Executive	-	-	-	166	166
Mr Koh Poh Tiong	Non - Executive	-	-	-	108	108
Y Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	217	217
Y Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	228	228
Mr Ng Hon Soon	Non - Executive	-	-	-	216	216
Mdm Tan Fong Sang	Non - Executive	-	-	-	200	200
Total Non-Executive Directors' remuneration		-	-	-	1,345	1,345
Total remuneration		3,053	1,030	23	1,345	5,451

NOTES TO THE FINANCIAL STATEMENTS

26. TAXATION

	Note	2019 RM'000	2018 RM'000
Taxation of life insurance business	(a)	415,541	48,920
Taxation of the Company	(b)	173,791	226,471
		589,332	275,391

(a) Taxation of life insurance business

Current income tax:			
Malaysian income tax		293,083	253,685
Under provided in prior years		12	28
Tax on foreign dividend income		3,248	305
		296,343	254,018
Deferred tax:			
Relating to origination and reversal of temporary differences			
- Life Insurance Fund	15	117,318	(142,174)
- Unit-linked	15	1,880	(62,924)
		415,541	48,920

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

The income tax for the life fund is calculated based on tax rate of 8% (2018: 8%) of the assessable investment income net of allowable deductions for the financial year.

(b) Taxation of the Company

		2019 RM'000	2018 RM'000
Current income tax:			
Malaysian income tax		204,643	233,444
Tax on foreign dividend income		186	-
Double taxation relief		(51,871)	(39,861)
		152,958	193,583
Deferred tax:			
Relating to origination and reversal of temporary differences (Note 15)		20,833	32,888
		173,791	226,471

The current income tax is calculated at 24% (2018: 24%) of the estimated assessable profit for the financial year.

The deferred tax for the Shareholder's Fund is calculated based on the tax rate of 24% (2018: 24%).

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

	2019 RM'000	2018 RM'000
Profit before taxation	992,191	1,112,215
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	238,126	266,931
Income not subject to tax	(16,935)	(4,979)
Expenses not deductible for tax purposes	4,471	4,380
Double taxation relief	(51,871)	(39,861)
Tax expense for the year	173,791	226,471

NOTES TO THE FINANCIAL STATEMENTS

27. EARNINGS PER SHARE - BASIC AND DILUTED

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

	2019	2018
Profit attributable to ordinary equity holder (RM'000)	818,400	885,744
Number of shares in issue ('000)	100,000	100,000
Basic earnings per share (sen)	818	886

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

28. DIVIDENDS

	2019 RM'000	2018 RM'000
Recognised during the financial year:		
Dividend on ordinary shares:		
- Final single tier dividend for 2018 of RM6.53 (2017: RM4.25) per share	653,000	425,000
- Interim single tier dividend for 2019 of RM0.45 (2018: RM1.00) per share	45,000	100,000
	698,000	525,000

At the forthcoming Annual General Meeting, a second and final single tier dividend in respect of the current financial year ended 31 December 2019 on 100,000,005 ordinary shares amounting to a total dividend of RM100,000,005 (RM1.00 per share) will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 December 2020.

29. CASH USED IN OPERATING ACTIVITIES

	Note	2019 RM'000	2018 RM'000
Profit before taxation		992,191	1,112,215
<i>Adjustments for:</i>			
Taxation of life insurance business	26(a)	415,541	48,920
Investment income	20	(3,527,329)	(3,421,590)
Realised losses recorded in the income statement	21	54,558	420,389
Fair value losses/(gains) recorded in the income statement	22	(2,457,074)	1,629,433
Depreciation of:			
- property and equipment	3(a), 25	49,840	50,275
- right-of-use assets	3(b), 25	866	-
Amortisation of:			
- right-of-use assets	3(b), 25	138	-
- intangible assets	4, 25	67	-
- prepaid land lease payments	6, 25	-	137

NOTES TO THE FINANCIAL STATEMENTS

29. CASH USED IN OPERATING ACTIVITIES (CONTINUED)

	Note	2019 RM'000	2018 RM'000
Expense relating to leases of low-value assets	3(b), 25	242	-
Expense relating to short-term leases	3(b), 25	71	-
Interest on lease liabilities	3(b), 25	189	-
Impairment loss on/(write-back of):			
Insurance and other receivables	9, 10	1,243	621
Property and equipment	3	-	61
Investments		(4,506)	(7,921)
Provision for agents' retirement benefits	14	128,520	79,853
Property and equipment written-off	3, 21	424	189
Investment properties written-off	5, 21	9	1,385
Realised foreign exchange loss on receipt of dividend		8	32
Realised foreign exchange gain on disposal of investments		(52,747)	(15,759)
Unrealised exchange loss on derivatives		7,560	3,341
Unrealised exchange loss/(gain) on bonds		74,159	(6,975)
Cash flow before working capital changes		(4,316,030)	(105,394)
<i>Changes in working capital:</i>			
Purchases of FVTPL financial investments		(29,266,315)	(18,556,570)
Proceeds from disposals/maturities of FVTPL financial investments		26,099,415	17,365,889
Purchases of FVOCI financial investments		(1,985,569)	(1,710,059)
Proceeds from disposals/maturities of FVOCI financial investments		1,612,210	1,086,029
Decrease in LAR		1,103,158	97,893
(Increase)/decrease in reinsurance assets		(57,341)	2,220
Decrease/(increase) in insurance receivables		22,300	(60,730)
Decrease in other receivables		25,176	99,677
Increase in insurance contract liabilities		5,722,675	1,304,389
Decrease in other financial liabilities		(23,303)	(13,992)
(Decrease)/increase in insurance payables		(51,998)	79,889
Increase in lease liabilities		4,981	-
Increase/(decrease) in other payables		1,721	(50,766)
Cash used in operating activities		(1,108,920)	(461,525)

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

NOTES TO THE FINANCIAL STATEMENTS

30. OPERATING LEASE ARRANGEMENTS

(a) The Company as lessee

From 1 January 2019, the Company has recognised right-of-use assets for these leases, except for short term and low-value leases, see Note 25 and Note 2.2(c)(i) for further information.

Future minimum lease payments payable under non-cancellable operating leases contracted for as at 31 December but not recognised as liabilities, are payable as follows:

	2019 RM'000	2018 RM'000
Not later than 1 year	(70)	(692)
Later than 1 year and not later than 5 years	(21)	(763)
	(91)	(1,455)

(b) The Company as lessor

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

The rental income including contingent rent recognised in the income statement during the financial year are disclosed in Note 20.

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

	2019 RM'000	2018 RM'000
Not later than 1 year	57,941	46,810
Later than 1 year and not later than 5 years	36,022	31,962
	93,963	78,772

31. COMMITMENTS AND OTHER CONTINGENCIES

(a) Capital commitments

	2019 RM'000	2018 RM'000
Capital expenditure		
Approved and contracted for:		
- Investment properties	84,977	102,310
- Property and equipment	53,912	30,932
Approved but not contracted for:		
Investment properties	12,359	14,916
	151,248	148,158

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES

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

	2019 RM'000	2018 RM'000
Transactions with related parties during the year:		
Income/(expense):		
Property rentals received (note i)		
- OCBC Bank (Malaysia) Berhad	839	839
- Great Eastern General Insurance (Malaysia) Berhad	3,143	3,116
- Great Eastern Takaful Berhad	1,400	1,399
Service charges paid (note ii)		
- OCBC Bank (Malaysia) Berhad	(54,956)	(50,851)
- E2 Power Sdn Bhd	(6,229)	(6,107)
- E2 Power Pte Ltd	(3,712)	(3,174)
- Pacific Mutual Fund Bhd	(342)	(353)
- Lion Global Investor Ltd	(52)	(50)
Service charges received (note ii)		
- Great Eastern General Insurance (Malaysia) Berhad	7,303	7,057
- Great Eastern Takaful Berhad	12,941	11,053
Premium paid (note iii)		
- Great Eastern General Insurance (Malaysia) Berhad	(2,264)	(2,399)
Premium received (note iii)		
- Great Eastern General Insurance (Malaysia) Berhad	1,174	972
- E2 Power Sdn Bhd	3,772	4,047
- OCBC Bank (Malaysia) Berhad	74,219	69,410
- OCBC Al-Amin Bank Berhad	602	608
- PAC Lease Berhad	505	604
- Pacific Mutual Fund Bhd	22	22
- Key Management Personnel	1,700	1,618
Claims paid		
- Key Management Personnel	(416)	(19)
Commission received		
- Great Eastern General Insurance (Malaysia) Berhad	348	348
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	(56,283)	(41,651)
- OCBC Securities Private Limited	(434)	(175)
- PAC Lease Berhad	(39)	(50)
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	85,190	81,934
- OCBC Al-Amin Bank Berhad	7,125	7,206
- PAC Lease Berhad	505	-

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2019 RM'000	2018 RM'000
Transactions with related parties during the year: (continued)		
Income/(expense): (continued)		
Dividend income (note v)		
- Affin Hwang Wholesale Income Fund	27,525	16,576
- Aminstitutional Income Bond	2,502	-
Bank charges		
- OCBC Bank (Malaysia) Berhad	(1,567)	(2,126)
Other services		
- OCBC Bank (Malaysia) Berhad	(53)	(390)
Policy payments		
- OCBC Bank (Malaysia) Berhad	(339)	(34)
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Ltd.	(889)	(822)
Employee Share Option Scheme paid		
- Oversea-Chinese Banking Corporation Ltd.	(205)	(423)
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Ltd.	(1,477)	(1,341)
Charges for group services (note vi)		
- The Great Eastern Life Assurance Company Limited	(9,638)	(23,324)
Disposal of investments to		
- Great Eastern General Insurance (Malaysia) Berhad	25,963	27,854
Purchase of investments from		
- Great Eastern General Insurance (Malaysia) Berhad	(45,437)	(124,736)
- Affin Hwang Wholesale Income Fund	(187,525)	(6,866)
- Aminstitutional Income Bond	(61,953)	-
- PAC Lease Berhad	(50,000)	-
Write off of intercompany balance:		
- Far Island Bay Sdn Bhd	(62)	-
- Great Eastern Asset Management (Malaysia) Sdn Bhd	(65)	-
Maturity of corporate bonds		
- OCBC Bank (Malaysia) Berhad	100,000	-

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2019 RM'000	2018 RM'000
Balances with related parties at year end:		
Due from/(due to):		
Investment in other debt securities		
- OCBC Bank (Malaysia) Berhad	-	100,709
Investment in wholesale unit trust fund		
- Affin Hwang Wholesale Income Fund	629,917	425,923
- Aminstitutional Income Bond	63,516	-
Investment in medium term note		
- Pac Lease Berhad	50,090	-
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	295,803	754,122
- OCBC Al-Amin Bank Berhad	11,753	18,604
Fixed deposits, structured deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	1,871,137	1,031,328
- OCBC Al-Amin Bank Berhad	124,150	697,680
Amount due from related companies:		
- Far Island Bay Sdn Bhd	-	61
- Great Eastern General Insurance (Malaysia) Berhad	1,210	808
- Great Eastern Takaful Berhad	7,612	3,891
- P.T. Great Eastern Life Indonesia	304	137
- Great Eastern Asset Management (Malaysia) Sdn Bhd	-	63
Amount due to ultimate holding company:		
- Oversea-Chinese Banking Corporation Ltd	(879)	(983)
Amount due to intermediate holding company:		
- The Great Eastern Life Assurance Company Limited	(24,183)	(30,310)
Amount due to holding company:		
- Great Eastern Capital (Malaysia) Sdn Bhd	(48,106)	(3,144)

Related companies are companies within the OCBC Group:

- (i) Rental of property to related parties are made according to normal market prices, terms and conditions.
- (ii) Payment of service charges to/from related parties are made according to normal market prices.
- (iii) The sale and purchase of insurance policies to/from related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.
- (iv) The interest income arose mainly from investment in fixed deposits, repurchase agreements, other debt securities and medium term notes which are made according to prevailing market rates, terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES (CONTINUED)

Related companies are companies within the OCBC Group: (continued)

- (v) The dividend income arose from investment in wholesale unit trust fund which are made according to prevailing market terms and conditions.
- (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 the 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	2019 RM	2018 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.	9,638	23,324
		9,638	23,324

(b) Compensation of Key Management Personnel

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

	2019 RM'000	2018 RM'000
Non-Executive Directors' fees	1,205	1,345
Short-term employee benefits	12,610	12,634
Post-employments benefits:		
Defined contribution plan - EPF	2,208	1,953
Share-based payment	1,706	2,623
	17,729	18,555
Share-based payment (in units)	70,438	129,342

Included in the total key management personnel remuneration are:

CEO's and Directors' remuneration (Note 25(b))	5,454	5,451
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Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors, CEO, Senior Management Team, Chief Internal Auditor and Head of Compliance of the Company.

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Note	FVTPL RM'000	FVOCI RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2018							
Assets							
Property and equipment	3	-	-	-	-	457,457	457,457
Investment properties	5	-	-	-	-	1,137,600	1,137,600
Prepaid land lease payments	6	-	-	-	-	16,253	16,253
Investments	7	65,453,674	2,166,315	10,073,710	77,693,699	-	77,693,699
Derivatives	13	5,354	-	-	5,354	-	5,354
Reinsurance assets	8	-	-	-	-	50,672	50,672
Insurance receivables	9	-	-	320,304	320,304	-	320,304
Other receivables	10	-	-	697,604	697,604	14,650	712,254
Cash and bank balances		-	-	812,773	812,773	-	812,773
Total assets		65,459,028	2,166,315	11,904,391	79,529,734	1,676,632	81,206,366

	Note	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000	
Liabilities							
Insurance contract liabilities	12	-	-	-	76,073,013	76,073,013	
Derivatives	13	24,849	-	24,849	-	24,849	
Agents' retirement benefits	14	-	-	-	828,281	828,281	
Deferred tax liabilities	15	-	-	-	601,589	601,589	
Other financial liabilities	16	-	75,312	75,312	-	75,312	
Insurance payables	17	-	342,776	342,776	-	342,776	
Provision for taxation		-	-	-	188,974	188,974	
Other payables	18	-	434,370	434,370	141,576	575,946	
Total liabilities			24,849	852,458	877,307	77,833,433	78,710,740

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES

Governance Framework

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall:

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

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

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Governance Framework (continued)

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

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

The SMT is responsible for providing leadership, direction and functional oversight with regards to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with governance and oversight frameworks, 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.

The ITSC is responsible for providing the overall strategic direction and approval of all IT related initiatives to support the Company’s strategic growth into the future.

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.

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.

Capital Management Framework

The Company’s capital management policy is to create shareholders’ value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet obligations to policyholders and regulatory requirements, and to make strategic investments for business growth. The Company has had no significant changes in the policies and processes relating to its capital structure during the year.

Under the Risk-Based Capital Framework for Insurers (“RBC”), the insurer has to maintain a capital adequacy level that commensurates with its risk profiles. The Capital Adequacy Ratios of the Company remained at well above the minimum capital requirement of 130% under the RBC Framework as prescribed by BNM.

The Internal Capital Adequacy Assessment Process (“ICAAP”) Framework came into effect on 1 September 2012. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review of capital position. Capital management and contingencies policies have been 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.

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Capital Management Framework (continued)

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.

Insurance Risk

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

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification of policyholders across industry sectors and geography, use of medical screening in order to ensure that product pricing takes into account the current health conditions and family medical history, regular review of the actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria.

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

The Company utilises reinsurance arrangements to manage mortality and morbidity risks. 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 reinsurers meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, including internal credit rating, are considered when deciding on which reinsurers to reinsure the Company's risk. The Company limits its risk to any one reinsurer by ceding different risks to different reinsurers or to a panel of reinsurers.

The SMT reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that the policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

A substantial portion of the Company's life insurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonuses payable to the policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when the investment markets perform poorly, or claims experience is higher than expected.

For investment-linked business, the risk exposure for the Company is predominantly to the underwriting aspect as investment risks are borne by the policyholders.

Stress Testing ("ST") is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the life insurance funds under the various scenarios according to regulatory guidelines on stress testing, simulating drastic changes in major parameters such as new business volume, investment scenarios, mortality/morbidity patterns and lapse rates.

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Insurance Risk (continued)

Table 34(A): The table below shows the concentration of actuarial liabilities and net asset value attributable to the policyholders by type of contract as at the reporting date:

	Gross			Reinsurance			Net Total RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
2019							
Whole life	37,437,568	9,042,142	46,479,710	(21,664)	(31,795)	(53,459)	46,426,251
Endowment	10,141,832	3,211,123	13,352,955	(853)	(1,861)	(2,714)	13,350,241
Term	(895)	288,570	287,675	(48)	(27,597)	(27,645)	260,030
Accident and health	4,800	134,472	139,272	(13)	(5)	(18)	139,254
Annuity	-	144,308	144,308	-	-	-	144,308
Others	526,080	278,057	804,137	(1,607)	(365)	(1,972)	802,165
Total	48,109,385	13,098,672	61,208,057	(24,185)	(61,623)	(85,808)	61,122,249
2018							
Whole life	36,807,562	7,784,199	44,591,761	-	-	-	44,591,761
Endowment	9,828,675	2,207,279	12,035,954	-	-	-	12,035,954
Term	(1,064)	324,236	323,172	-	(33,505)	(33,505)	289,667
Accident and health	4,926	138,211	143,137	-	-	-	143,137
Annuity	-	95,083	95,083	-	-	-	95,083
Others	859,158	235,576	1,094,734	-	-	-	1,094,734
Total	47,499,257	10,784,584	58,283,841	-	(33,505)	(33,505)	58,250,336

Sensitivity analysis

The sensitivity analysis below shows the impact of change in key parameters on the value of gross and net insurance contract liabilities, surplus of life insurance funds, profit before taxation and shareholder's equity.

Sensitivity analysis produced is based on parameters set out as follows:

	Change in Assumptions
(a) Scenario 1 – Mortality and major illness	+ 25% for all future years
(b) Scenario 2 – Mortality and major illness	- 25% for all future years
(c) Scenario 3 – Health and disability	+ 25% for all future years
(d) Scenario 4 – Health and disability	- 25% for all future years
(e) Scenario 5 – Lapse and surrender rates	+ 25% for all future years
(f) Scenario 6 – Lapse and surrender rates	- 25% for all future years
(g) Scenario 7 – Expenses	+ 30% for all future years

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Insurance Risk (continued)

Sensitivity analysis (continued)

Table 34(B): The table below shows the insurance risk sensitivity analysis on the gross and net insurance contract liabilities, surplus of life insurance funds, profit before taxation and shareholder's equity.

	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Surplus RM'000	Impact on Profit Before Taxation RM'000	Impact on Equity* RM'000
	← Increase/(Decrease) →			← (Decrease)/Increase →	
2019					
Scenario 1 – Mortality and major illness	1,523,417	1,492,647	(1,492,647)	(379,159)	(288,161)
Scenario 2 – Mortality and major illness	(1,580,673)	(1,550,365)	1,550,365	342,879	260,588
Scenario 3 – Health and disability	197,802	194,406	(194,406)	(68,253)	(51,872)
Scenario 4 – Health and disability	(181,821)	(178,431)	178,431	51,131	38,860
Scenario 5 – Lapse and surrender rates	(584,642)	(583,822)	583,822	3,554	2,701
Scenario 6 – Lapse and surrender rates	712,425	711,554	(711,554)	7,309	5,555
Scenario 7 – Expenses	380,187	380,187	(380,187)	(98,865)	(75,138)
2018					
Scenario 1 – Mortality and major illness	1,542,512	1,513,041	(1,513,041)	(306,209)	(232,719)
Scenario 2 – Mortality and major illness	(1,617,066)	(1,587,980)	1,587,980	267,490	203,293
Scenario 3 – Health and disability	197,400	194,145	(194,145)	(56,758)	(43,136)
Scenario 4 – Health and disability	(187,720)	(184,469)	184,469	45,695	34,728
Scenario 5 – Lapse and surrender rates	(605,265)	(604,533)	604,533	(18,781)	(14,273)
Scenario 6 – Lapse and surrender rates	719,093	718,317	(718,317)	25,841	19,639
Scenario 7 – Expenses	426,598	426,598	(426,598)	(87,858)	(66,772)

* Impact on equity is after taxation of 24% (2018: 24%).

The above analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net insurance contract liabilities, surplus of life insurance fund, profit before taxation and shareholder's equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used and significant assumptions made for deriving sensitivity information have not changed from the previous year.

Market and Credit Risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future investment earnings of the insurance operations as well as shareholder's equity.

The Company is exposed to market risk in the Shareholder's Fund as well as market mismatch risk between the assets and liabilities of the Life Insurance Funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction, risk measurement and approving hedging strategies. In the case of the investment linked funds, investment risks are borne by the policyholders. Nevertheless, the revenues of the insurance operations are linked to the value of the underlying funds since this has an impact on the level of fund management fees earned.

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Investment limits are monitored at various levels to ensure that all investment activities are conducted within the Company's risk appetite and in line with the Company's risk management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by the Company in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit spread risk, alternative investment risk, liquidity risk, credit risk and concentration risk, is briefly described as follows:

(a) Interest rate risk (including asset liability mismatch)

The Company is exposed to interest rate risk through (i) investments in fixed income instruments and money market instruments and (ii) insurance contract liabilities in the Life Insurance Funds. Since the Shareholder's Fund has exposure to investments in fixed income instruments but no exposure to insurance contract liabilities, it will incur an economic loss when interest rates rise. For the Life Insurance Funds, given the long duration of contract liabilities and the uncertainty of cash flows, it is difficult to source assets that will perfectly match the insurance contract liabilities. This results in a net interest rate risk or asset liability mismatch risk, which is managed and monitored by the ALC. The Life Insurance Funds are likely to incur economic loss when interest rates drop since the duration of insurance contract liabilities are generally longer than the duration of the fixed income assets (Refer to Table 34(F)).

(b) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. In addition, net foreign currency exposure at the Company-level is limited to 10% of the total invested assets. (Refer to Table 34(C)).

Table 34(C): The table below shows the foreign exchange position of the Company's financial/insurance assets and liabilities by major currencies.

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2019					
Assets					
Property and equipment					
- Owned	475,869	-	-	-	475,869
- Right-of-use assets	20,230	-	-	-	20,230
Intangible assets	5,180	-	-	-	5,180
Investment properties	1,145,950	-	-	-	1,145,950
Investments					
Malaysian government securities	6,413,896	-	-	-	6,413,896
Debt securities	37,859,328	-	412,518	251,475	38,523,321
Equity securities	21,526,283	1,608,348	312,231	1,852,066	25,298,928
Unit and property trust funds	705,331	137,078	17,554	1,862,955	2,722,918
Investment in subsidiary:					
Collective investment schemes	629,917	-	-	-	629,917
Loans	5,834,835	-	-	-	5,834,835
Deposits with financial institutions	4,079,723	-	-	-	4,079,723
Derivatives	9	-	5,823	-	5,832
Reinsurance assets	108,013	-	-	-	108,013
Insurance receivables	296,159	-	-	-	296,159
Other receivables	669,382	4,784	3,140	7,830	685,136
Cash and bank balances	1,036,480	169	4,122	5,335	1,046,106
Total assets	80,806,585	1,750,379	755,388	3,979,661	87,292,013

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(b) Foreign currency risk (continued)

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2019 (continued)					
Liabilities					
Insurance contract liabilities	81,795,688	-	-	-	81,795,688
Derivatives	-	-	17,943	2,652	20,595
Agents' retirement benefits	885,033	-	-	-	885,033
Deferred tax liabilities	759,740	-	-	-	759,740
Other financial liabilities	52,009	-	-	-	52,009
Insurance payables	290,778	-	-	-	290,778
Provision for taxation	239,130	-	-	-	239,130
Lease liabilities	4,352	-	-	-	4,352
Other payables	577,667	-	-	-	577,667
Total liabilities	84,604,397	-	17,943	2,652	84,624,992
2018					
Assets					
Property and equipment	457,457	-	-	-	457,457
Investment properties	1,137,600	-	-	-	1,137,600
Prepaid land lease payments	16,253	-	-	-	16,253
Investments					
Malaysian government securities	7,339,915	-	-	-	7,339,915
Debt securities	36,016,782	-	309,339	-	36,326,121
Equity securities	18,359,493	1,437,899	161,348	1,491,676	21,450,416
Unit and property trust funds	599,426	111,960	14,034	1,352,194	2,077,614
Investment in subsidiary:					
Collective investment schemes	425,923	-	-	-	425,923
Loans	6,906,555	-	-	-	6,906,555
Deposits with financial institutions	3,167,155	-	-	-	3,167,155
Derivatives	1	-	5,353	-	5,354
Reinsurance assets	50,672	-	-	-	50,672
Insurance receivables	320,304	-	-	-	320,304
Other receivables	705,578	4,243	2,295	138	712,254
Cash and bank balances	777,164	6,149	8,358	21,102	812,773
Total assets	76,280,278	1,560,251	500,727	2,865,110	81,206,366
Liabilities					
Insurance contract liabilities	76,073,013	-	-	-	76,073,013
Derivatives	-	-	24,849	-	24,849
Agents' retirement benefits	828,281	-	-	-	828,281
Deferred tax liabilities	601,589	-	-	-	601,589
Other financial liabilities	75,312	-	-	-	75,312
Insurance payables	342,776	-	-	-	342,776
Provision for taxation	188,974	-	-	-	188,974
Other payables	575,946	-	-	-	575,946
Total liabilities	78,685,891	-	24,849	-	78,710,740

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(c) Equity price risk

Exposure to equity price risk exists in assets. Asset exposure exists through equity direct investment, and fund investments, where the Company 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. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk

Exposure to credit spread risk exists in the Company's investments in corporate bonds. Credit spread is the difference between the corporate yields against the risk-free rate of the 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 values of the Company's bond portfolio.

(e) Alternative investment risk

The Company is exposed to alternative investment risk through investments in real estate. Due to the special nature of this risk, every property deal is reviewed by the BRMC regardless of its value, but subject to the approval by the Board. The relevant Management Committees assists in deliberating matters relating to property, including property investment policy, risk management, performance, expenditure, operations and facilities management.

(f) Liquidity risk

Liquidity risk arises when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough to meet its financial obligations. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The projected cash flows from the in-force insurance contract liabilities consist of renewal premiums, expenses, commissions, claims, maturities and surrenders. Renewal premiums, expenses, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, investment diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in certain insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates (Refer to Table 34(D1) and (D2)).

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(f) Liquidity risk (continued)

Maturity profiles

Table 34(D1): The following table shows the maturity profile of the Company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on the remaining undiscounted contractual cash flows.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column.

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
2019						
Investments:						
AC	9,914,558	4,618,992	801,129	223,271	4,510,209	10,153,601
FVOCI	2,625,792	182,290	847,856	1,450,872	895,079	3,376,097
FVTPL	70,963,188	4,549,109	14,225,080	39,525,677	29,674,775	87,974,641
Derivatives	5,832	-	5,832	-	-	5,832
Reinsurance assets	108,013	74,340	11,031	437	22,205	108,013
Insurance receivables	296,159	276,890	19,269	-	-	296,159
Other receivables	675,164	573,487	2,073	-	99,604	675,164
Cash and bank balances	1,046,106	1,046,106	-	-	-	1,046,106
Total undiscounted financial/insurance assets	85,634,812	11,321,214	15,912,270	41,200,257	35,201,872	103,635,613
Insurance contract liabilities:						
With DPF	68,323,941	1,728,629	8,534,902	37,845,854	20,214,556	68,323,941
Without DPF	13,471,747	10,657,520	29,191	2,411,962	373,074	13,471,747
Derivatives	20,595	-	20,595	-	-	20,595
Other financial liabilities	52,009	51,566	443	-	-	52,009
Insurance payables	290,778	258,988	31,790	-	-	290,778
Lease liabilities	4,352	1,091	3,704	57	-	4,852
Other payables	423,978	402,912	21,066	-	-	423,978
Total undiscounted financial/insurance liabilities	82,587,400	13,100,706	8,641,691	40,257,873	20,587,630	82,587,900
Total liquidity surplus/(gap)	3,047,412	(1,779,492)	7,270,579	942,384	14,614,242	21,047,713

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

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(f) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
2018						
Investments:						
AC	10,073,710	4,321,770	1,032,375	653,284	4,448,049	10,455,478
FVOCI	2,166,315	118,521	718,125	1,304,107	769,936	2,910,689
FVTPL	65,453,674	4,678,115	17,374,820	38,055,181	24,516,546	84,624,662
Derivatives	5,354	-	5,354	-	-	5,354
Reinsurance assets	50,672	11,826	10,251	11,428	17,167	50,672
Insurance receivables	320,304	308,939	11,365	-	-	320,304
Other receivables	697,604	594,584	5,071	-	97,949	697,604
Cash and bank balances	812,773	812,773	-	-	-	812,773
Total undiscounted financial/insurance assets	79,580,406	10,846,528	19,157,361	40,024,000	29,849,647	99,877,536
Insurance contract liabilities:						
With DPF	64,998,892	1,370,390	6,939,826	39,189,042	17,499,634	64,998,892
Without DPF	11,074,121	8,756,813	95,069	1,932,703	289,536	11,074,121
Derivatives	24,849	-	24,849	-	-	24,849
Other financial liabilities	75,312	74,834	478	-	-	75,312
Insurance payables	342,776	276,478	66,298	-	-	342,776
Other payables	434,370	415,415	18,954	-	-	434,369
Total undiscounted financial/insurance liabilities	76,950,320	10,893,930	7,145,474	41,121,745	17,789,170	76,950,319
Total liquidity surplus/(gap)	2,630,086	(47,402)	12,011,887	(1,097,745)	12,060,477	22,927,217

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

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(f) Liquidity risk (continued)

Maturity analysis on expected maturity bases

Table 34(D2): The following table shows the current and non-current classification of assets and liabilities of the Company.

	Current*	Non-current	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000
2019				
Property and equipment				
- Owned	-	475,869	-	475,869
- Right-of-use assets	-	20,230	-	20,230
Intangible assets	-	5,180	-	5,180
Investment properties	-	1,145,950	-	1,145,950
Investments:				
AC	8,401,483	851,925	661,150	9,914,558
FVOCI	84,703	2,541,089	-	2,625,792
FVTPL	24,381,500	38,362,708	8,218,980	70,963,188
Derivatives	-	5,832	-	5,832
Reinsurance assets	96,545	11,468	-	108,013
Insurance receivables	276,890	19,269	-	296,159
Other receivables	623,998	2,073	59,065	685,136
Cash and bank balances	1,039,994	-	6,112	1,046,106
Total assets	34,905,113	43,441,593	8,945,307	87,292,013
Insurance contract liabilities:				
With DPF	21,943,185	46,380,756	-	68,323,941
Without DPF	2,093,511	2,441,153	8,937,083	13,471,747
Derivatives	-	20,595	-	20,595
Agents' retirement benefits	341,313	543,720	-	885,033
Deferred tax liabilities	754,401	-	5,339	759,740
Other financial liabilities	41,487	443	10,079	52,009
Insurance payables	258,988	31,790	-	290,778
Provision for taxation	225,770	-	13,360	239,130
Lease liabilities	1,221	3,131	-	4,352
Other payables	556,176	21,066	425	577,667
Total liabilities	26,216,052	49,442,654	8,966,286	84,624,992

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

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(f) Liquidity risk (continued)

Maturity analysis on expected maturity bases (continued)

Table 34(D2): The following table shows the current and non-current classification of assets and liabilities of the Company.

	Current*	Non-current	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000
2018				
Property and equipment	-	457,457	-	457,457
Investment properties	-	1,137,600	-	1,137,600
Prepaid lease payments	-	16,253	-	16,253
Investments:				
AC	7,341,281	1,418,949	1,313,480	10,073,710
FVOCI	33,605	2,132,710	-	2,166,315
FVTPL	21,470,271	37,726,061	6,257,342	65,453,674
Derivatives	-	5,354	-	5,354
Reinsurance assets	28,993	21,679	-	50,672
Insurance receivables	308,939	11,365	-	320,304
Other receivables	635,089	5,071	72,094	712,254
Cash and bank balances	798,242	-	14,531	812,773
Total assets	30,616,420	42,932,499	7,657,447	81,206,366
Insurance contract liabilities:				
With DPF	18,870,024	46,128,868	-	64,998,892
Without DPF	1,420,182	2,027,772	7,626,167	11,074,121
Derivatives	-	24,849	-	24,849
Agents' retirement benefits	293,569	534,712	-	828,281
Deferred tax liabilities	598,130	-	3,459	601,589
Other financial liabilities	41,394	478	33,440	75,312
Insurance payables	276,478	66,298	-	342,776
Provision for taxation	179,224	-	9,750	188,974
Other payables	556,634	18,954	358	575,946
Total liabilities	22,235,635	48,801,931	7,673,174	78,710,740

* Expected utilisation or settlement within 12 months from the reporting date, and include some assets and liabilities with no maturity date.

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(g) Credit risk

Credit risk is the risk that one party to a financial contract will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk mainly through (i) investment in cash, deposits and bonds, (ii) corporate lending activities, (iii) exposure to counterparty's credit in derivatives transactions and reinsurance contracts and (iv) non-payment of premiums. 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 Credit Risk Committee ("CRC"), which in turn reports to the ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers, issuers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information (Refer to Table 34(E1) and (E2)).

Reinsurance arrangement is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

Credit risk in respect of non-payment of premiums by customers predominantly persists during the grace period specified in the policy document until the policy is either paid up or terminated. Credit risk in respect of group insurance outstanding premium is being actively monitored and guided by strict credit control guidelines.

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 regular basis. The Company monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation, whenever applicable. The fair value of collateral, held by the Company as a lender, for which it is entitled to sell or pledge in the event of default is as follows:

RM'000	Type of Collateral	Carrying Amount of Loans	Fair Value of Collateral
2019			
Mortgage loans	Properties	564,146	1,259,682
Secured loans			
- Vehicle loans	Vehicle	2,061	2,061
- Government guaranteed loans	Nil	279,954	-
Policy loans	Cash value of policies	4,510,209	9,442,106
		5,356,370	10,703,849
2018			
Mortgage loans	Properties	503,999	1,111,125
Secured loans			
- Vehicle loans	Vehicle	2,798	2,798
- Government guaranteed loans	Nil	1,280,071	-
Policy loans	Cash value of policies	4,448,049	9,354,204
		6,234,917	10,468,127

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

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(g) Credit risk (continued)

Table 34(E1): The table below shows the maximum exposure to credit risk for the components of the Balance Sheet. For derivatives, the fair value shown on the Balance Sheet represents the current risk exposure but not the maximum risk exposure that would arise in the future as a result of the change in value.

	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
2019					
LAR at amortised cost:	7(a)				
Deposits with financial institutions		-	3,418,573	661,150	4,079,723
Policy loans		-	4,510,209	-	4,510,209
Mortgage loans		-	566,925	-	566,925
Secured loans		-	282,098	-	282,098
Unsecured loans		816	490,009	-	490,825
Financial investments at FVOCI:	7(b)				
Malaysian government securities		15,299	87,092	-	102,391
Debt securities		224,284	1,404,038	-	1,628,322
Financial investments at FVTPL:	7(c)				
Malaysian government securities		-	6,018,841	292,664	6,311,505
Debt securities		65,770	34,659,183	2,170,046	36,894,999
Derivatives	13	-	5,832	-	5,832
Reinsurance assets	8	-	108,013	-	108,013
Insurance receivables	9	-	296,159	-	296,159
Other receivables	10	13,665	602,434	59,065	675,164
		319,834	52,449,406	3,182,925	55,952,165
2018					
LAR at amortised cost:	7(a)				
Deposits with financial institutions		-	1,853,675	1,313,480	3,167,155
Policy loans		-	4,448,049	-	4,448,049
Mortgage loans		-	507,699	-	507,699
Secured loans		-	1,283,222	-	1,283,222
Unsecured loans		2,489	685,158	-	687,647
Financial investments at FVOCI:	7(b)				
Malaysian government securities		-	150,184	-	150,184
Debt securities		119,866	1,126,329	-	1,246,195
Financial investments at FVTPL:	7(c)				
Malaysian government securities		-	6,976,087	213,644	7,189,731
Debt securities		74,472	32,976,598	2,028,856	35,079,926
Derivatives	13	-	5,354	-	5,354
Reinsurance assets	8	-	50,672	-	50,672
Insurance receivables	9	-	320,304	-	320,304
Other receivables	10	8,847	616,663	72,094	697,604
		205,674	50,999,994	3,628,074	54,833,742

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(g) Credit risk (continued)

Table 34(E2): The following table sets out information about the credit quality of financial assets measured at amortised cost and debt securities at FVOCI for which ECL has been provided. 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 explanation of the terms: '12-month ECL', 'lifetime ECL' and 'credit-impaired', refer to Note 2.2 (k).

	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Loans at amortised cost				
Government guaranteed loan	280,037	-	-	280,037
Investment Grade* (BBB to AAA)	371,895	684,406	-	1,056,301
	651,932	684,406	-	1,336,338
Loss allowance	(996)	(14,226)	-	(15,222)
Carrying amount	650,936	670,180	-	1,321,116
Debt securities at FVOCI				
Government guaranteed and Low risk bonds	606,524	-	-	606,524
Investment Grade* (BBB to AAA)	1,063,267	60,922	-	1,124,189
	1,669,791	60,922	-	1,730,713
2018				
Loans at amortised cost				
Government guaranteed loan	1,280,424	-	-	1,280,424
Investment Grade* (BBB to AAA)	305,132	886,768	-	1,191,900
	1,585,556	886,768	-	2,472,324
Loss allowance	(865)	(19,197)	-	(20,062)
Carrying amount	1,584,691	867,571	-	2,452,262
Debt securities at FVOCI				
Government guaranteed and Low risk bonds	483,960	-	-	483,960
Investment Grade* (BBB to AAA)	836,930	75,489	-	912,419
	1,320,890	75,489	-	1,396,379

* Based on internal rating grades which are equivalent to grades of external rating agencies.

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(g) Credit risk (continued)

Table 34(E2): The following table sets out the credit analysis for financial assets for which no ECL has been provided:

	Neither past-due nor impaired						Total RM'000
	Government guaranteed and low risk bonds RM'000	Investment grade* (BBB to AAA) RM'000	Non- Investment grade* (C to BB) RM'000	Not rated RM'000	Unit-linked RM'000	Not subject to credit risk RM'000	
2019							
Financial investments at AC:							
Deposits with financial institutions	-	3,218,573	-	200,000	661,150	-	4,079,723
Policy loans	-	-	-	4,510,209	-	-	4,510,209
Mortgage loans	-	-	-	625	-	-	625
Secured loans	-	-	-	2,060	-	-	2,060
Unsecured loans	-	-	-	825	-	-	825
Financial investments at FVTPL:							
Malaysian government securities	6,018,841	-	-	-	292,664	-	6,311,505
Debt securities	12,192,196	22,532,757	-	-	2,170,046	-	36,894,999
Equity securities	-	-	-	-	5,557,363	18,846,486	24,403,849
Unit and property trust funds	-	-	-	-	198,907	2,524,011	2,722,918
Collective investment schemes - subsidiary	-	-	-	-	-	629,917	629,917
Derivatives	-	5,832	-	-	-	-	5,832
Reinsurance assets	-	108,013	-	-	-	-	108,013
Insurance receivables	-	-	-	296,159	-	-	296,159
Other receivables	186,289	295,207	-	134,603	59,065	-	675,164
Cash and bank balances	-	1,039,994	-	-	6,112	-	1,046,106
Total credit risk exposure	18,397,326	27,200,376	-	5,144,481	8,945,307	22,000,414	81,687,904
2018							
Financial investments at AC:							
Deposits with financial institutions	-	1,633,675	-	220,000	1,313,480	-	3,167,155
Policy loans	-	-	-	4,448,049	-	-	4,448,049
Mortgage loans	-	-	-	798	-	-	798
Secured loans	-	-	-	2,798	-	-	2,798
Unsecured loans	-	-	-	2,648	-	-	2,648
Financial investments at FVTPL:							
Malaysian government securities	6,976,087	-	-	-	213,644	-	7,189,731
Debt securities	11,203,350	21,847,720	-	-	2,028,856	-	35,079,926
Equity securities	-	-	-	-	3,871,298	16,809,182	20,680,480
Unit and property trust funds	-	-	-	-	143,544	1,934,070	2,077,614
Collective investment schemes - subsidiary	-	-	-	-	-	425,923	425,923
Derivatives	-	5,354	-	-	-	-	5,354
Reinsurance assets	-	50,672	-	-	-	-	50,672
Insurance receivables	-	-	-	320,304	-	-	320,304
Other receivables	198,926	286,429	-	140,155	72,094	-	697,604
Cash and bank balances	-	798,242	-	-	14,531	-	812,773
Total credit risk exposure	18,378,363	24,622,092	-	5,134,752	7,657,447	19,169,175	74,961,829

* Based on internal rating grades which are equivalent to grades of external rating agencies.

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(g) Credit risk (continued)

This disclosure below relates to MFRS 9 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, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(g) Credit risk (continued)

Significant increase in credit risk (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(g) Credit risk (continued)

Incorporating of forward-looking information (continued)

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 2019.

Loss allowance - Provision for ECL

Table 34(E3): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

	12-month ECL RM’000	Lifetime ECL not credit impaired RM’000	Lifetime ECL credit impaired RM’000	Total RM’000
2019				
Loans at amortised cost				
Opening balance	866	19,196	-	20,062
Net remeasurement of loss allowance	1	(2,391)	-	(2,390)
New financial assets purchased	365	-	-	365
Financial assets that have been derecognised	(326)	(3,021)	-	(3,347)
Changes in models/risk parameters	90	442	-	532
Closing balance	996	14,226	-	15,222
2018				
Loans at amortised cost				
Opening balance	487	26,141	-	26,628
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(119)	119	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Additional loss allowance due to transfer	-	347	-	347
Net remeasurement of loss allowance	22	922	-	944
New financial assets purchased	695	-	-	695
Financial assets that have been derecognised	(327)	(8,362)	-	(8,689)
Changes in models/risk parameters	108	29	-	137
Closing balance	866	19,196	-	20,062

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(g) Credit risk (continued)

Loss allowance - Provision for ECL (continued)

Table 34(E3): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. (continued)

	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Debt investment securities at FVOCI				
Opening balance	2,070	2,329	-	4,399
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(23)	23	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Additional loss allowance due to transfer	-	433	-	433
Net remeasurement of loss allowance	(140)	(400)	-	(540)
New financial assets purchased	2,613	-	-	2,613
Financial assets that have been derecognised	(1,839)	(605)	-	(2,444)
Changes in models/risk parameters	242	30	-	272
Closing balance	2,923	1,810	-	4,733
2018				
Debt investment securities at FVOCI				
Opening balance	341	5,414	-	5,755
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(37)	37	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Additional loss allowance due to transfer	-	269	-	269
Net remeasurement of loss allowance	38	150	-	188
New financial assets purchased	2,037	-	-	2,037
Financial assets that have been derecognised	(543)	(3,548)	-	(4,091)
Changes in models/risk parameters	234	7	-	241
Closing balance	2,070	2,329	-	4,399

(h) Concentration risk

An important element of managing both market and credit risk is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its asset mix to ensure that there is no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(i) Sensitivity analysis on financial risks

The sensitivity analysis below shows the impact on the Company's net profit after taxation by applying possible shocks to each key variable, with all other variables held constant. While the co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets, to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value of financial assets measured at FVOCI.

Table 34(F):

2019 RM (millions)	Impact on Gross Actuarial Liabilities	Impact on Net Actuarial Liabilities	Impact on Profit After Taxation	Impact on Equity*
Change in variables				
<u>a) Equity</u>				
+/-20% - STI	0.0	0.0	+/-0.5	+/-25.1
- KLCI	0.0	0.0	+/-18.1	+/-84.2
<u>b) Alternative Investment</u>				
+/-10%	0.0	0.0	+/-2.7	+/-7.9
<u>c) Foreign Currency</u>				
+/-5%	0.0	0.0	+/-1.2	+/-15.5
<u>d) Interest Rate</u>				
MGS Yield curve +100 bps	(1,022.7)	(1,021.5)	160.6	27.0
MGS Yield curve -100 bps	1,283.3	1,282.0	(294.2)	(147.0)
PAR Yield curve +100 bps	(3,933.2)	(3,933.2)	0.0	0.0
PAR Yield curve -100 bps	4,878.7	4,878.7	0.0	0.0
<u>e) Credit Spread</u>				
Spread +100 bps	0.0	0.0	(118.4)	(235.7)
Spread - 100 bps	0.0	0.0	132.4	260.3

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (continued)

(i) Sensitivity analysis on financial risks (continued)

Table 34(F): (continued)

2018 RM (millions)	Impact on Gross Actuarial Liabilities	Impact on Net Actuarial Liabilities	Impact on Profit After Taxation	Impact on Equity*
Change in variables				
<u>a) Equity</u>				
+/-20% - STI	0.0	0.0	+/-0.7	+/-20.8
- KLCI	0.0	0.0	+/-74.1	+/-131.6
<u>b) Alternative Investment</u>				
+/-10%	0.0	0.0	+/-2.2	+/-7.2
<u>c) Foreign Currency</u>				
+/-5%	0.0	0.0	+/-1.5	+/-13.3
<u>d) Interest Rate</u>				
	← (Decrease)/Increase →			
MGS Yield curve +100 bps	(769.7)	(768.7)	43.8	(32.1)
MGS Yield curve -100 bps	904.5	903.3	(91.7)	(5.6)
PAR Yield curve +100 bps	(4,421.4)	(4,421.4)	0.0	0.0
PAR Yield curve -100 bps	5,587.5	5,587.5	0.0	0.0
<u>e) Credit Spread</u>				
Spread +100 bps	0.0	0.0	(86.4)	(144.2)
Spread - 100 bps	0.0	0.0	98.1	163.1

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

Operational, Market Conduct and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives arising from inadequate or failed internal processes and systems, human factors or external events.

Market conduct risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives arising from its personnel and intermediaries not conducting themselves in accordance with the ethical standards and in compliance with the relevant laws and regulations governing insurance and investment product for pre-sales, during sales and after sales process. It is synonymous with professional behaviour and customer's protection. There are four areas in which the Company continuously strengthens:

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

NOTES TO THE FINANCIAL STATEMENTS

34. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Operational, Market Conduct and Compliance Risk (continued)

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives as a result of its failure to comply with the following applicable laws, regulations and standards:

- Laws, regulations and rules governing insurance business and regulated financial licensed-activities undertaken by the Company;
- Codes of practice promoted by industry associations of which the Company is a member of; and
- Any other applicable regulations which do not specifically govern the licensed activities undertaken by the Company but can expose the organisation to legal, regulatory or reputational loss.

The day-to-day management of operational, market conduct and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors these issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Board Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from operational, market conduct and compliance risks.

With the recent and rapid development of the coronavirus outbreak in Malaysia, the Government of Malaysia has issued a Movement Control Order ("MCO") from 18 March 2020 to 12 May 2020. The MCO involved limitation and/or suspension of business operations, travel restrictions, and quarantine measures. Whilst these measures may not have an immediate and pronounced impact on the insurance industry, it is expected to have effect in the coming financial year. As the situation continues to progress and evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact. The Company will continue to monitor the progress of the outbreak and measure the impact, if any, of the outbreak on the financial statements as they occur.

Technology, Information and Cyber Risks

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, system/hardware failure arising from the use of technologies such as electronic hardware/devices, software, and online networks and telecommunication systems.

Information Risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber Risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

The Company adopts a risk based approach in managing technology, information and cyber 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, information and cyber 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, information and cyber risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

35. FAIR VALUES OF ASSETS AND LIABILITIES

The management assessed that cash and short-term deposits, insurance and other receivables, insurance and other payables and other liabilities approximate their carrying amounts largely due to the short-term maturities of these assets and liabilities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts of the Company's assets and liabilities approximate their respective fair values.

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following methods and assumptions were used to estimate the fair values which are carried or disclosed in the financial statements:

- The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices and closing prices as appropriate for assets at the close of business on the reporting date.
- For investments in quoted unit and real estate investment trusts, fair value is determined by reference to published net asset values. Investments in equity that do not have quoted market prices in an active market will be stated at adjusted net asset value.
- For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM") while for foreign bonds, fair value is obtained from Bloomberg.
- For unquoted and unrated bonds, the unrated bonds are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against BPAM's indicative bond yields for a bond with similar rating and tenure.
- For structured deposits and derivatives, the fair value is obtained from the counterparty bank.
- For investment properties, the fair value is obtained from valuations as performed by the external valuers using the income method and comparison method.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

	Date of valuation	Level 1	Level 2	Level 3	Total Fair Value RM'000
		Quoted Market Price RM'000	Valuation Techniques - Market Observable Inputs RM'000	Valuation Techniques - Unobservable Inputs RM'000	
2019					
(a) Assets measured at fair value:					
Financial assets:					
<u>FVOCI financial assets (Note 7(b)):</u>					
Equity securities:					
Quoted in Malaysia					
- Kuala Lumpur Stock Exchange	31 December 2019	432,131	-	-	432,131
Quoted outside Malaysia					
- Singapore Exchange	31 December 2019	160,790	-	-	160,790
- Hong Kong Exchange	31 December 2019	214,826	-	-	214,826
Unquoted in Malaysia	31 December 2019	-	-	87,332	87,332
Malaysian government securities	31 December 2019	-	102,391	-	102,391
Debt securities:					
Unquoted in Malaysia	31 December 2019	-	1,628,322	-	1,628,322

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities. (continued)

		Level 1	Level 2	Level 3	
	Date of valuation	Quoted Market Price RM'000	Valuation Techniques - Market Observable Inputs RM'000	Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
2019 (continued)					
(a) Assets measured at fair value: (continued)					
<u>FVTPL financial assets (Note 7(c)):</u>					
<u>Mandatorily measured</u>					
Equity securities:					
Quoted in Malaysia	31 December 2019	20,922,634	-	-	20,922,634
Quoted outside Malaysia	31 December 2019	3,397,028	-	-	3,397,028
Unquoted in Malaysia	31 December 2019	-	-	84,187	84,187
Debt securities:					
Quoted outside Malaysia	31 December 2019	475,312	-	-	475,312
Unquoted in Malaysia	31 December 2019	-	3,609,338	-	3,609,338
Unquoted outside Malaysia	31 December 2019	-	125,034	-	125,034
Unit and property trust funds:					
Quoted in Malaysia	31 December 2019	641,815	-	-	641,815
Quoted outside Malaysia	31 December 2019	2,017,587	-	-	2,017,587
Unquoted in Malaysia	31 December 2019	-	63,516	-	63,516
Investment in subsidiary:					
Collective investment schemes					
Unquoted in Malaysia	31 December 2019	-	629,917	-	629,917
<u>Designated upon initial recognition:</u>					
Malaysian government securities	31 December 2019	-	6,311,505	-	6,311,505
Debt securities:					
Unquoted in Malaysia	31 December 2019	-	32,621,667	-	32,621,667
Unquoted outside Malaysia	31 December 2019	-	63,648	-	63,648
Financial assets		28,262,123	45,155,338	171,519	73,588,980
<u>Derivatives (Note 13):</u>					
Currency swaps	31 December 2019	-	5,823	-	5,823
Interest rate swaps	31 December 2019	-	9	-	9
		-	5,832	-	5,832
Non financial assets:					
Investment Properties (Note 5):					
Commercial	1 November 2019	-	-	908,050	908,050
Residential	1 November 2019	-	-	237,900	237,900
Non financial assets		-	-	1,145,950	1,145,950
(b) Liabilities measured at fair value:					
Financial liabilities					
Derivatives (Note 13):					
Currency swaps	31 December 2019	-	20,595	-	20,595

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities. (continued)

	Date of valuation	Level 1	Level 2	Level 3	Total Fair Value RM'000
		Quoted Market Price RM'000	Valuation Techniques - Market Observable Inputs RM'000	Valuation Techniques - Unobservable Inputs RM'000	
2018 (continued)					
(a) Assets measured at fair value: (continued)					
Derivatives (Note 13):					
Currency swaps	31 December 2018	-	5,353	-	5,353
Interest rate swaps	31 December 2018	-	1	-	1
		-	5,354	-	5,354
Non financial assets:					
Investment Properties (Note 5):					
Commercial	16 October 2018	-	-	540,000	540,000
Commercial	1 November 2018	-	-	362,700	362,700
Residential	1 November 2018	-	-	234,900	234,900
Non financial assets		-	-	1,137,600	1,137,600
(b) Liabilities measured at fair value:					
Financial liabilities					
Derivatives (Note 13):					
Currency swaps	31 December 2018	-	24,849	-	24,849

(i) Information about significant unobservable inputs used in Level 3 fair value measurements:

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2019 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u>				
Commercial properties	265,000	Income approach	Rental per square foot ("p.s.f.") per month	RM2.35 - RM5.80
			Rental growth rate (upon Revisionary)	12.50%
			Long-term vacancy rate	7.50%
			Discount rate	6.0% - 6.25%
Commercial properties	643,050	Comparison approach	Estimated Value p.s.f	RM108 - RM1,250
Residential properties	237,900	Comparison approach	Estimated Value p.s.f	RM45 - RM885

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements: (continued)

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3): (continued)

Description	Fair value as at 31 December 2019 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>FVOCI financial assets</u>				
Unquoted equities	87,332	Adjusted net asset value ⁽¹⁾	not applicable	not applicable
<u>FVTPL financial assets</u>				
Unquoted equities	84,187	Adjusted net asset value ⁽¹⁾	not applicable	not applicable
Description	Fair value as at 31 December 2018 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u>				
Commercial properties	270,000	Income approach	Rental per square foot ("p.s.f.") per month	RM3.15 - RM5.50
			Rental growth rate (upon Revisionary)	12.50%
			Long-term vacancy rate	7.50%
			Discount rate	6.0% - 6.5%
Commercial properties	632,700	Comparison approach	Estimated Value p.s.f	RM100 - RM1,150
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM725
<u>FVOCI financial assets</u>				
Unquoted equities	80,850	Adjusted net asset value ⁽¹⁾	not applicable	not applicable
<u>FVTPL financial assets</u>				
Unquoted equities	77,365	Adjusted net asset value ⁽¹⁾	not applicable	not applicable

⁽¹⁾ These investments are valued using adjusted net asset value. The net asset value of these investments as at the reporting period is an unobservable input as it is not published. Accordingly, these investments are classified as Level 3 investments within the fair value hierarchy. A reasonable change to the significant unobservable inputs is not expected to have material impact to the total equity of the Company.

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

(ii) Movements in level 3 assets and liabilities measured at fair value:

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	Fair value measurements using significant unobservable inputs (Level 3)			
	FVOCI Financial assets Unquoted RM'000	FVTPL Financial assets equities RM'000	Investment properties RM'000	Total RM'000
31 December 2019				
Opening balance	80,850	77,365	1,137,600	1,295,815
Total gain for the year:				
Changes in fair value				
- Included in income statement	-	6,822	5,764	12,586
- Included in other comprehensive income	6,482	-	-	6,482
Addition for the year:				
Additions	-	-	1,314	1,314
Transfer from property and equipment	-	-	1,281	1,281
Write-off	-	-	(9)	(9)
Closing balance	87,332	84,187	1,145,950	1,317,469
31 December 2018				
Opening balance	80,850	77,363	601,421	759,634
Total gain for the year:				
Changes in fair value				
- Included in income statement	-	2	(7,553)	(7,551)
Addition for the year:				
Additions	-	-	434,348	434,348
Transfer from deposits	-	-	108,815	108,815
Transfer from property and equipment	-	-	1,954	1,954
Write-off	-	-	(1,385)	(1,385)
Closing balance	80,850	77,365	1,137,600	1,295,815

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

Fair value Hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Assets/liabilities are those of which market values are determined in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those process represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 Assets/liabilities are those of which market values are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These type of assets/liabilities includes assets/liabilities of which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets/financial liabilities with fair values based on broker quotes, investments in private equity funds with fair values obtained from counterparties and assets/liabilities that are valued using the Company's own model whereby the majority of assumptions are market observable.
- Level 3 Assets/liabilities are those of which market values are measured using a valuation technique based on assumptions formed from unobservable inputs. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given the prevailing market conditions.

There have been no transfers of assets between Level 1 and Level 2 of the fair value hierarchy during the financial years ended 31 December 2019 and 31 December 2018.

36. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2019, as prescribed under the RBC Framework is provided below:

	2019 RM'000	2018 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	23,588,249	23,887,354
	23,688,249	23,987,354
Tier 2 Capital		
Eligible reserves	96,626	23,634
Deductions: Deferred Tax Asset	8,792	3,469
Total Capital Available	23,776,083	24,007,519

NOTES TO THE FINANCIAL STATEMENTS

37. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into Life Insurance (including Unit-Linked business) and Shareholder's Funds in accordance with the Financial Services Act, 2013. The Income Statement and Balance Sheet by funds are presented as follows:

Balance Sheet by Funds As at 31 December 2019

	Shareholder's Fund		Life Insurance Fund		Elimination*		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Financial investments	1,039,945	844,201	82,463,593	76,849,498	-	-	83,503,538	77,693,699
Reinsurance assets	-	-	108,013	50,672	-	-	108,013	50,672
Insurance receivables	-	-	296,159	320,304	-	-	296,159	320,304
Other assets	1,830,511	1,830,284	3,362,596	3,145,885	(1,808,804)	(1,834,478)	3,384,303	3,141,691
	2,870,456	2,674,485	86,230,361	80,366,359	(1,808,804)	(1,834,478)	87,292,013	81,206,366
Equity, Policyholders' Fund and Liabilities								
Total Equity	2,667,021	2,495,626	-	-	-	-	2,667,021	2,495,626
Insurance contract liabilities	-	-	81,795,688	76,073,013	-	-	81,795,688	76,073,013
Other liabilities	203,435	178,859	4,434,673	4,293,346	(1,808,804)	(1,834,478)	2,829,304	2,637,727
Total Policyholders' Fund and Liabilities	203,435	178,859	86,230,361	80,366,359	(1,808,804)	(1,834,478)	84,624,992	78,710,740
	2,870,456	2,674,485	86,230,361	80,366,359	(1,808,804)	(1,834,478)	87,292,013	81,206,366

* Refers to elimination of Interfund balances.

Income Statement by Funds For the year ended 31 December 2019

	Shareholder's Fund		Life Insurance Fund		Elimination**		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	-	8,732,972	8,079,533	(5,008)	(3,361)	8,727,964	8,076,172
Premiums ceded to reinsurers	-	-	(214,788)	(207,560)	-	-	(214,788)	(207,560)
Net earned premiums	-	-	8,518,184	7,871,973	(5,008)	(3,361)	8,513,176	7,868,612
Investment income	53,116	41,062	3,407,547	3,322,505	-	-	3,460,663	3,363,567
Fee and commission income	-	-	24,964	16,631	-	-	24,964	16,631
Gains and losses and other operating revenue	14,838	2,585	2,391,512	(2,025,749)	-	-	2,406,350	(2,023,164)
Other revenue	67,954	43,647	5,824,023	1,313,387	-	-	5,891,977	1,357,034
Gross benefits and claims paid	-	-	(6,447,247)	(5,932,482)	-	-	(6,447,247)	(5,932,482)
Claims ceded to reinsurers	-	-	149,285	94,623	-	-	149,285	94,623
Gross change in contract liabilities	-	-	(4,957,395)	(577,182)	-	-	(4,957,395)	(577,182)
Change in contract liabilities ceded to reinsurers	-	-	52,303	3,903	-	-	52,303	3,903
Net benefits and claims	-	-	(11,203,054)	(6,411,138)	-	-	(11,203,054)	(6,411,138)

NOTES TO THE FINANCIAL STATEMENTS

37. INSURANCE FUNDS (CONTINUED)

Income Statement by Funds

For the year ended 31 December 2019 (continued)

	Shareholder's Fund		Life Insurance Fund		Elimination**		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation and amortisation	(67)	-	(50,844)	(50,413)	-	-	(50,911)	(50,413)
Other operating and management expenses	(43,955)	(35,779)	(1,704,509)	(1,570,542)	5,008	3,361	(1,743,456)	(1,602,960)
Taxation of life insurance business	-	-	(415,541)	(48,920)	-	-	(415,541)	(48,920)
Other expenses	(44,022)	(35,779)	(2,170,894)	(1,669,875)	5,008	3,361	(2,209,908)	(1,702,293)
Profit from operations	23,932	7,868	968,259	1,104,347	-	-	992,191	1,112,215
Transfer from Life Insurance Fund*	968,259	1,104,347	(968,259)	(1,104,347)	-	-	-	-
Profit before taxation	992,191	1,112,215	-	-	-	-	992,191	1,112,215
Taxation (Note 26(b))	(173,791)	(226,471)	-	-	-	-	(173,791)	(226,471)
Net profit for the year	818,400	885,744	-	-	-	-	818,400	885,744

* The amount transferred from the Life Insurance Fund to the Shareholder's Fund is net of tax.

** Refers to elimination of interfund transactions.

Information on Cash Flows by Funds

for the year ended 31 December 2019

	Shareholder's Fund		Life Insurance Fund		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flow from:						
Operating activities	676,652	501,852	1,271,049	2,012,032	1,947,701	2,513,884
Investing activities	-	-	(76,382)	(480,928)	(76,382)	(480,928)
Financing activities	(698,818)	(525,000)	-	-	(698,818)	(525,000)
(Decrease)/increase in cash and cash equivalents	(22,166)	(23,148)	1,194,667	1,531,104	1,172,501	1,507,956
Cash and cash equivalents:						
At beginning of year	2,704	25,852	3,810,624	2,279,520	3,813,328	2,305,372
At end of year	(19,462)	2,704	5,005,291	3,810,624	4,985,829	3,813,328

38. SUBSEQUENT EVENTS

CONTRIBUTION TO THE NATIONAL B40 PROTECTION TRUST FUND

On 9 November 2018 and 24 January 2019, the Great Eastern Group (the "Group") announced that in line with the objectives of the Malaysian authorities, the Group has opted to make a contribution of RM2 billion to the National B40 Protection Trust Fund in satisfaction and in lieu of the local shareholder requirement imposed on its subsidiary, Great Eastern Life Assurance (Malaysia) Berhad.

Subsequent to the announcements, the contribution was revised to RM2.37 billion and was paid to the National B40 Protection Trust Fund on 5 March 2020.

FURTHER INFORMATION ON DIRECTORS

MR NORMAN KA CHEUNG IP

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Far Island Bay Sdn Bhd [#]	Chairman
2.	Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3.	Great Eastern General Insurance (Malaysia) Berhad	Chairman
4.	I Great Capital Holdings Sdn Bhd	Chairman
5.	Overseas Assurance Corporation (Holdings) Berhad	Chairman
6.	Building and Construction Authority, Singapore	Deputy Chairman
7.	Great Eastern General Insurance Limited	Director
8.	Great Eastern Holdings Limited*	Director
9.	Great Eastern Takaful Berhad	Director
10.	The Great Eastern Life Assurance Company Limited	Director
11.	Securities Industry Council	Member

* Listed Company

[#] Under Members Voluntary Liquidation

Academic and Professional Qualifications

Bachelor of Science (Economics), London School of Economics and Political Science

Fellow of the Institute Chartered Accountants in England and Wales

Fellow of the Institute of Singapore Chartered Accountants

Board Committees Served on

Member, Board Nominations and Remuneration Committee

Member, Board Risk Management Committee

MR TAN YAM PIN

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Keppel Land Limited	Director
2.	Lee Kuan Yew Scholarship Fund	Director

Academic and Professional Qualifications

Master of Business Administration, University of British Columbia, Canada

Bachelor of Arts (Hons), University of Singapore

Fellow of the Canadian Institute of Chartered Accountants, Canada

Board Committees Served on

Chairman, Board Nominations and Remuneration Committee

FURTHER INFORMATION ON DIRECTORS

MR KOH POH TIONG

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Bukit Sembawang Estates Limited*	Chairman
2.	National Kidney Foundation	Chairman
3.	Saigon Beer Alcohol Beverage Corporation* ("SABECO")	Chairman
4.	Singapore Kindness Movement	Chairman
5.	Times Publishing Limited	Chairman
6.	Yunnan Yulinquan Liquor Co Ltd	Chairman
7.	Fraser and Neave Limited*	Director & Advisor
8.	BeerCo Limited	Director
9.	Delfi Limited*	Director
10.	Great Eastern General Insurance (Malaysia) Berhad	Director
11.	Raffles Medical Group Limited*	Director

* Listed Companies

Academic and Professional Qualifications

Bachelor of Science, University of Singapore

Board Committees Served on

Member, Board Nominations and Remuneration Committee

MR KHOR HOCK SENG

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Great Eastern Financial Advisers Private Limited	Chairman
2.	Lion Global Investors Limited	Chairman
3.	PT Great Eastern Life Indonesia	President Commissioner
4.	PT Great Eastern General Insurance Indonesia	President Commissioner
5.	Great Eastern Capital (Malaysia) Sdn Bhd	Director
6.	Great Eastern General Insurance (Malaysia) Berhad	Director
7.	Great Eastern International Private Limited	Director
8.	Great Eastern Takaful Berhad	Director
9.	I Great Capital Holdings Sdn Bhd	Director
10.	Overseas Assurance Corporation (Holdings) Berhad	Director
11.	The Great Eastern Trust Private Limited	Director
12.	218 Orchard Private Limited	Director
13.	Financial Industry Disputes Resolution Centre Ltd	Director
14.	Life Insurance Association Singapore	President
15.	Institute of Banking and Finance	Council Member
16.	Singapore College of Insurance	Board of Governors
17.	Financial Sector Tripartite Committee	Member

Academic and Professional Qualifications

Bachelor of Art (Majoring in Actuarial Science and Statistics), Macquarie University Sydney, Australia

Certificate of Actuarial Techniques, Institute of Actuaries, London

Board Committees Served on

Nil

FURTHER INFORMATION ON DIRECTORS

MR NG HON SOON

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	OCBC Al-Amin Bank Berhad	Director
2.	Pac Lease Berhad	Director
3.	RAM Rating Services Berhad	Director

Academic and Professional Qualifications

Master in Public Administration, Harvard University, Massachusetts, United States of America

Bachelor of Applied Science (Computer Technology), Universiti Sains Malaysia

Board Committees Served on

Chairman, Board Risk Management Committee

Member, Board Audit Committee

MR DAVID SIEW KAH TOONG

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Fraser & Neave Holdings Berhad	Director
2.	Sekhar & Tan Tax Services Sdn Bhd	Director
3.	Sekhar & Tan Corporate Services Sdn Bhd (formerly known as Sekhar & Tan Capital Services Sdn Bhd)	Director
4.	Tan Chong Motor Holdings Berhad	Director
5.	TC Capital Resources Sdn Bhd	Director

Academic and Professional Qualifications

Member of the Malaysian Institute of Accountants

Member of the Malaysian Institute of Certified Public Accountants

Member of the CPA Australia

Board Committees Served on

Chairman, Board Audit Committee

FURTHER INFORMATION ON DIRECTORS

MR OU SHIAN WAEI

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	AIG Malaysia Insurance Berhad	Chairman
2.	FIDE FORUM	Director
3.	Private Pension Administrator Malaysia	Public Interest Director

Academic and Professional Qualifications

Bachelor of Science in Chemistry, University of Malaya

Board Committees Served on

Member, Board Risk Management Committee

Member, Board Audit Committee

HEAD OFFICE AND BRANCH NETWORK

HEAD OFFICE

Menara Great Eastern

303 Jalan Ampang
50450 Kuala Lumpur
Tel: +603-4259 8888
Fax: +603-4259 8000
E-mail: wecare-my@greatasteernlife.com
Website: greatasteernlife.com

ALOR SETAR

66 & 68 Jalan Teluk Wanjah
05200 Alor Setar, Kedah
Branch Admin Manager: Yap Sun Lin

BATU PAHAT

109, Jalan Rahmat
83000 Batu Pahat, Johor
Branch Admin Manager: Yap Ley Tin

BINTULU

No 313, Lot 3956, Phase 4
Bintulu Parkcity Commerce Square
Jalan Tun Ahmad Zaidi/Jalan Tanjung Batu
97000 Bintulu, Sarawak
Branch Admin Manager: Ting Siew Hoon

IPOH

Wisma Great Eastern

No 16, Persiaran Tugu, Greentown Avenue
30450 Ipoh, Perak
Regional Manager: Siah Koh Leong

JOHOR BAHRU

Wisma Great Eastern

02-01, Blok A, Komersial SouthKey Mozek
Persiaran SouthKey 1
Kota SouthKey
80150 Johor Bahru
Branch Admin Manager: Chai Choon Yoke

KLANG

No.8 & 10 Jalan Tiara 2A
Bandar Baru Klang
41150 Klang, Selangor
Branch Admin Manager: Matthew Nah Yu Jen

KLUANG

No 22 & 24
Jalan Md Lazim Saim
86000 Kluang, Johor
Acting Regional Manager: Lim Kee Chii

KOTA BHARU

No. S25/5252-T & U
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan.
Branch Admin Manager: Yeap Siew Giok

KOTA KINABALU

Wisma Great Eastern

Level 4 & 5, No. 65 Jalan Gaya
88000 Kota Kinabalu, Sabah
Deputy Regional Manager: Chong Kee Jyh

HEAD OFFICE AND BRANCH NETWORK

KUALA TERENGGANU

2nd Floor, 6F, Bangunan Persatuan Hin Ann
Jalan Air Jernih
20300 Kuala Terengganu, Terengganu
Branch Admin Manager: Yeo Ai May

KUANTAN

A25 Jalan Dato Lim Hoe Lek
25200 Kuantan, Pahang
Regional Manager: Hong Shee Yi

KUCHING

No 51, Lot 435, Section 54, KTL D
Travilion Commercial Centre
Jalan Padungan
93100 Kuching, Sarawak
Regional Manager: Ting Lee

LAHAD DATU

Ground & 1st Floor, MDLD 3804, Lot 66
Fajar Centre, Jalan Segama
91100 Lahad Datu, Sabah
Branch Admin Manager: Charlene Ng Oi Len

MELAKA

No.23 Jalan PM 15, Plaza Mahkota
75000 Melaka
Branch Admin Manager: Lee May Lee

MIRI

Lots 1260 & 1261, Block 10
M.C.L.D. Jalan Melayu
98000 Miri, Sarawak
Branch Admin Manager: Tiong Hie Hung

PENANG

25, Light Street
10200 Penang
Branch Admin Manager: Lionel Lee Kian Aik

SANDAKAN

Lot 5 & 6, Block 40, Lorong Indah 15
Bandar Indah, Phase 7
Mile 4, North Road
90000 Sandakan, Sabah
Branch Admin Manager: Joan Lai Kar Kee

SEREMBAN

101 & 103, Jalan Yam Tuan
70000 Seremban, Negeri Sembilan
Branch Admin Manager: Francis Wong Weng Kee

SIBU

Wisma Great Eastern
No. 10A-F, Persiaran Brooke
96000 Sibu, Sarawak
Branch Admin Manager: Peter Wong Yuk Ung

TAIPING

133A Jalan Barrack
34000 Taiping, Perak
Branch Admin Manager: Tan Hoe Soon

TAWAU

Wisma Great Eastern
Ground Floor, Jalan Billian
91000 Tawau, Sabah
Branch Admin Manager: Bryan Yuen Kean Yeong

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