

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia) - 93745-A

Interim condensed financial statements for the six months ended 30 June 2017

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Statement by Directors

We, Kamaruddin bin Taib and Ng Hon Soon, being two of the directors of Great Eastern Life Assurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying interim condensed financial statements set out on pages 4 to 56 are drawn up in accordance with Malaysian Financial Reporting Standard 134: Interim Financial Reporting ("MFRS 134") and International Accounting Standard 34: Interim Financial Reporting ("IAS 34"), and Bank Negara Malaysia's policy document on Financial Reporting [BNM/RH/STD 032-5] dated 28 January 2015 so as to give a true and fair view of the financial position of the Company as at 30 June 2017 and of the results and cash flows of the Company for the period then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 July 2017.

Kamaruddin bin Taib

Ng Hon Soon

Kuala Lumpur
20 July 2017

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**Report on review of interim condensed financial statements to the Directors of
Great Eastern Life Assurance (Malaysia) Berhad
(Incorporated in Malaysia)**

We have reviewed the accompanying condensed balance sheet of Great Eastern Life Assurance (Malaysia) Berhad as of 30 June 2017 and the related condensed income statement, condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the period from 1 January 2017 to 30 June 2017 and other explanatory information as set out on page 4 to 56. The Directors of the Company are responsible for the preparation and presentation of these interim condensed financial statements in accordance with Malaysian Financial Reporting Standard 134: *Interim Financial Reporting* ("MFRS 134") and International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with MFRS 134 and IAS 34.

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**Report on review of interim condensed financial statements to the Directors of
Great Eastern Life Assurance (Malaysia) Berhad (cont'd.)
(Incorporated in Malaysia)**

Other matters

This report has been prepared solely for the Directors of the Company for the purpose of compliance with Bank Negara Malaysia's policy document on Financial Reporting [BNM/RH/STD 032-5] dated 28 January 2015 in relation to the Company's application for declaration of interim dividend and should not be used for any other purpose.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
20 July 2017

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia) - 93745-A

CONDENSED BALANCE SHEET
AS AT 30 JUNE 2017

	Note	30.06.2017 RM'000	31.12.2016 RM'000
Assets			
Property and equipment		444,240	445,405
Investment properties		603,810	603,810
Prepaid land lease payments		16,460	16,528
Investments	10	74,293,094	70,204,256
Reinsurance assets	11	68,514	83,683
Insurance receivables	12	255,542	270,358
Other receivables		1,123,697	1,258,697
Cash and bank balances		209,390	63,245
Total assets		<u>77,014,747</u>	<u>72,945,982</u>
Equity			
Share capital		100,000	100,000
Retained earnings		1,572,153	1,692,582
Available-for-sale fair value reserves		29,738	9,807
Total equity		<u>1,701,891</u>	<u>1,802,389</u>
Liabilities			
Insurance contract liabilities	13	72,523,579	68,555,859
Derivatives	14	263,869	285,082
Agents' retirement benefits		827,731	813,130
Deferred tax liabilities		748,776	523,135
Other financial liabilities		166,919	51,385
Insurance payables	15	182,491	224,879
Provision for taxation		78,909	95,395
Other payables		520,582	594,728
Total liabilities		<u>75,312,856</u>	<u>71,143,593</u>
Total equity and liabilities		<u>77,014,747</u>	<u>72,945,982</u>

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

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CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000
Gross earned premiums	16(a)	3,558,580	3,346,250
Earned premiums ceded to reinsurers	16(b)	<u>(75,369)</u>	<u>(40,464)</u>
Net earned premiums		<u>3,483,211</u>	<u>3,305,786</u>
Investment income	17	1,550,760	1,457,458
Realised gains and losses		134,629	(26,118)
Fair value gains and losses		862,593	966,161
Decrease/(increase) in provision for impairment of:			
Insurance receivables		427	1,707
Other receivables		(65)	(10)
Quoted investments		(24,627)	(71,384)
Fees and commission income		1,568	3,011
Other operating revenue		<u>68,560</u>	<u>19,343</u>
Other revenue		<u>2,593,845</u>	<u>2,350,168</u>
Gross benefits and claims paid	18(a)	(2,585,378)	(2,441,673)
Claims ceded to reinsurers	18(b)	39,513	34,726
Gross change in contract liabilities	18(c)	(2,238,826)	(2,030,356)
Change in contract liabilities ceded to reinsurers	18(d)	<u>(13,809)</u>	<u>6,427</u>
Net benefits and claims		<u>(4,798,500)</u>	<u>(4,430,876)</u>
Fees and commission expenses		(531,229)	(479,854)
Management expenses	19	(281,065)	(257,525)
Other operating expenses		(388)	(1,969)
Taxation of life insurance business	21(a)	<u>(178,089)</u>	<u>(178,028)</u>
Other expenses		<u>(990,771)</u>	<u>(917,376)</u>
Profit before taxation		287,785	307,702
Taxation	21(b)	<u>(68,214)</u>	<u>(53,386)</u>
Net profit for the period		<u>219,571</u>	<u>254,316</u>
Earnings per share (sen)			
Basic and diluted		<u>220</u>	<u>254</u>

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	01.01.2017	01.01.2016
	to	to
	30.06.2017	30.06.2016
	RM'000	RM'000
Net profit for the period	219,571	254,316
Other comprehensive income/(loss):		
Other comprehensive income/(loss) to be reclassified to income statement in subsequent periods:		
Available-for-sale fair value reserves:		
Net gain arising during the period	38,184	707
Net realised gain transferred to Income Statement	(14,306)	(10,123)
Impairment losses transferred to the Income Statement	2,380	3,300
	<u>26,258</u>	<u>(6,116)</u>
Tax effects thereon	(6,327)	1,413
	<u>19,931</u>	<u>(4,703)</u>
Total comprehensive income for the period	<u>239,502</u>	<u>249,613</u>

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Share Capital RM'000	Non-Distributable			Distributable			Total Equity RM'000
		Available-for-sale Fair Value Reserves			Retained Earnings			
		Non- participating Fund RM'000	Shareholder's Fund RM'000	Sub-total RM'000	Non- participating Fund* RM'000	Shareholder's Fund RM'000	Sub-total RM'000	
At 1 January 2016	100,000	19,311	2,532	21,843	441,707	1,203,064	1,644,771	1,766,614
Net profit for the period	-	-	-	-	225,455	28,861	254,316	254,316
Other comprehensive (loss)/income for the period	-	(11,011)	6,308	(4,703)	-	-	-	(4,703)
Total comprehensive (loss)/income for the period	-	(11,011)	6,308	(4,703)	225,455	28,861	254,316	249,613
Dividends paid during the period (Note 6)	-	-	-	-	-	(450,000)	(450,000)	(450,000)
At 30 June 2016	100,000	8,300	8,840	17,140	667,162	781,925	1,449,087	1,566,227
At 1 January 2017	100,000	6,559	3,248	9,807	533,494	1,159,088	1,692,582	1,802,389
Net profit for the period	-	-	-	-	204,880	14,691	219,571	219,571
Other comprehensive income for the period	-	12,809	7,122	19,931	-	-	-	19,931
Total comprehensive income for the period	-	12,809	7,122	19,931	204,880	14,691	219,571	239,502
Dividends paid during the period (Note 6)	-	-	-	-	-	(340,000)	(340,000)	(340,000)
At 30 June 2017	100,000	19,368	10,370	29,738	738,374	833,779	1,572,153	1,701,891

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

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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CONDENSED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000
Operating activities			
Cash used in operating activities	22	(1,077,177)	184,963
Dividend/distribution income received		385,909	282,965
Interest/profit income received		1,144,107	1,134,428
Rental income on investment properties received		30,733	30,191
Agents' retirement benefit paid		(59,297)	(16,558)
Income tax paid		(166,539)	(163,265)
Net cash flows generated from operating activities		<u>257,736</u>	<u>1,452,724</u>
Investing activity			
Purchase of property and equipment		(28,148)	(30,169)
Net cash flows used in investing activity		<u>(28,148)</u>	<u>(30,169)</u>
Financing activity			
Dividends paid to equity holder		(340,000)	(450,000)
Net cash flows used in financing activity		<u>(340,000)</u>	<u>(450,000)</u>
Net (decrease)/increase in cash and cash equivalents		(110,412)	972,555
Cash and cash equivalents at beginning of period		<u>2,264,032</u>	<u>2,315,042</u>
Cash and cash equivalents at end of period		<u>2,153,620</u>	<u>3,287,597</u>
Cash and cash equivalents comprise:			
Cash and bank balances		209,390	439,624
Short term deposits with original maturity periods of less than 3 months		1,944,230	2,847,973
		<u>2,153,620</u>	<u>3,287,597</u>

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The interim condensed financial statements of Great Eastern Life Assurance (Malaysia) Berhad ("the Company") are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standard ("IAS") 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The interim condensed financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

As at the reporting date, the Company has met the minimum capital adequacy requirements as prescribed under the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2016.

The notes attached to the interim condensed financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2016.

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

The interim condensed financial statements were approved for issue by the Board of Directors on 20 July 2017.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards and interpretations

The significant accounting policies in these interim condensed financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2016, except for the adoption of the following Amendments to MFRSs:

Standards effective for financial periods beginning on or after 1 January 2017

- Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 107 *Disclosures Initiatives*
- Amendments to MFRS 112 *Recognition of Deferred Tax for Unrealised Losses*

The adoption of the above did not have any significant effects on the interim condensed financial statements upon their initial application.

(b) Standards issued but not yet effective

The following are standards, amendments to standards and interpretation to standards issued by MASB that will be effective for the Company in future years. The Company intends to adopt these standards, amendments to standards and interpretation to standards, if applicable, when they become effective.

Effective for financial periods beginning on or after 1 January 2018

- Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 140 *Transfers of Investment property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 *Leases*

Deferred

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

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONTD.)

(b) Standards issued but not yet effective (cont'd)

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

MFRS 9 Financial Instruments

In July 2014, the MASB issued the final version of MFRS 9 *Financial Instruments* that replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(a) Classification and measurement

The Company expects to have mixed business models. The Company intends to hold its loans and receivable to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. The Company intends to hold debt securities either to collect contractual cash flows and to sell or to hold for trading, and this is accordingly measured either at fair value through other comprehensive income (“FVOCI”) or at fair value through profit or loss (“FVTPL”) respectively. The Company may make an election to measure its debt securities currently measured as AFS at FVTPL if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. The Company is currently assessing the impact arising from these changes.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONTD.)

(b) Standards issued but not yet effective (cont'd)

(a) Classification and measurement (Cont'd.)

For equity securities, the Company will continue to measure its currently held for trading equity securities at FVTPL. The Company may make an election to measure its AFS equity securities that is not held for trading at FVOCI. In addition, the Company currently measures its investments in unquoted securities whose fair value cannot be reliably measured at cost less impairment losses. Under MFRS 9, the Company will be required to measure such investments at fair value. Any difference between the previous carrying amount under MFRS 139 and the fair value would be recognised in the opening retained earnings when the Company applies MFRS 9. The Company is currently assessing the impact arising from this change.

(b) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss (“ECL”) model that replaces the incurred loss model under the current accounting standard. The Company is required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, trade and other receivables, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing, and debt instruments held by the Company.

The Company expects to apply the simplified approach and record lifetime ECL on all trade and other receivables.

A more detailed analysis considering all reasonable and supportable information, including forward looking elements is required to determine the extent of the impact.

(c) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONTD.)

(b) Standards issued but not yet effective (cont'd)

(d) Transition

The Company plans to adopt the new standard on the required effective date without restating prior year's information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Company is in the process of assessing the impact of MFRS 9 and is not yet able to reasonably estimate the impact on its financial statements.

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

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

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

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

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

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

However, the Company intends to adopt MFRS 9 on the required effective date without applying any of the alternative options.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONTD.)

(b) Standards issued but not yet effective (cont'd)

MFRS 15 Revenue from Contracts with Customers

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

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 16 Leases

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

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

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

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONTD.)

(b) Standards issued but not yet effective (cont'd)

MFRS 16 *Leases* (Cont'd.)

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

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

2. SEASONALITY OF OPERATIONS

The business and operations of the Company were not materially affected by any seasonal or cyclical fluctuations during the interim financial period.

3. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2017.

4. CHANGE IN ESTIMATES

There were no significant changes in the bases used for applying accounting estimates of the Company for the interim financial period.

5. DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities by the Company during the interim financial period.

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6. DIVIDENDS

A final single tier dividend of RM3.40 (2015: RM4.50) per ordinary share on 100,000,005 ordinary shares amounting to RM340,000,017 (2015: RM450,000,023) for the financial year ended 31 December 2016 was approved at the last Annual General Meeting held on 13 April 2017 and this dividend was paid in full on 21 April 2017.

7. MATERIAL EVENTS SUBSEQUENT TO THE END OF INTERIM PERIOD

There are no material events subsequent to the end of the interim reporting period that have not been reflected in the interim condensed financial statements.

8. CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company during the interim financial period.

9. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2017, the Company acquired assets with a cost of RM28,148,000 (the six months ended 30 June 2016: RM30,169,000).

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10. INVESTMENTS

	30.06.2017				31.12.2016			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
Malaysian government securities	80,568	7,014,164	111,180	7,205,912	7,715	7,130,488	257,450	7,395,653
Debt securities	529,116	30,613,658	1,430,867	32,573,641	409,617	32,270,583	1,427,456	34,107,656
Equity securities	191,017	19,330,073	4,475,092	23,996,182	69,983	14,391,810	3,347,823	17,809,616
Unit and property trust funds	27,016	873,980	117,271	1,018,267	16,248	815,371	140,400	972,019
Loans	36,353	7,478,509	-	7,514,862	45,066	7,441,759	-	7,486,825
Deposits with financial institutions	143,600	1,330,820	509,810	1,984,230	42,400	1,729,387	660,700	2,432,487
	<u>1,007,670</u>	<u>66,641,204</u>	<u>6,644,220</u>	<u>74,293,094</u>	<u>591,029</u>	<u>63,779,398</u>	<u>5,833,829</u>	<u>70,204,256</u>

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

LAR	179,953	8,809,329	509,810	9,499,092	87,466	9,171,146	660,700	9,919,312
AFS	792,133	20,179,265	-	20,971,398	469,251	15,185,957	-	15,655,208
FVTPL	35,584	37,652,610	6,134,410	43,822,604	34,312	39,422,295	5,173,129	44,629,736
	<u>1,007,670</u>	<u>66,641,204</u>	<u>6,644,220</u>	<u>74,293,094</u>	<u>591,029</u>	<u>63,779,398</u>	<u>5,833,829</u>	<u>70,204,256</u>

The following investments mature after 12 months:

LAR	29,220	2,559,699	-	2,588,919	37,572	2,569,085	-	2,606,657
AFS	574,106	-	-	574,106	383,020	-	-	383,020
FVTPL	35,584	35,804,597	1,500,368	37,340,549	34,312	37,058,756	1,607,674	38,700,742
	<u>638,910</u>	<u>38,364,296</u>	<u>1,500,368</u>	<u>40,503,574</u>	<u>454,904</u>	<u>39,627,841</u>	<u>1,607,674</u>	<u>41,690,419</u>

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10. INVESTMENTS (CONT'D.)

(a) LAR

	30.06.2017				31.12.2016			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At Amortised Cost / Cost:								
Deposits with financial institutions:								
Licensed banks	143,600	1,330,820	509,810	1,984,230	42,400	1,684,387	660,700	2,387,487
Others	-	-	-	-	-	45,000	-	45,000
Policy loans	-	4,261,201	-	4,261,201	-	4,205,268	-	4,205,268
Mortgage loans	24,800	1,942,181	-	1,966,981	33,910	1,961,462	-	1,995,372
Secured loans	10,008	1,274,476	-	1,284,484	10,009	1,275,021	-	1,285,030
Unsecured loans	1,545	651	-	2,196	1,147	8	-	1,155
	<u>179,953</u>	<u>8,809,329</u>	<u>509,810</u>	<u>9,499,092</u>	<u>87,466</u>	<u>9,171,146</u>	<u>660,700</u>	<u>9,919,312</u>

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10. INVESTMENTS (CONT'D.)

(a) LAR (Cont'd.)

	30.06.2017				31.12.2016			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At Fair Value:								
Deposits with financial institutions:								
Licensed banks	143,600	1,330,820	509,810	1,984,230	42,400	1,684,387	660,700	2,387,487
Others	-	-	-	-	-	45,000	-	45,000
Policy loans	-	4,261,201	-	4,261,201	-	4,205,268	-	4,205,268
Mortgage loans	25,691	1,984,494	-	2,010,185	35,247	1,994,263	-	2,029,510
Secured loans	10,008	1,274,476	-	1,284,484	10,009	1,275,021	-	1,285,030
Unsecured loans	1,545	651	-	2,196	1,147	8	-	1,155
	<u>180,844</u>	<u>8,851,642</u>	<u>509,810</u>	<u>9,542,296</u>	<u>88,803</u>	<u>9,203,947</u>	<u>660,700</u>	<u>9,953,450</u>

Included in deposits with financial institutions of the Company are short term deposits with original maturity periods of less than 3 months amounting to RM1,944,230,000 (2016: RM2,200,787,000), which have been classified as cash and cash equivalents for the purpose of the cash flow statement.

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

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

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10. INVESTMENTS (CONT'D.)

(b) AFS

	30.06.2017				31.12.2016				
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	
At Fair Value:									
Equity securities:									
Quoted in Malaysia	121,600	15,502,363	-	15,623,963	47,696	10,678,596	-	10,726,292	
Quoted outside Malaysia	69,119	3,794,748	-	3,863,867	21,995	3,683,816	-	3,705,811	
Malaysian government securities	80,568	-	-	80,568	7,715	-	-	7,715	
Debt securities:									
Unquoted in Malaysia	489,300	-	-	489,300	348,547	-	-	348,547	
Quoted outside Malaysia	4,238	-	-	4,238	26,758	-	-	26,758	
Unit and property trust funds:									
Quoted in Malaysia	23,225	587,194	-	610,419	13,526	547,153	-	560,679	
Quoted outside Malaysia	3,791	286,786	-	290,577	2,722	268,218	-	270,940	
	<u>791,841</u>	<u>20,171,091</u>	<u>-</u>	<u>20,962,932</u>	<u>468,959</u>	<u>15,177,783</u>	<u>-</u>	<u>15,646,742</u>	
At Cost:									
Equity securities:									
Unquoted in Malaysia	292	8,174	-	8,466	292	8,174	-	8,466	
	<u>792,133</u>	<u>20,179,265</u>	<u>-</u>	<u>20,971,398</u>	<u>469,251</u>	<u>15,185,957</u>	<u>-</u>	<u>15,655,208</u>	
								30.06.2017	31.12.2016
								RM'000	RM'000
Movement in impairment allowance accounts:									
Provision for impairment:									
At 1 January							407,621	254,107	
Charge for the period/year							24,627	211,353	
Transfer to realised gain upon disposal							(15,743)	(57,839)	
At 30 June/31 December							<u>416,505</u>	<u>407,621</u>	

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

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10. INVESTMENTS (CONT'D.)

(c) FVTPL

	30.06.2017				31.12.2016			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At Fair Value:								
Held-for-Trading:								
Equity securities:								
Quoted in Malaysia	-	23,417	4,417,086	4,440,503	-	21,224	3,251,663	3,272,887
Quoted outside Malaysia	6	1,371	58,006	59,383	-	-	96,160	96,160
Malaysian government securities	-	-	111,180	111,180	-	-	257,450	257,450
Debt securities:								
Unquoted in Malaysia	35,578	2,464,635	1,430,867	3,931,080	34,312	1,768,752	1,427,456	3,230,520
Unit and property trust funds:								
Quoted in Malaysia	-	-	115,450	115,450	-	-	139,251	139,251
Quoted outside Malaysia	-	-	1,821	1,821	-	-	1,149	1,149
	<u>35,584</u>	<u>2,489,423</u>	<u>6,134,410</u>	<u>8,659,417</u>	<u>34,312</u>	<u>1,789,976</u>	<u>5,173,129</u>	<u>6,997,417</u>
Designated upon initial recognition:								
Malaysian government securities	-	7,014,164	-	7,014,164	-	7,130,488	-	7,130,488
Debt securities:								
Quoted outside Malaysia	-	733,641	-	733,641	-	836,819	-	836,819
Unquoted in Malaysia	-	27,303,911	-	27,303,911	-	29,536,410	-	29,536,410
Unquoted outside Malaysia	-	111,471	-	111,471	-	128,602	-	128,602
	<u>-</u>	<u>35,163,187</u>	<u>-</u>	<u>35,163,187</u>	<u>-</u>	<u>37,632,319</u>	<u>-</u>	<u>37,632,319</u>
	<u>35,584</u>	<u>37,652,610</u>	<u>6,134,410</u>	<u>43,822,604</u>	<u>34,312</u>	<u>39,422,295</u>	<u>5,173,129</u>	<u>44,629,736</u>

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11. REINSURANCE ASSETS

Life Insurance Fund

	30.06.2017	31.12.2016
	RM'000	RM'000
Reinsurance of insurance contracts (Note 13)	68,514	83,683

12. INSURANCE RECEIVABLES

Life Insurance Fund

	30.06.2017	31.12.2016
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	236,599	272,962
Due from reinsurers and cedants	21,120	-
	<u>257,719</u>	<u>272,962</u>
Allowance for impairment	(2,177)	(2,604)
	<u>255,542</u>	<u>270,358</u>
Movement in impairment allowance accounts:		
Individual impairment:		
At 1 January	2,604	5,462
Reversal for the period / year	(427)	(2,858)
At 30 June / 31 December	<u>2,177</u>	<u>2,604</u>

There were no collectively impaired insurance receivables for the period ended 30 June 2017 and year ended 31 December 2016.

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

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

	Gross carrying amount	Gross amounts recognised in insurance payables offset in the balance sheet	Net amounts in the balance sheet
	RM'000	RM'000	RM'000
30 June 2017			
Premiums ceded	(8,887)	-	(8,887)
Commissions receivable	28,755	(22,591)	6,164
Claims recoveries	91,569	(67,726)	23,843
	<u>111,437</u>	<u>(90,317)</u>	<u>21,120</u>
31 December 2016			
Commissions receivable	22,973	(22,973)	-
Claims recoveries	79,607	(79,607)	-
	<u>102,580</u>	<u>(102,580)</u>	<u>-</u>

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13. INSURANCE CONTRACT LIABILITIES

Life Insurance Fund

	30.06.2017			31.12.2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	8,509,753	(27,815)	8,481,938	8,216,667	(29,175)	8,187,492
Actuarial liabilities	48,788,184	(40,699)	48,747,485	49,050,781	(54,508)	48,996,273
Unallocated surplus	3,615,801	-	3,615,801	1,872,531	-	1,872,531
Available-for-sale fair value reserves	5,018,218	-	5,018,218	3,582,411	-	3,582,411
Net asset value attributable to unitholders	6,591,623	-	6,591,623	5,833,469	-	5,833,469
	<u>72,523,579</u>	<u>(68,514)</u>	<u>72,455,065</u>	<u>68,555,859</u>	<u>(83,683)</u>	<u>68,472,176</u>

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13. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	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 2017	59,993,215	8,562,644	68,555,859	(10,825)	(72,858)	(83,683)	68,472,176
Premiums received	1,681,345	491,648	2,172,993	(28,245)	(47,124)	(75,369)	2,097,624
Liabilities paid for death, maturities, surrenders, benefits and claims	(1,836,262)	(223,709)	(2,059,971)	15,818	23,695	39,513	(2,020,458)
Policy movements	1,253,200	137,442	1,390,642	-	14,339	14,339	1,404,981
Interest rate	1,072	77,040	78,112	-	(530)	(530)	77,582
<i>Adjustments due to changes in assumptions:</i>							
<i>Expenses</i>	(353)	146	(207)	-	-	-	(207)
<i>Others</i>	(1,728,157)	-	(1,728,157)	-	-	-	(1,728,157)
Claims benefit experience variation	273,942	19,144	293,086	14,148	23,068	37,216	330,302
Net asset value attributable to unitholders	-	490,215	490,215	-	-	-	490,215
Model change	(1)	(2,986)	(2,987)	-	-	-	(2,987)
Available-for-sale fair value reserves	1,560,673	-	1,560,673	-	-	-	1,560,673
Unallocated surplus	1,898,187	-	1,898,187	-	-	-	1,898,187
Deferred tax effects:							
Available-for-sale fair value reserves	(124,866)	-	(124,866)	-	-	-	(124,866)
At 30 June 2017	62,971,995	9,551,584	72,523,579	(9,104)	(59,410)	(68,514)	72,455,065

Policy benefits bear interest at 5% per annum.

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13 INSURANCE CONTRACT LIABILITIES (CONT'D.)

	← 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 2016	57,521,153	7,941,069	65,462,222	(11,071)	(89,914)	(100,985)	65,361,237
Premiums received	3,897,255	960,255	4,857,510	(66,389)	(84,315)	(150,704)	4,706,806
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,847,211)	(387,686)	(4,234,897)	24,357	44,647	69,004	(4,165,893)
Policy movements	1,663,029	127,802	1,790,831	-	(12,224)	(12,224)	1,778,607
Interest rate	593	(17,459)	(16,866)	-	196	196	(16,670)
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(5,277)	(3,003)	(8,280)	-	162	162	(8,118)
<i>Expenses</i>	10,325	1,277	11,602	-	-	-	11,602
<i>Lapse</i>	887,266	(7,129)	880,137	-	(75)	(75)	880,062
<i>Others</i>	2,195,895	4,691	2,200,586	-	1,035	1,035	2,201,621
Model change	(25,297)	(6,620)	(31,917)	-	-	-	(31,917)
Claims benefit experience variation	700,572	8,952	709,524	42,278	67,630	109,908	819,432
Net asset value attributable to unitholders	-	(59,505)	(59,505)	-	-	-	(59,505)
Available-for-sale fair value reserves	(324,945)	-	(324,945)	-	-	-	(324,945)
Unallocated surplus	(2,706,098)	-	(2,706,098)	-	-	-	(2,706,098)
Deferred tax effects:							
Available-for-sale fair value reserves	25,955	-	25,955	-	-	-	25,955
At 31 December 2016	59,993,215	8,562,644	68,555,859	(10,825)	(72,858)	(83,683)	68,472,176

Policy benefits bear interest at 5% per annum.

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14. DERIVATIVES

	Liability	
	Notional	Fair
	Principal	Value
	RM'000	RM'000
30 June 2017		
Life Insurance Fund		
Derivatives held for trading:		
Currency swaps	613,641	263,737
Forward	61,559	63
	<u>675,200</u>	<u>263,800</u>
Shareholder's Fund		
Derivatives held for trading:		
Currency swaps	4,218	69
	<u>679,418</u>	<u>263,869</u>
31 December 2016		
Life Insurance Fund		
Derivatives held for trading:		
Currency swaps	613,641	284,614
	<u>613,641</u>	<u>284,614</u>
Shareholder's Fund		
Derivatives held for trading:		
Currency swaps	4,218	468
	<u>617,859</u>	<u>285,082</u>

15. INSURANCE PAYABLES

Life Insurance Fund	30.06.2017	31.12.2016
	RM'000	RM'000
Due to reinsurers	17,469	15,164
Due to agents and intermediaries	165,022	209,715
	<u>182,491</u>	<u>224,879</u>

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

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15. INSURANCE PAYABLES (CONT'D.)

The Company's amounts 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
30 June 2017			
Premiums ceded	107,786	-	107,786
Commissions receivable	-	(22,591)	(22,591)
Claims recoveries	-	(67,726)	(67,726)
	<u>107,786</u>	<u>(90,317)</u>	<u>17,469</u>
31 December 2016			
Premiums ceded	117,744	-	117,744
Commissions receivable	-	(22,973)	(22,973)
Claims recoveries	-	(79,607)	(79,607)
	<u>117,744</u>	<u>(102,580)</u>	<u>15,164</u>

16. NET EARNED PREMIUMS

Life Insurance Fund

	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000
(a) Gross earned premiums		
Life insurance contracts	<u>3,558,580</u>	<u>3,346,250</u>
(b) Earned premiums ceded to reinsurers		
Life insurance contracts	<u>(75,369)</u>	<u>(40,464)</u>
Net earned premiums	<u>3,483,211</u>	<u>3,305,786</u>

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17. INVESTMENT INCOME

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
01.01.2017 to 30.06.2017			
Rental income from properties	-	31,772	31,772
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	987	97,792	98,779
Dividend income:			
- equity securities quoted in Malaysia	-	70,330	70,330
- equity securities quoted outside Malaysia	-	1,452	1,452
- designated upon initial recognition:			
Interest income	-	774,784	774,784
Financial assets at AFS:			
Interest income	12,285	-	12,285
Dividend income:			
- equity securities quoted in Malaysia	2,080	248,422	250,502
- equity securities quoted outside Malaysia	784	64,426	65,210
- equity securities unquoted in Malaysia	-	1,488	1,488
LAR interest income	1,178	222,820	223,998
Cash and bank balances interest income	2,680	40,538	43,218
Gross investment income	<u>19,994</u>	<u>1,553,824</u>	<u>1,573,818</u>
Less: investment expenses	(31)	(23,027)	(23,058)
	<u>19,963</u>	<u>1,530,797</u>	<u>1,550,760</u>

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17. INVESTMENT INCOME (CONT'D.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
01.01.2016 to 30.06.2016			
Rental income from properties	-	31,954	31,954
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	377	87,242	87,619
Dividend income:			
- equity securities quoted in Malaysia	-	48,118	48,118
- equity securities quoted outside Malaysia	-	398	398
- designated upon initial recognition:			
Interest income	-	770,511	770,511
Financial assets at AFS:			
Interest income	13,419	-	13,419
Dividend income:			
- equity securities quoted in Malaysia	1,564	196,184	197,748
- equity securities quoted outside Malaysia	345	49,218	49,563
- equity securities unquoted in Malaysia	-	684	684
LAR interest income	1,024	227,222	228,246
Cash and bank balances interest income	1,069	49,876	50,945
Gross investment income	<u>17,798</u>	<u>1,461,407</u>	<u>1,479,205</u>
Less: investment expenses	(18)	(21,729)	(21,747)
	<u>17,780</u>	<u>1,439,678</u>	<u>1,457,458</u>

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18. NET BENEFITS AND CLAIMS

Life Insurance Fund

	01.01.2017	01.01.2016
	to	to
	30.06.2017	30.06.2016
	RM'000	RM'000
(a) Gross benefits and claims paid		
Life insurance contracts:		
Death	(216,145)	(172,756)
Maturity	(236,801)	(312,777)
Surrender	(871,945)	(757,832)
Cash bonus	(578,247)	(595,947)
Others	(682,240)	(602,361)
	<u>(2,585,378)</u>	<u>(2,441,673)</u>
(b) Claims ceded to reinsurers		
Life insurance contracts	<u>39,513</u>	<u>34,726</u>
(c) Gross change in contract liabilities		
Life insurance contracts	<u>(2,238,826)</u>	<u>(2,030,356)</u>
(d) Change in contract liabilities ceded to reinsurers		
Life insurance contracts	<u>(13,809)</u>	<u>6,427</u>

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19. MANAGEMENT EXPENSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
01.01.2017 to 30.06.2017			
Employee benefits expense (Note (a))	-	101,299	101,299
Non-executive directors' remuneration (Note (b))	-	619	619
Auditor's remuneration:			
- statutory audits	5	412	417
- other services	-	12	12
Depreciation of property and equipment	-	28,991	28,991
Property and equipment written off	-	322	322
Amortisation of prepaid land lease payments	-	69	69
Rental of properties	-	146	146
Operating lease payments	-	552	552
Advertising and promotion	335	17,473	17,808
Finance charges	3	24,573	24,576
Group service fees	-	19,275	19,275
IT and computer expenses	-	17,402	17,402
Policyholder expenses	-	4,655	4,655
Postal and telecommunication	-	6,065	6,065
Printing and stationery	-	1,384	1,384
Professional fees	1	3,888	3,889
Repairs and maintenance	-	1,272	1,272
Transport and travelling	-	1,117	1,117
Utilities	-	2,476	2,476
GST expense	113	35,669	35,782
Others	6,178	6,759	12,937
	<u>6,635</u>	<u>274,430</u>	<u>281,065</u>

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19. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee Benefits Expense

01.01.2017 to 30.06.2017	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Wages and salaries	-	80,993	80,993
Social security contributions	-	649	649
Defined contribution plans - EPF	-	13,333	13,333
Other employee benefits expense	-	6,324	6,324
	<u>-</u>	<u>101,299</u>	<u>101,299</u>

Included in employee benefits expense is CEO remuneration of RM1,679,000 as further disclosed in (b) below.

(b) Chief Executive Officer's (CEO) and Directors' Remuneration

The details of remuneration receivable by CEO and Directors during the period are as follows:

CEO:

Salaries and other emoluments	-	869	869
Bonus	-	792	792
Estimated money value of benefits-in-kind	-	18	18
	<u>-</u>	<u>1,679</u>	<u>1,679</u>

Non-executive directors:

Fees	-	619	619
Total remuneration	<u>-</u>	<u>2,298</u>	<u>2,298</u>

Represented by:

Directors' fees	-	619	619
Amount included in employee benefits expense	-	1,679	1,679
	<u>-</u>	<u>2,298</u>	<u>2,298</u>

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19. MANAGEMENT EXPENSES (CONT'D.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
01.01.2016 to 30.06.2016			
Employee benefits expense (Note (a))	-	88,338	88,338
Non-executive directors' remuneration (Note (b))	-	574	574
Auditor's remuneration:			
- statutory audits	5	389	394
- other services	-	11	11
Depreciation of property and equipment	-	26,231	26,231
Amortisation of prepaid land lease payments	-	69	69
Rental of properties	-	173	173
Operating lease payment	-	638	638
Advertising and promotion	388	20,400	20,788
Finance charges	2	23,462	23,464
Group service fees	-	21,277	21,277
IT and computer expenses	-	17,288	17,288
Policyholder expenses	-	4,070	4,070
Postal and telecommunication	-	6,158	6,158
Printing and stationery	-	1,599	1,599
Professional fees	1	2,156	2,157
Repairs and maintenance	-	1,804	1,804
Transport and travelling	-	972	972
Utilities	-	2,930	2,930
GST expense	4	29,028	29,032
Others	6,013	3,545	9,558
	<u>6,413</u>	<u>251,112</u>	<u>257,525</u>

(a) Employee Benefits Expense

Wages and salaries	-	72,611	72,611
Social security contributions	-	522	522
Defined contribution plans - EPF	-	11,692	11,692
Other employee benefits expense	-	3,513	3,513
	<u>-</u>	<u>88,338</u>	<u>88,338</u>

Included in employee benefits expense is CEO/Executive Director remuneration of RM1,458,000 as further disclosed in (b) below.

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19. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' Remuneration

The details of remuneration receivable by Directors during the period are as follows:

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Executive:			
Salaries and other emoluments	-	799	799
Bonus	-	640	640
Estimated money value of benefits in kind	-	19	19
	-	1,458	1,458
Non-executive:			
Fees	-	574	574
Total directors' remuneration	-	2,032	2,032
Represented by:			
Directors' fees	-	574	574
Amount included in employee benefits expense	-	1,458	1,458
	-	2,032	2,032

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 shareholder at the AGM.

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

	Number of Directors	
	30.06.2017	30.06.2016
Executive Director		
RM1,450,000 - RM1,550,000	-	1
Non-Executive Directors		
Below RM50,000	-	-
RM50,001 - RM100,000	2	-
RM100,001 - RM150,000	4	3
RM150,001 - RM200,000	-	1

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20. CEO AND DIRECTORS' REMUNERATION

		01.01.2017 to 30.06.2017				
Name		Salaries RM'000	Bonus RM'000	Fees RM'000	Benefits-in-kind RM'000	Total RM'000
Yg Bhg Dato Koh Yaw Hui	CEO	869	792	-	18	1,679
Total CEO remuneration		869	792	-	18	1,679
		Status of directorship				
Mr Norman Ip Ka Cheung	Non - Executive	-	-	119	-	119
Yg Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	122	-	122
Yg Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	119	-	119
Mr Ng Hon Soon	Non - Executive	-	-	113	-	113
Mr Tan Yam Pin (Appointed on 3 January 2017)	Non - Executive	-	-	89	-	89
Madam Tan Fong Sang (Appointed on 10 March 2017)	Non - Executive	-	-	57	-	57
Total non-executive directors remuneration		-	-	619	-	619
Total remuneration		869	792	619	18	2,298
		01.01.2016 to 30.06.2016				
Name	Status of directorship	Salaries RM'000	Bonus RM'000	Fees RM'000	Benefits-in-kind RM'000	Total RM'000
Yg Bhg Dato Koh Yaw Hui	CEO/Executive	799	640	-	19	1,458
Total executive director's remuneration		799	640	-	19	1,458
Mr Norman Ip Ka Cheung	Non - Executive	-	-	187	-	187
Yg Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	138	-	138
Yg Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	142	-	142
Mr Ng Hon Soon	Non - Executive	-	-	107	-	107
Total non-executive directors remuneration		-	-	574	-	574
Total directors' remuneration		799	640	574	19	2,032

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21. TAXATION

		01.01.2017	01.01.2016
		to	to
		30.06.2017	30.06.2016
	Note	RM'000	RM'000
Taxation of life insurance business	(a)	178,089	178,028
Taxation of the Company	(b)	68,214	53,386
		<u>246,303</u>	<u>231,414</u>

(a) Taxation of life insurance business

Tax expense:			
Current		138,443	110,211
Deferred			
- Life Insurance Fund		9,011	75,219
- Unit-linked		30,635	(7,402)
		<u>178,089</u>	<u>178,028</u>
Current income tax:			
Malaysian income tax		138,404	110,182
Tax on foreign dividend income		39	29
		<u>138,443</u>	<u>110,211</u>
Deferred tax:			
Relating to origination and reversal of temporary differences			
- Life Insurance Fund		9,011	75,219
- Unit-linked		30,635	(7,402)
		<u>178,089</u>	<u>178,028</u>

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

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

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21. TAXATION (CONT'D.)

(b) Taxation of the Company

	01.01.2017	01.01.2016
	to	to
	30.06.2017	30.06.2016
	RM'000	RM'000
Tax expense:		
Current	16,643	2,573
Deferred	51,571	50,813
	<u>68,214</u>	<u>53,386</u>
Current income tax:		
Malaysian income tax	5,155	3,277
Under/(over)provided in prior years	11,488	(704)
	<u>16,643</u>	<u>2,573</u>
Deferred tax:		
Relating to origination and reversal of temporary differences	51,571	50,813
	<u>68,214</u>	<u>53,386</u>

The current income tax and deferred tax are calculated at 24% (2016: 24%) of the estimated assessable profit for the financial period.

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:

	01.01.2017	01.01.2016
	to	to
	30.06.2017	30.06.2016
	RM'000	RM'000
Profit before taxation	<u>287,785</u>	<u>307,702</u>
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	69,068	73,848
Impact of change in tax rate from 25% to 24%	-	(5,889)
Income not subject to tax	(546)	(2,804)
Expenses not deductible for tax purposes	1,908	4,048
Estimated double taxation relief	(13,704)	(15,113)
Under/(over)provided in prior years	11,488	(704)
Tax expense for the period	<u>68,214</u>	<u>53,386</u>

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22. CASH USED IN OPERATING ACTIVITIES

		01.01.2017	01.01.2016
		to	to
		30.06.2017	30.06.2016
	Note	RM'000	RM'000
Profit before taxation		287,785	307,702
<i>Adjustment for:</i>			
Taxation of life insurance business	21(a)	178,089	178,028
Investment income	17	(1,573,818)	(1,479,205)
Realised (gains)/losses recorded in the income statement		(134,629)	26,118
Fair value gains recorded in the income statement		(862,593)	(966,161)
Depreciation of property and equipment		28,991	26,231
Amortisation of prepaid land lease payments		69	69
(Write-back of)/impairment loss on:			
Insurance and other receivables		(362)	(1,697)
Quoted investments		24,627	71,384
Provision for agents' retirement benefits		73,899	44,801
Property and equipment written-off		322	-
Realised foreign exchange loss on receipt of dividend		-	12
Realised foreign exchange gain on disposal of investments		(81,155)	(45,740)
Unrealised exchange gain on derivatives		(10,813)	(86,880)
Unrealised exchange loss on bonds		26,696	108,540
Cash flow before working capital changes		<u>(2,042,892)</u>	<u>(1,816,798)</u>
<i>Changes in working capital:</i>			
Purchases of FVTPL financial investments		(9,283,082)	(10,048,519)
Proceeds from disposals/maturities of FVTPL financial investments		10,852,587	10,750,098
Purchases of AFS financial investments		(5,647,880)	(2,100,233)
Proceeds from disposals/maturities of AFS financial investments		2,172,619	1,568,583
Decrease/(increase) in LAR		163,660	(286,483)
Decrease/(increase) in reinsurance assets		15,169	(35,241)
Decrease in insurance receivables		15,242	38,746
Decrease/(increase) in other receivables		146,487	(78,115)
Increase in insurance contract liabilities		2,531,913	2,350,712
Increase/(decrease) in other financial liabilities		115,534	(78,355)
Decrease in insurance payables		(42,388)	(9,438)
Decrease in other payables		(74,146)	(69,994)
Cash (used in)/generated from operating activities		<u>(1,077,177)</u>	<u>184,963</u>

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.

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23. CAPITAL COMMITMENTS

	30.06.2017	31.12.2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
- Investment properties	432,402	432,340
- Property and equipment	69,350	90,889
Approved but not contracted for:		
Investment properties	128,406	92,221
	<u>630,158</u>	<u>615,450</u>

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

Property type	Total commitment	Deposit paid *:	Date of SPA
	RM'million	RM'million	
(a) Investment property	431 (31.12.2016: 431)	109	12 February 2015
(b) Owner occupied property	26 (31.12.2016: 26)	7	20 June 2016

* Being progress payment for property under development.

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

24. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2017, as prescribed under the RBC Framework is provided below:

	30.06.2017	31.12.2016
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	19,051,036	18,194,476
	<u>19,151,036</u>	<u>18,294,476</u>
Tier 2 Capital		
Eligible reserves	5,049,192	3,590,436
	<u>5,049,192</u>	<u>3,590,436</u>
Deductions: Deferred Tax Asset	35,631	35,014
	<u>35,631</u>	<u>35,014</u>
Total Capital Available	<u>24,164,597</u>	<u>21,849,898</u>

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25. RELATED PARTY DISCLOSURES

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

	01.01.2017	01.01.2016
	to	to
	30.06.2017	30.06.2016
	RM'000	RM'000
Transactions with related parties during the period:		
Income/(expense):		
Property rentals received (note i)		
- OCBC Bank (Malaysia) Berhad	402	402
- Overseas Assurance Corporation (Malaysia) Berhad	1,522	894
- Great Eastern Takaful Berhad	667	661
Service charges paid (note ii)		
- OCBC Bank (Malaysia) Berhad	(21,645)	(20,461)
- E2 Power Sdn Bhd	(2,592)	(4,301)
- E2 Power Pte Ltd	(547)	(655)
- Pacific Mutual Fund Bhd	(182)	(206)
- Lion Global Investor Ltd	(50)	(49)
Service charges received (note ii)		
- Overseas Assurance Corporation (Malaysia) Berhad	2,926	2,600
- Great Eastern Takaful Berhad	5,585	4,670
Premium paid (note iii)		
- Overseas Assurance Corporation (Malaysia) Berhad	(2,441)	(2,459)
Premium received (note iii)		
- Overseas Assurance Corporation (Malaysia) Berhad	-	253
- E2 Power Sdn Bhd	1,460	1
- OCBC Bank (Malaysia) Berhad	20,212	22,080
- OCBC Al-Amin Bank Berhad	269	22
- PAC Lease Berhad	178	94
- Pacific Mutual Fund Bhd	25	46
- Key Management Personnel	206	116
Commission received		
- Overseas Assurance Corporation (Malaysia) Berhad	363	370
Claims paid		
- Key Management Personnel	-	(11)

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25. RELATED PARTY DISCLOSURES (CONT'D)

- (a) In addition to the transactions detailed elsewhere in the interim condensed financial statements, the Company had the following transactions and balances with related parties during the financial period (Cont'd):

	01.01.2017	01.01.2016
	to	to
	30.06.2017	30.06.2016
	RM'000	RM'000
Transactions with related parties during the period (Cont'd.):		
Income/(expense):		
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	(16,844)	(18,383)
- OCBC Securities Private Limited	(468)	(273)
- PAC Lease Berhad	(8)	(1)
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	33,238	41,359
- PAC Lease Berhad	118	224
Bank charges		
- OCBC Bank (Malaysia) Berhad	(1,220)	(1,077)
Other services		
- OCBC Bank (Malaysia) Berhad	-	(10)
Policy payments		
- OCBC Bank (Malaysia) Berhad	(81)	(87)
Employee Share Option Scheme (ESOS) paid		
- Oversea-Chinese Banking Corporation Ltd.	(183)	(348)
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Ltd.	(368)	(187)
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Ltd.	(425)	(363)
Charges for group services (note v)		
- The Great Eastern Life Assurance Company Limited	(19,275)	(22,433)

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25. RELATED PARTY DISCLOSURES (CONT'D)

- (a) In addition to the transactions detailed elsewhere in the interim condensed financial statements, the Company had the following transactions and balances with related parties during the financial period (Cont'd):

	01.01.2017	01.01.2016
	to	to
	30.06.2017	30.06.2016
	RM'000	RM'000
Transactions with related parties during the period (Cont'd.):		
Income/(expense):		
Purchase of investments from		
- Overseas Assurance Corporation (Malaysia) Berhad	(72,201)	(36,851)
- Great Eastern Takaful Berhad	(28,013)	(29,046)
Disposal of investments to		
- Overseas Assurance Corporation (Malaysia) Berhad	40,015	4,063
- Great Eastern Takaful Berhad	20,493	-
	30.06.2017	31.12.2016
	RM'000	RM'000
Balances with related parties at reporting date:		
Due from/(due to):		
Investment in other debt securities		
- OCBC Bank (Malaysia) Berhad	103,573	103,911
Investment in commercial paper/medium term note		
- PAC Lease Berhad	-	10,003
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	49,507	49,156
Fixed deposits, structured deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	1,344,916	1,191,223
- OCBC Al-Amin Bank Berhad	86,330	181,300
Investment in cross currency swap (derivatives liabilities)		
- OCBC Bank (Malaysia) Berhad	28,773	28,291

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25. RELATED PARTY DISCLOSURES (CONT'D)

- (a) In addition to the transactions detailed elsewhere in the interim condensed financial statements, the Company had the following transactions and balances with related parties during the financial period (Cont'd):

	30.06.2017	31.12.2016
	RM'000	RM'000
Balances with related parties at reporting date (Cont'd):		
Due from/(due to):		
Amount due from related companies:		
- Far Island Bay Sdn Bhd	57	53
- Overseas Assurance Corporation (Malaysia) Berhad	821	1,169
- Great Eastern Takaful Berhad	3,993	3,172
Amount due to ultimate holding company:		
- Oversea-Chinese Banking Corporation Ltd.	(892)	(1,148)
Amount due to intermediate holding company:		
- The Great Eastern Life Assurance Company Limited	(9,321)	(13,578)
Amount due to intermediate holding company:		
- Great Eastern Holdings Limited	(141)	-
Amount due to holding company:		
- Great Eastern Capital (M) Sdn Bhd	(1,799)	(135,493)

Related companies are companies within the OCBC group:

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

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25. RELATED PARTY DISCLOSURES (CONT'D)

Related companies are companies within the OCBC group (Cont'd):

- (v) Payment of Group function cost based on allocation rates approved by Group function heads.

26. FAIR VALUES OF ASSETS AND LIABILITIES

Set out below, is a comparison by class of the carrying amounts and fair values of the Company's assets and liabilities, other than those of which, the carrying amounts are reasonable approximations of fair values:

	Carrying Amount		Fair Value	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
<u>AFS financial assets (Note 10(b)):</u>				
Equity securities:				
Quoted in Malaysia	15,623,963	10,726,292	15,623,963	10,726,292
Quoted outside Malaysia	3,863,867	3,705,811	3,863,867	3,705,811
Malaysian government securities	80,568	7,715	80,568	7,715
Debt securities:				
Unquoted in Malaysia	489,300	348,547	489,300	348,547
Quoted outside Malaysia	4,238	26,758	4,238	26,758
Unit and property trust funds:				
Quoted in Malaysia	610,419	560,679	610,419	560,679
Quoted outside Malaysia	290,577	270,940	290,577	270,940
<u>FVTPL - Held for Trading (Note 10(c)):</u>				
Equity securities:				
Quoted in Malaysia	4,440,503	3,272,887	4,440,503	3,272,887
Quoted outside Malaysia	59,383	96,160	59,383	96,160
Malaysian government securities	111,180	257,450	111,180	257,450
Debt securities:				
Unquoted in Malaysia	3,931,080	3,230,520	3,931,080	3,230,520
Unit and property trust funds:				
Quoted in Malaysia	115,450	139,251	115,450	139,251
Quoted outside Malaysia	1,821	1,149	1,821	1,149

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26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D.)

Set out below, is a comparison by class of the carrying amounts and fair values of the Company's assets and liabilities, other than those of which, the carrying amounts are reasonable approximations of fair values (Cont'd):

	Carrying Amount		Fair Value	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets (Cont'd.)</u>				
<u>FVTPL - Designated upon</u>				
<u>initial recognition (Note 10(c)):</u>				
Malaysian government securities	7,014,164	7,130,488	7,014,164	7,130,488
Debt securities:				
Quoted outside Malaysia	733,641	836,819	733,641	836,819
Unquoted in Malaysia	27,303,911	29,536,410	27,303,911	29,536,410
Unquoted outside Malaysia	111,471	128,602	111,471	128,602
<u>Non financial assets:</u>				
<u>Investment properties:</u>				
Commercial	368,910	368,910	368,910	368,910
Residential	234,900	234,900	234,900	234,900
<u>Loans and receivables (Note 10(a)):</u>				
Mortgage loans	1,966,981	1,995,372	2,010,185	2,029,510
	<u>67,356,327</u>	<u>62,875,660</u>	<u>67,399,531</u>	<u>62,909,798</u>
<u>Financial Liabilities</u>				
<u>Derivatives (Note 14):</u>				
Currency swaps	263,806	285,082	263,806	285,082
Forward	63	-	63	-
	<u>263,869</u>	<u>285,082</u>	<u>263,869</u>	<u>285,082</u>

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 carrying value of the policy loans, secured loans and unsecured loans are reasonable approximations of fair value due to discounting impact being immaterial.

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

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26. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

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

- The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices and closing prices as appropriate for assets at the close of business on the balance sheet date.
- For investments in quoted unit and real estate investment trusts, fair value is determined by reference to published net asset values. Investments in equity that do not have quoted market prices in an active market and whose fair value cannot be reliably measured will be stated at cost.
- For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM") while for foreign bonds, fair value is obtained from Bloomberg.
- For unquoted and unrated bonds, the unrated bonds are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against BPAM's indicative bond yields for a bond with similar rating and tenure.
- For structured deposits and derivatives, the fair value is obtained from the counterparty bank.
- For investment properties, the fair value is obtained from valuations as performed by the external valuers using the income method and comparison method.
- For mortgage loans, the fair value is derived by using the AA2 yield by tenures as an approximate proxy for fair value valuation. The AA2 yields are sourced from BPAM.
- If the fair value cannot be measured reliably, 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.

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26. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

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

	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
30 June 2017				

(a) Assets measured at fair value:

Financial Assets

AFS financial assets (Note 10(b)):

Equity securities:

Quoted in Malaysia	15,623,963	-	-	15,623,963
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Quoted outside Malaysia	3,863,867	-	-	3,863,867
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Malaysian government securities	-	80,568	-	80,568
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Debt securities:

Unquoted in Malaysia	-	489,300	-	489,300
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Quoted outside Malaysia	4,238	-	-	4,238
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Unit and property trust funds:

Quoted in Malaysia	610,419	-	-	610,419
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Quoted outside Malaysia	290,577	-	-	290,577
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FVTPL - Held for Trading (Note 10(c)):

Equity securities:

Quoted in Malaysia	4,440,503	-	-	4,440,503
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Quoted outside Malaysia	59,383	-	-	59,383
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Malaysian government securities	-	111,180	-	111,180
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Debt securities:

Unquoted in Malaysia	-	3,931,080	-	3,931,080
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Unit and property trust funds:

Quoted in Malaysia	115,450	-	-	115,450
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Quoted outside Malaysia	1,821	-	-	1,821
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26. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

30 June 2017 (Cont'd.)	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
<u>(a) Assets measured at fair value</u>				
<u>(Cont'd.):</u>				
<u>Financial assets (Cont'd.):</u>				
<u>FVTPL - Designated upon</u>				
<u>initial recognition (Note 10(c)):</u>				
Malaysian government securities	-	7,014,164	-	7,014,164
Debt securities:				
Quoted outside Malaysia	733,641	-	-	733,641
Unquoted in Malaysia	-	27,303,911	-	27,303,911
Unquoted outside Malaysia	-	111,471	-	111,471
Financial assets	<u>25,743,862</u>	<u>39,041,674</u>	<u>-</u>	<u>64,785,536</u>
<u>Non financial assets:</u>				
Investment Properties				
Commercial	-	-	368,910	368,910
Residential	-	-	234,900	234,900
Non financial assets	<u>-</u>	<u>-</u>	<u>603,810</u>	<u>603,810</u>
<u>(b) Assets for which fair</u>				
<u>values are disclosed:</u>				
<u>LAR (Note 10(a)):</u>				
Mortgage loans	<u>-</u>	<u>2,010,185</u>	<u>-</u>	<u>2,010,185</u>
<u>(c) Liabilities measured at</u>				
<u>fair value:</u>				
<u>Financial liabilities</u>				
Derivatives (Note 14):				
Currency swaps	-	263,806	-	263,806
Forward	-	63	-	63
	<u>-</u>	<u>263,869</u>	<u>-</u>	<u>263,869</u>

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26. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

31 December 2016	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
<u>(a) Assets measured at fair value:</u>				
<u>Financial Assets</u>				
<u>AFS financial assets (Note 10(b)):</u>				
Equity securities:				
Quoted in Malaysia	10,726,292	-	-	10,726,292
Quoted outside Malaysia	3,705,811	-	-	3,705,811
Malaysian government securities	-	7,715	-	7,715
Debt securities:				
Unquoted in Malaysia	-	348,547	-	348,547
Quoted outside Malaysia	26,758	-	-	26,758
Unit and property trust funds:				
Quoted in Malaysia	560,679	-	-	560,679
Quoted outside Malaysia	270,940	-	-	270,940
<u>FVTPL - Held for Trading (Note 10(c)):</u>				
Equity securities:				
Quoted in Malaysia	3,272,887	-	-	3,272,887
Quoted outside Malaysia	96,160	-	-	96,160
Malaysian government securities	-	257,450	-	257,450
Debt securities:				
Unquoted in Malaysia	-	3,230,520	-	3,230,520
Unit and property trust funds:				
Quoted in Malaysia	139,251	-	-	139,251
Quoted outside Malaysia	1,149	-	-	1,149

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26. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
31 December 2016 (Cont'd.)				
<u>(a) Assets measured at fair value</u> <u>(Cont'd.):</u>				
<u>Financial assets (Cont'd.):</u>				
<u>FVTPL - Designated upon</u> <u>initial recognition (Note 10(c)):</u>				
Malaysian government securities	-	7,130,488	-	7,130,488
Debt securities:				
Quoted outside Malaysia	836,819	-	-	836,819
Unquoted in Malaysia	-	29,536,410	-	29,536,410
Unquoted outside Malaysia	-	128,602	-	128,602
Financial assets	<u>19,636,746</u>	<u>40,639,732</u>	<u>-</u>	<u>60,276,478</u>
<u>Non financial assets:</u>				
Investment Properties				
Commercial	-	-	368,910	368,910
Residential	-	-	234,900	234,900
Non financial assets	<u>-</u>	<u>-</u>	<u>603,810</u>	<u>603,810</u>
<u>(b) Assets for which fair</u> <u>values are disclosed:</u>				
<u>LAR (Note 10(a)):</u>				
Mortgage loans	-	2,029,510	-	2,029,510
<u>(c) Liabilities measured at</u> <u>fair value:</u>				
<u>Financial liabilities</u>				
<u>Derivatives (Note 14):</u>				
Currency swaps	-	285,082	-	285,082

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

(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 30 June 2017 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u> Commercial properties	285,000	Income approach	Rental per square foot ("p.s.f.") per month Rental growth rate (upon Revisionary) Long-term vacancy rate Discount rate	RM3.15 - RM5.50 12.50% 5% 6.0% - 6.5%
Commercial properties	83,910	Comparison approach	Estimated Value p.s.f	RM92 - RM1,000
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM874
	Fair value as at 31 December 2016 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u> Commercial properties	285,000	Income approach	Rental per square foot ("p.s.f.") per month Rental growth rate (upon Revisionary) Long-term vacancy rate Discount rate	RM3.15 - RM5.50 12.50% 5% 6.0% - 6.5%
Commercial properties	83,910	Comparison approach	Estimated Value p.s.f	RM92 - RM1,000
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM874

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

(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):

	Investment Properties	
	Fair value measurements using	
	significant unobservable inputs (Level 3)	
	30.06.2017	31.12.2016
	RM'000	RM'000
Opening balance	603,810	601,810
Total gain for the year:		
Included in income statement	-	2,000
Closing balance	<u>603,810</u>	<u>603,810</u>

For investments properties, a significant increase/(decrease) in unobservable inputs would result in a significantly (lower)/higher fair value measurement.

	Investment Properties	
	Fair value measurements using	
	significant unobservable inputs (Level 3)	
	30.06.2017	31.12.2016
	RM'000	RM'000
Total gain for the year included in:		
Income Statement		
- Gain on changes in fair value	-	2,000

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

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 current interim period and the comparative period.

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27. 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 Condensed Income Statement and Condensed Balance Sheet by funds are presented as follows:

Condensed Balance Sheet
As at 30 June 2017

	Shareholder's Funds		Life Insurance Fund		Elimination*		Total	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Financial investments	1,031,239	614,171	73,285,424	69,613,227	(23,569)	(23,142)	74,293,094	70,204,256
Reinsurance assets	-	-	68,514	83,683	-	-	68,514	83,683
Insurance receivables	-	-	255,542	270,358	-	-	255,542	270,358
Other assets	846,122	1,393,658	2,364,554	2,388,862	(813,079)	(1,394,835)	2,397,597	2,387,685
	1,877,361	2,007,829	75,974,034	72,356,130	(836,648)	(1,417,977)	77,014,747	72,945,982
Equity, Policyholders' Fund and Liabilities								
Total Equity	1,701,762	1,801,936	-	-	129	453	1,701,891	1,802,389
Insurance contract liabilities	-	-	72,547,317	68,579,597	(23,738)	(23,738)	72,523,579	68,555,859
Other liabilities	175,599	205,893	3,426,717	3,776,533	(813,039)	(1,394,692)	2,789,277	2,587,734
Total Policyholders' Fund and Liabilities	175,599	205,893	75,974,034	72,356,130	(836,777)	(1,418,430)	75,312,856	71,143,593
	1,877,361	2,007,829	75,974,034	72,356,130	(836,648)	(1,417,977)	77,014,747	72,945,982

* Refers to elimination of Interfund balances.

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27. INSURANCE FUNDS (CONT'D.)

Condensed Income Statement / Revenue Accounts by Funds
For the six months ended 30 June 2017

	Shareholder's Funds		Life Insurance Fund		Elimination **		Total	
	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000
Gross earned premiums	-	-	3,558,580	3,346,250	-	-	3,558,580	3,346,250
Premiums ceded to reinsurers	-	-	(75,369)	(40,464)	-	-	(75,369)	(40,464)
Net earned premiums	-	-	3,483,211	3,305,786	-	-	3,483,211	3,305,786
Investment income	19,963	17,781	1,530,797	1,439,677	-	-	1,550,760	1,457,458
Fees and commission income	-	-	1,568	3,011	-	-	1,568	3,011
Gains and losses and other operating revenue	4,879	(315)	1,036,638	890,014	-	-	1,041,517	889,699
Other revenue	24,842	17,466	2,569,003	2,332,702	-	-	2,593,845	2,350,168
Gross benefits and claims paid	-	-	(2,585,378)	(2,441,673)	-	-	(2,585,378)	(2,441,673)
Claims ceded to reinsurers	-	-	39,513	34,726	-	-	39,513	34,726
Gross change in contract liabilities	-	-	(2,238,826)	(2,030,356)	-	-	(2,238,826)	(2,030,356)
Change in contract liabilities ceded to reinsurers	-	-	(13,809)	6,427	-	-	(13,809)	6,427
Net benefits and claims	-	-	(4,798,500)	(4,430,876)	-	-	(4,798,500)	(4,430,876)
Depreciation and amortisation	-	-	(29,060)	(26,300)	-	-	(29,060)	(26,300)
Other operating and management expenses	(6,635)	(6,413)	(776,987)	(706,635)	-	-	(783,622)	(713,048)
Taxation of life insurance business	-	-	(178,089)	(178,028)	-	-	(178,089)	(178,028)
Other expenses	(6,635)	(6,413)	(984,136)	(910,963)	-	-	(990,771)	(917,376)
Profit from operations	18,207	11,053	269,578	296,649	-	-	287,785	307,702
Transfer from Life Insurance Fund*	269,578	296,649	(269,578)	(296,649)	-	-	-	-
Profit before Taxation	287,785	307,702	-	-	-	-	287,785	307,702
Taxation	(68,214)	(53,386)	-	-	-	-	(68,214)	(53,386)
Net profit for the period	219,571	254,316	-	-	-	-	219,571	254,316

* The amount transferred from the Life Insurance Fund to the Shareholder's Fund is net of tax.

** Refers to elimination of interfund balances

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27. INSURANCE FUNDS (CONT'D.)

Condensed Cash Flow Statement by Funds
For the six months ended 30 June 2017

	Shareholder's Funds		Life Insurance Fund		Total	
	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000
Cash flow from:						
Operating activities	451,421	477,293	(193,685)	975,431	257,736	1,452,724
Investing activities	-	-	(28,148)	(30,169)	(28,148)	(30,169)
Financing activities	(340,000)	(450,000)	-	-	(340,000)	(450,000)
Increase/(Decrease) in cash and cash equivalents	111,421	27,293	(221,833)	945,262	(110,412)	972,555
Cash and cash equivalents:						
At beginning of period	47,798	18,666	2,216,234	2,296,376	2,264,032	2,315,042
At end of period	159,219	45,959	1,994,401	3,241,638	2,153,620	3,287,597