GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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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 2013.

PRINCIPAL ACTIVITY

The Company is engaged principally in the underwriting of life insurance business.

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

RESULTS

	RM'000
Net profit for the year	642,116

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2012 were as follows:

	RM'000
In respect of financial year ended 31 December 2012 as reported in the Directors' report of that year:	
Second and final single tier dividend of RM4.07 per ordinary share on 100,000,005 ordinary shares declared on 25 March 2013 and paid on 29 April 2013	407,000
In respect of financial year ended 31 December 2013:	
Interim single tier dividend of RM1.12 per ordinary share on 100,000,005 ordinary shares paid on 13 September 2013	112,000
	519,000

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DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting ("AGM") of the Company, a second and final single tier dividend in respect of the financial year ended 31 December 2013 of RM4.945 (2012: RM4.07) per ordinary share on 100,000,005 ordinary shares, amounting to a dividend payable of RM494,500,025 (2012: RM407,000,020) 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 earnings in the next financial year ending 31 December 2014.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman
Mr Christopher Brian Wei
Yg Bhg Datuk Kamaruddin bin Taib
Yg Bhg Dato' Yeoh Beow Tit
Yg Bhg Dato Koh Yaw Hui
Mr Lee Kong Yip
Yg Bhg Tan Sri Dato' Nasrudin bin Bahari (retired on 25 March 2013)
Yg Bhg Dato' Ooi Sang Kuang (resigned on 31 December 2013)

In accordance with Article 66 of the Company's Articles of Association, Mr Christopher Brian Wei and Yg Bhg Dato Koh Yaw Hui would retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

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DIRECTORS' BENEFITS (CONT'D.)

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 24(b) 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 Section 169(8) of the Companies Act, 1965.

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			
	1.1.2013	Acquired	Disposed	31.12.2013
(a) Ordinary shares in the capital of OCBC Bank				
Mrs Fang Ai Lian (nee Ho Ai Lian)	68,671	6,000	-	74,671
Yg Bhg Dato' Yeoh Beow Tit	345,815	-	-	345,815
Mr Lee Kong Yip	124,108	-	-	124,108
Yg Bhg Dato Koh Yaw Hui	74,542	13,214	(7,000)	80,756

	Shareholdings in which Directors are deemed to have an interest			
	1.1.2013	Granted	Vested	31.12.2013
Mr Christopher Brian Wei	62,021	57,775	-	119,796 *(1)*
Yg Bhg Dato' Yeoh Beow Tit	29,961	-	-	29,961 *(2)*
Yg Bhg Dato Koh Yaw Hui	25,639	13,545	(4,082)	35,102 *(3)*

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DIRECTORS' INTERESTS (CONT'D.)

Notes:

(1) Comprises deemed interest in 119,796 ordinary shares subject to award(s) under the OCBC Deferred Share Plan.

(2) Comprises deemed interest in 29,960 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over one (1) ordinary share granted under the OCBC Employee Share Purchase Plan.

(3) Comprises deemed interest in 35,102 ordinary shares subject to award(s) under the OCBC Deferred Share Plan.

	Shareholdings in which Directors have a direct interest			
	1.1.2013	Acquired	Disposed	31.12.2013
(b) 5.1% non cumulative non convertible Class B Preference Shares in OCBC Bank				
Mrs Fang Ai Lian (nee Ho Ai Lian)	1,700	-	(1,700)	-

			Options held by Directors in their own name			
	Expiry Date	Exercise Price S$	1.1.2013	Granted	Exercised	31.12.2013
(c) Options to subscribe for ordinary shares in the capital of OCBC Bank						
Mr Christopher	13.3.2022	8.80	562,441	-	-	562,441
Brian Wei	13.3.2023	10.30	-	1,037,849	-	1,037,849
Yg Bhg Dato' Yeoh	13.3.2017	8.59	50,000	-	-	50,000
Beow Tit	13.3.2018	7.52	50,000	-	-	50,000

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DIRECTORS' INTERESTS (CONT'D.)

	Expiry Date	Exercise Price S$	Options held by Directors in their own name 1.1.2013	Granted	Exercised	31.12.2013
(c) Options to subscribe for ordinary shares in the capital of OCBC Bank (Cont'd.)						
Yg Bhg Dato Koh Yaw Hui	7.4.2015	5.78	32,000	-	(12,000)	20,000
	22.5.2016	6.58	25,000	-	(5,000)	20,000
	13.3.2017	8.59	25,000	-	(5,000)	20,000
	13.3.2018	7.52	30,000	-	(5,000)	25,000
	15.3.2019	4.14	23,224	-	(3,224)	20,000
	14.3.2020	8.76	40,000	-	-	40,000
	13.3.2021	9.35	36,773	-	-	36,773
	13.3.2022	8.80	84,010	-	-	84,010
	13.3.2023	10.30	-	185,901	-	185,901

CORPORATE GOVERNANCE

The Company has taken concerted steps to comply with Bank Negara Malaysia's ("BNM") guidelines BNM/RH/GL/003-2 on "Prudential Framework of Corporate Governance for Insurers" including the best practices referred to in the guideline. The Company is committed to the principles prescribed in this guideline to ensure public accountability at all times. Further details are disclosed on page 8 to 23 in the financial statements.

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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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OTHER STATUTORY INFORMATION (CONT'D.)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or 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.

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OTHER STATUTORY INFORMATION (CONT'D.)

(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 ("RBC") Framework for insurers issued by BNM.

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

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 January 2014.

Yeoh Beow Tit　　　　　　　　Koh Yaw Hui

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

Great Eastern Life Assurance (Malaysia) Berhad (the "Company") is committed to uphold good corporate governance practices, in conformity with BNM Guidelines on "Prudential Framework of Corporate Governance for Insurers" (BNM/RH/GL 003-2) dated 19 June 2013 (the "Framework") and is continually enhancing standards of the overall governance of the Company. The Framework is divided into six main sections namely, Board Responsibility and Oversight, Management Accountability, Corporate Independence, Internal Controls and Operational Risk Management, Public Accountability, and Financial Reporting. There are 33 principles in the Framework.

The Company adopts management practices that are consistent with the Framework. It has also complied with the prescriptive applications and most of the best practices principles enshrined in the Framework.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT

Board's Conduct of its Affairs, Composition and Balance

The Board of Directors (the "Board") heading the Company comprises 7 members, being 6 Non-Executive Directors and 1 Executive Director. A majority of the Non-Executive Directors are Independent Directors. The Independent Directors provide unbiased and independent views, advice and judgment on issues for the Board's deliberation. All Directors comply with the prescribed maximum limit of other directorships held.

The Board has overall responsibility for leading the Company and providing strategic directions in terms of corporate objectives, monitoring performance goals, and business strategies for the Company.

The composition of the Board as at 31 December 2013 was as follows:

Members	**Status of directorship**
Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman	Independent Non-Executive Director
Mr Christopher Brian Wei	Non-Independent Non-Executive Director
Yg Bhg Datuk Kamaruddin bin Taib	Independent Non-Executive Director
Yg Bhg Dato' Yeoh Beow Tit	Independent Non-Executive Director
Yg Bhg Dato' Ooi Sang Kuang	Independent Non-Executive Director
Yg Bhg Dato Koh Yaw Hui	Non-Independent Executive Director
Mr Lee Kong Yip	Independent Non-Executive Director

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board's Conduct of its Affairs, Composition and Balance (Cont'd.)

Note: Yg Bhg Dato' Ooi Sang Kuang had resigned from the Board on 31 December 2013 and simultaneously relinquished all his Board Committees' positions.

The Board members are professionals from diverse backgrounds and qualifications and collectively, have a wide range of skills and specialised knowledge, capabilities and core competencies in areas that include insurance, banking, financial services, actuarial science, investment, stock-broking, risk management, accounting and auditing. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill sets required for the Board Committees to be able to perform their respective roles and responsibilities.

Each Director has been approved by BNM for appointment and re-appointment (as the case may be) to the Company's Board for a term of not more than three years. Applications for re-appointment of Directors have been submitted to BNM for approval at least three months before the expiry of the BNM term of appointment, in accordance with the provisions of BNM Guidelines on "Minimum Standards for Prudential Management of Insurers (Consolidated)" (BNM/RH/GL 003-01).

The Company's Articles of Association provide for one-third of the remaining directors to retire from office by rotation and if eligible, to be re-elected at the Annual General Meeting ("AGM") of the Company. A Director who is over 70 years old is subject to re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. For Directors whose BNM term of appointment has not expired at the time of the AGM, but who are required to retire by rotation from office or pursuant to Section 129(6) and are eligible for re-election/re-appointment, BNM's approval is not required to re-elect/re-appoint the Directors concerned at the AGM.

On a yearly basis, the Directors are subject to an internal declaration to review their status of compliance with Part XII of the Insurance Regulations 1996 and Section 60 of the Financial Services Act 2013 which came into effect on 30 June 2013, on their fulfilment of the minimum criteria of a "fit and proper person". Pursuant to the "Fit and Proper Policy for Key Responsible Persons" (the "KRP Policy") of the Company which is in line with BNM Guidelines on "Fit and Proper Criteria" (BNM/RH/GL 018-5), all Directors and the Chief Executive Officer ("CEO"), amongst others, are collectively referred to as Key Responsible Persons ("KRPs"). Such KRPs, prior to or on appointment/reappointment (upon the expiry of their respective BNM term of appointment) and thereafter on an annual basis, will need to declare that they remain "fit and proper".

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PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board's Conduct of its Affairs, Composition and Balance (Cont'd.)

The Board meets regularly during the year. The dates are scheduled in advance before the end of the preceding financial year. In addition to the scheduled meeting dates, the Board has agreed that additional meetings would be arranged to discuss any matters which require the Board's consideration. In 2013, the Board held six scheduled Board meetings and three ad-hoc Board meetings, and the Board's attendance are as set out below:

Name	**Number of Board Meetings**	
	Attended	*Percentage (%)
Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman	9/9	100
Mr Christopher Brian Wei	8/9	89
Yg Bhg Datuk Kamaruddin bin Taib	9/9	100
Yg Bhg Dato' Yeoh Beow Tit	9/9	100
Yg Bhg Dato' Ooi Sang Kuang (resigned on 31 December 2013)	9/9	100
Yg Bhg Dato Koh Yaw Hui	9/9	100
Mr Lee Kong Yip	9/9	100

** (Minimum attendance requirement at Board meeting is 75%)*

The Board has in place a formal and transparent procedure for the appointment and re-appointment of Directors and the CEO. Proposals for the appointment of new Directors to the Board, the CEO and the Key Senior Officers ("KSOs") are reviewed by the Nominating Committee ("NC"). After considering the nominees proposed by the NC, the Board appoints the Directors, the CEO and the KSOs.

Besides carrying out its fiduciary and statutory responsibilities, the Board approves the annual business and strategic plans of the Company. It oversees the management of the Company's business affairs, and regularly reviews the financial performance of the Company. Matters reserved for the Board's decision include corporate restructuring, major acquisition and disposal of assets by the Company, all material related party transactions, authority levels for the Company's core functions, outsourcing of core business functions and corporate policies on investment, underwriting, reinsurance, claims management and risk management. The Senior Management Team of the Company are invited to attend Board meetings to provide additional insights, views and explanations into the matters being discussed.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board's Conduct of its Affairs, Composition and Balance (Cont'd.)

The Directors have been issued with a Directors' Handbook on the Company, Code of Ethics for Directors and a full set of the guidelines and circulars issued by BNM since 1997. The Company's Directors have attended the Corporate Directors' Training Programme conducted under the auspices of the Companies Commission of Malaysia.

A newly appointed Director receives an in-house orientation and education training program which includes presentations by senior management staff of the various functions of the Company. Additionally, the Company organised in-house training which serves to familiarise the Directors with the life insurance industry as well as the Company's business practices, accounting by funds, product launches, compliance controls, risks overview, new legislation and corporate governance practices. The Company encourages continuous professional development for the benefit of Directors and on an on-going basis, Directors are kept abreast of the developments in the market place through attendance of relevant education programmes, seminars, talks on relevant subject fields, as well as circulation of business reading materials on a monthly basis. The ICLIF Leadership and Governance Centre are more flexible in their programme offerings and most Directors have benefited from the Financial Institutions Directors' Education Programme. They also participate in on-going talks organised by The ICLIF Leadership and Governance Centre. Directors are also promptly updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company has made available resources for Directors to receive training in any specific area.

Chairman and the Chief Executive Officer

The positions and roles of the Chairman and the CEO are distinct and separate, with clear division of responsibility between them to ensure an appropriate balance of authority, increased accountability and greater capacity of the Board for independent decision making. For the financial year ended 31 December 2013, the Company's Chairman, Mrs Fang Ai Lian (nee Ho Ai Lian) was an Independent Non-Executive Director; and the CEO of the Company was Dato Koh Yaw Hui. The Chairman and the CEO are not related to each other.

The Chairman's principal responsibilities include leading the Board and fostering the Board's effectiveness. The Chairman, with the assistance of the Company Secretary, facilitates the convening of board meetings. She sets guidelines and monitors the quality and timeliness of the flow of information from Management on matters to be considered at meetings of the Board. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between Directors, as well as between the Board and Management. She promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

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PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Chairman and Chief Executive Officer (Cont'd.)

The CEO manages the Company and oversees its business operations in accordance with the Group's strategy, plans and policies to achieve the corporate performance and financial goals, ensuring, inter alia, operational and organisational efficiency, profit performance and effective risk management.

The implementation of the Board's decisions are carried out with the assistance of the Senior Management Team of the Company. Collectively they are responsible for the day-to-day operations and administration of the Company.

Access to Information

Board members are provided with adequate and timely information and reports, including background explanatory information relating to matters brought before the Board, forecasts, regular internal financial statements of the Company and explanations of material variances between budgeted and actual results. The Directors have independent access to the advice and services of the Company Secretary and the Senior Management Team.

The Board Members are also provided with access to all information within the Company whether as a full board or in their individual capacity, in furtherance of their duties.

Board Committees

The Board has established specialised Board Committees to assist it in carrying out its oversight responsibilities over the Company's operations and in ensuring good corporate governance practices by the Company. The Board Committees, namely the Audit Committee, Board Risk Committee, Nominating Committee and Remuneration Committee, examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making lies with the Board. Minutes of meetings of these Committees are tabled at Board meetings.

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PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Audit Committee

The Audit Committee (“AC”) comprises the following three members, all of whom are Independent Non-Executive Directors:

Yg Bhg Dato’ Yeoh Beow Tit - Chairman
Mrs Fang Ai Lian (nee Ho Ai Lian)
Mr Lee Kong Yip

The members of the AC are appropriately qualified to discharge their responsibilities as prescribed by the Framework. The AC is authorised by the Board to investigate any matter within its terms of reference and has the co-operation of and has full and independent access to the Company’s Senior Management and Internal Auditors. The AC, in performing its functions, has met at least annually with the internal and external auditors, without the presence of Management. Adequate resources are made available to the AC to enable it to discharge its roles and responsibilities. The internal audit function is to provide an independent assurance on the adequacy, integrity, compliance and effectiveness of the Company’s overall system of internal controls. The Chief Internal Auditor reports functionally to the AC and Group Chief Internal Auditor, and administratively to the CEO.

The AC met eight times during the financial year 2013 and these meetings were attended by all members.

The AC carried out functions as specified in the Companies Act 1965, Financial Services Act 2013, BNM Guidelines and other relevant guidelines and regulations.

The AC discharged the following functions:

(a) Reviewed, with the internal and external auditors, their audit plans, evaluation of the system of internal accounting controls and audit findings; as well as Management’s response to those findings.

(b) Reviewed the scope and results of the internal audit procedures and resources needed.

(c) Reviewed, with the internal and external auditors, the effectiveness of the material internal controls including the financial controls of the Company.

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PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Audit Committee (Cont'd.)

(d) Reviewed, with the external auditors, the quarterly financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon and thereafter submitted the audited financial statements to the Board for consideration and approval.

(e) Reviewed the assistance given by the officers of the Company, including the internal audit department, to the external auditors.

(f) Reviewed the scope and results of the audit procedures and its cost effectiveness and reviewed the independence and objectivity of the external auditors before nominating the external auditors for re-appointment.

(g) Reviewed related party transactions to ascertain that the terms of such transactions were at arm's length basis, on normal commercial terms and not prejudicial to the interests of the Company and its shareholders.

(h) Reviewed, with the external auditors and the Senior Management Team, the impact of new or proposed changes in accounting standards, policies or regulatory requirements on the financial statements.

(i) Reviewed and approved among others, the appointment, remuneration and performance evaluation of the Chief Internal Auditor.

Board Risk Committee

The Board Risk Committee ("BRC") supports the Board in the overall risk management oversight of the Company and in ensuring the effectiveness and adequacy of the risk management processes and practices put in place by the Company. The BRC comprises the following three members, all of whom are Independent Non-Executive Directors:

Mr Lee Kong Yip – Chairman
Yg Bhg Dato' Yeoh Beow Tit
Yg Bhg Dato' Ooi Sang Kuang (resigned as BRC member on 31 December 2013)

The BRC meets at least four times a year. The BRC met six times during the financial year 2013 and these meetings were attended by all members.

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PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board Risk Committee (Cont'd.)

The BRC is responsible for the following:

Governance & Oversight

(a) To review the overall risk management philosophy, in line with the overall corporate strategy and risk tolerance set and approved by the Board.

(b) To review and endorse frameworks, policies, strategies and limits relating to the Company's risk management, investment management, asset-liability management and liability management activities for the Board's approval.

(c) To endorse the Group Risk Management Charter outlining the fundamental principles, roles, responsibilities, authority and reporting line of the Risk Management and Compliance function for the Board's adoption.

(d) To review the appointment, annual performance evaluation and remuneration of the Head of Risk Management and Compliance, before submission to the NC/Remuneration Committee for endorsement and the Board for approval.

(e) To review and recommend risk tolerance levels (Risk Appetite Statement as well as Regulatory and Economic Capital Limits) for the Board's approval.

(f) To oversee the establishment and implementation of approved frameworks, policies, strategies and limits; and where required, to approve deviations from approved frameworks and policies.

(g) To review the adequacy of risk management practices for material risks, such as market, credit, liquidity, insurance, operational and compliance risks on a regular basis.

(h) To review Management's frameworks and policies that govern the process for identifying, assessing and managing risks and review Management's performance against these frameworks and policies.

(i) To review the adequacy of frameworks, policies, strategies and resources for the performance of risk management, investment management, asset-liability management and liability management activities.

(j) To initiate any review and action as appropriate for prudent risk management.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board Risk Committee (Cont'd.)

Governance & Oversight (Cont'd.)

(k) To ensure that the risk management function has adequate infrastructure and resources; and that it is staffed by an appropriate number of experienced and qualified employees who are sufficiently independent to perform their duties objectively.

(l) To review the scope, effectiveness and objectivity of the risk management function.

Risk Management

(m) To review reports to monitor and control the Company's risk exposures.

(n) To review and endorse the annual Risk Disclosures for the Board's approval.

Investment, Asset-liability & Liability Management

(o) To review and endorse for the Board's approval, the annual strategic asset allocation and tactical asset allocation limits; new asset class and complex structures; investment transactions; and new insurance product risks.

Nominating Committee

The Nominating Committee (“NC”) comprises the following five members, four of whom are Independent Non-Executive Directors:

Mr Lee Kong Yip - Chairman
Mrs Fang Ai Lian (nee Ho Ai Lian)
Mr Christopher Brian Wei
Yg Bhg Dato’ Yeoh Beow Tit
Yg Bhg Dato’ Ooi Sang Kuang (resigned as NC member on 31 December 2013)

The members of the NC possess the appropriate mix of skills and experience, and are appropriately qualified to discharge their responsibilities.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Nominating Committee (Cont'd.)

The NC meets at least once a year. The NC met seven times during the financial year 2013 and the attendance by the members were as follows:

Name	**Number of Meetings** Attendance	Percentage (%)
Mr Lee Kong Yip (Chairman)	7/7	100
Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman	7/7	100
Mr Christopher Brian Wei	6/7	86
Yg Bhg Dato' Yeoh Beow Tit	7/7	100
Yg Bhg Dato' Ooi Sang Kuang (resigned on 31 December 2013)	7/7	100

With the endorsement of the Board, the NC has established the minimum requirements for the Board and the CEO to perform their responsibilities effectively following statutory and regulatory requirements.

The NC is entrusted with the responsibility of proposing new nominees for appointment to the Board to ensure that nominations of new Directors are made in the best interest of the Company and its shareholders. It assesses the suitability of the new nominees, by taking into consideration their professional qualifications, integrity, financial and commercial business experience and field of expertise relevant to the Company, potential to complement the skills, knowledge and expertise of the Board.

The NC makes recommendations to the Board on all such nominations of Directors as well as nominations to fill up Board Committees. The NC also recommends the re-appointment and re-election of Directors to the Board. In considering the re-appointment and re-election, the NC will take into account the Directors' attendance and participation at meetings, their expertise and commitment, as well as their contributions to Board discussions and to the effectiveness of the Board.

Apart from nomination/appointment of new Directors or re-appointment of existing Directors, the NC is also responsible for proposing nominees for the positions of CEO and KSOs of the Company.

The procedures for such nominations and appointments, including re-appointments, have been put in place and approved by the Board. These have been drawn up in line with the prescribed regulatory and legal requirements.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Nominating Committee (Cont'd.)

On an annual basis, the NC reviews the Board’s structure, size and composition and makes recommendations to the Board with regards to any changes that are deemed necessary.

The NC has in place a mechanism to carry out the Board-approved process for assessing the effectiveness of the Board as a whole and of the Board Committees, and presents its findings to the Board. The Board’s profile is reviewed on an annual basis, considering the current needs and aspirations of the Company. No Director was involved in the assessment of his own contribution to the effectiveness of the Board.

Whenever applicable and consistent with the prescribed Framework, the NC’s recommendations would be made in consultation with the nominating committee of the Company’s holding company, taking into consideration the contributions of the Directors and of the CEO and KSOs in discharging their duties for the benefit of the Company and of the Group.

The NC is also responsible to ensure all KRPs fulfil the fit and proper requirements, in line with the KRP Policy.

Remuneration Committee

The Remuneration Committee (“RC”) comprises the following four members, three of whom are Independent Non-Executive Directors:

Mr Lee Kong Yip - Chairman
Mrs Fang Ai Lian (nee Ho Ai Lian)
Mr Christopher Brian Wei
Yg Bhg Dato’ Ooi Sang Kuang (resigned as RC member on 31 December 2013)

The RC meets at least once a year. The RC met four times during the financial year 2013 and these meetings were attended by all members.

A Board-approved Framework on Remuneration for Directors, CEO and KSOs is in place. The RC is charged with the responsibility of reviewing and recommending to the Board, the remuneration packages of Directors, the CEO and KSOs. This will ensure that the Company remains competitive in terms of compensation 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 compensation packages are consistent with the prudent management of the Company’s affairs and not excessive.

Non-Executive Directors are paid Directors’ fees which are recommended by the Board for approval at the Company’s AGM.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Remuneration Committee (Cont'd.)

The RC reviews the Directors' fees on an annual basis and makes recommendations to the Board for any changes. No Director was involved in deciding his own remuneration.

Whenever applicable and consistent with the Framework, the RC's recommendations will be made in consultation with the remuneration committee of the Company's holding company, taking into consideration the contributions of the Directors and of the CEO and KSOs in discharging their duties for the benefit of the Company and of the Group.

PART B. MANAGEMENT ACCOUNTABILITY

Whilst the Board is responsible for establishing the appropriate framework and policies within which the Company should operate, the Management is accountable for effecting such policies and responsible for accomplishing the Company's strategic objectives. All framework/policies/charters including the Authority Grid, are annually reviewed by the BRC and approved by the Board.

There is a clear division of responsibilities between top management positions. The Company has an organisation structure that is well documented and clearly establishes the job description and authority limits of the senior management, line management and executive employees. Significant changes to the organisation structure are communicated to the staff.

The Authority Grid of the Company, which essentially is a culmination of the various authority limits delegated to the Board as well as the CEO, is in place. The Grid covers business strategy and growth, including capital requirements and investment vehicles, people, risk, donations, appointment of consultants and operational matters such as balance sheet management, transaction approvals and write-offs.

Directors and relevant officers of the Company comply with the disclosure requirements and avoid conflicts of interest as enshrined in the Companies Act 1965 and Financial Services Act 2013. All tender, investment activities and related party transactions of the Company were conducted at arm's length and on commercial terms.

All policies relating to underwriting, claims, reinsurance and corporate communications as referred to in the Framework were approved by the Board and reviewed accordingly to keep abreast with changes.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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PART C. CORPORATE INDEPENDENCE

The Company has met all the requirements of BNM Guidelines on “Related Party Transactions” (BNM/RH/GL 018-6) in respect of related party transactions of a material nature. All material related party transactions are disclosed in the audited financial statements in accordance with Malaysian Financial Reporting Standard 124: Related Party Disclosures; please refer to Note 31 in the Company’s financial statements. The Board has set a more stringent requirement, in that all related party transactions irrespective of materiality must be submitted to the AC for review prior to their submission to the Board for approval/notation.

PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT

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

The Compliance Matrix and Compliance Requirements Self-Assessment are tools to assist the respective Head of Departments to conduct self-assessment on the effectiveness of the compliance procedures and identification of compliance gaps. The Risk and Control Self Assessment process that is in place enables the various functions to identify and self-assess the management of risks and effectiveness of internal controls of the Company. Further, the Company has established its risk appetite statement, which is reviewed annually.

The investment authority limits for exposure are set at various levels with limits, which are more stringent than the statutory/regulatory limits prescribed, as set out in the Authority Grid. The Company has complied with the limits pursuant to BNM’s Guidelines on “Risk-Based Capital Framework for Insurers” (BNM/RH/GL 003-24). Investment limits and transactions are observed at all times by the Investment Department and monitored independently by the Risk Management & Compliance Department.

A Reinsurance Management Strategy (“RMS”) for the insurance risks covered by the Company is in place. The RMS defines the responsibility of the Board/Management in managing and operating the reinsurance programme. Ceding of risks must comply with the Company’s approved framework and waivers from the Company’s holding company are required for breaches of limits.

All new life insurance products are governed by the Company’s Product Development and Pricing Policy. All products launched by the Company will require the prior approval of a Management Committee and Group Management Team. All new life insurance products launched in 2013 have been certified by the Appointed Actuary. A product risk assessment also forms part of the process for new product approvals which includes considerations on risks relating to pricing, investment, marketing and support for the product.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT (CONT'D.)

Actuarial Department, together with Investment and Risk Management Departments, conducts half-yearly stress tests to ascertain the Company's financial condition under various risk scenarios.

The Directors, CEO and Senior Management Team of the Company are committed to maintaining a risk-conscious culture in the Company. The Company has adopted its holding company's Enterprise Risk Management Framework and other supplementary risk management frameworks, and they provide broad guiding principles and the minimum standards on risk management. The Framework also affirms the role and responsibilities for risk management and establishes the monitoring and reporting requirements, which are all aimed at embedding sound risk management practices and culture within the business and ensuring that the Company continues to expand its business with the right risk management discipline, practices and processes in place. The Company has also established an Information Security Policy and Information Security Standards to protect the confidentiality, integrity and availability of the Company's data.

The disclosures of the Company's risk management policies are set out under Note 33 in the Company's financial statements.

The Company has in place robust Business Continuity Management practices, with adequate facility for business resumptions. Disaster recovery and business continuity testing are carried out semi-annually and annually, respectively.

Internal Audit

The Company has an Internal Audit Department, which assists the AC in discharging its duties and responsibilities. The requirements of the BNM Guidelines on "Internal Audit Function of Licensed Institutions" (BNM/RH/GL 013-4) have been met. The AC reviews the yearly internal audit plan and the audit reports as well as the follow-up actions on audit observations made by the internal auditors.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective actions, where necessary, are taken in a timely manner. All audit reports are submitted to the AC, CEO and Management of the unit being audited within one month of completion of field work. Audit findings and recommendations are communicated to the Senior Management Team and closely monitored for resolution. The activities of the AC are submitted annually to BNM.

In terms of segregation of duties, procedures are in place to ensure that staff are not assigned with potential conflicting responsibilities, relating to, amongst others, approvals, disbursements and administration of policies, premium or investment matters.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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PART E. PUBLIC ACCOUNTABILITY

The Company recognises that it is responsible for maintaining a strong public accountability and promotion of fair practices. It has in place procedures and operational policies which are designed to ensure compliance with the “Provisions Relating To Policies” under Sections 84 and 128 of the Financial Services Act 2013 (as well as Schedule 8). The staff are required to comply with the Company’s internal policy and with the Code of Ethics and Conduct issued by the Life Insurance Association of Malaysia (“LIAM”) as well as the circulars of BNM. In order to ensure proper segregation of duties, the Company discourages siblings and spouses from working together in the same department or handling similar functions. To further promote a healthy work culture, the Company enforces a block leave policy and reinforces corporate values through employee-related activities. Staff are further incentivised with birthday leave.

The members of the field force similarly adhere to the circulars and directives in the form of Agency Rules & Regulations issued by the Company, the applicable Code of Ethics and Conduct issued by LIAM as well as circulars of BNM.

For the general public and policyholders' convenience, information about the Company, products, customer service and ChildrenCare (a corporate social initiative of the Company) is made available on the Great Eastern website at www.greateasternlife.com. This user-friendly website enables policyholders to check on the status of their policy via eConnect, a useful and informative online portal for policyholders to reach the Company any time of the day.

Members of the public are made aware of avenues for which they can appeal against the Company’s practices or decisions by alerting them, via the policy contracts, to the existence of the Financial Mediation Bureau and BNM’s Customer Services Bureau. This is in compliance with the requirements of BNM Guidelines on “Claims Settlement Practices” (BNM/RH/GL 000-4). The Company has in place a Treating Customer Fairly (“TCF”) Policy that defines the responsibilities of Board and Management in ensuring that customers are treated fairly when dealing with the Company.

The BNM Guidelines on “Unfair Practices in Insurance Business” (BNM/RH/GL 003-6) was issued as part of a cohesive effort to promote higher standards of transparency, professionalism, greater market discipline and accountability in the conduct of the insurance business and protection of policy owners. The Company has implemented measures to enhance compliance of requirements prescribed in BNM/RH/GL 003-6. As part of its commitment to provide effective and fair services, a Complaint Handling Unit has been established in accordance with BNM Guideline on “Complaints Handling” (BNM/RH/GL 000-4) where the unit acts as a single point of contact for customers to lodge a complaint as well as to ensure that complaints are resolved in a fair and consistent manner.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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PART E. PUBLIC ACCOUNTABILITY (CONT'D.)

All sales illustrations, marketing materials and policy contracts for products are in compliance with the regulatory requirements and filed with BNM.

With the establishment of an Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Framework by the Company in ensuring compliance with relevant AML/CFT national laws, regulations and guidelines, the Company is constantly enhancing its AML/CFT measures, focusing on areas relating to Know Your Customer/Customer Due Diligence ("KYC/CDD") at the stage of acceptance of new business. The robust KYC/CDD standards and processes in place act as a barrier in safeguarding the Company's interest by minimising the risk for the Company from being used as a platform for money laundering or terrorist financing activities.

A Whistle Blowing Policy is also in place to encourage staff and external parties to raise concerns or report on irregularities and yet be assured of protection from reprisals for making such disclosures in good faith.

PART F. FINANCIAL REPORTING

The Board has overall oversight responsibility, and exercises due care and diligence in ensuring that the Company's accounting records are properly kept. It also ensures that the Company's financial statements are prepared and audited in accordance with approved accounting standards and in compliance with the regulatory and statutory requirements in Malaysia so as to give a true and fair view of the Company's financial position.

The Board and the AC are provided with regular comprehensive information on the financial reports, any variances and analyses of the financial data of the Company.

On a monthly basis, the business and operational performance reports are submitted to the Senior Management Team for review so that necessary remedial actions can be taken on any shortfall or variances against budgets. Minutes of the various risk oversight committees are tabled at the BRC and Asset Liability Committee (management committee), as appropriate. The Board also notes the decisions and salient matters deliberated by the Board or Management Committees through the minutes of their meetings which are tabled to the Board.

The abridged financial statements of the Company are published in the national press and copies are also displayed at all branch offices and posted on the Company's website.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Yeoh Beow Tit and Koh Yaw Hui, 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 27 to 149 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2013 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 24 January 2014.

Yeoh Beow Tit   Koh Yaw Hui

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mah Poon Keong, 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 27 to 149 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 Mah Poon Keong
at Kuala Lumpur in the Federal Territory
on 24 January 2014   Mah Poon Keong

Before me,

Independent auditors' report to the member of
Great Eastern Life Assurance (Malaysia) Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Great Eastern Life Assurance (Malaysia) Berhad, which comprise the balance sheet as at 31 December 2013, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 149.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of financial statements that give a true and fair view 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the member of
Great Eastern Life Assurance (Malaysia) Berhad (Cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013 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, 1965 in Malaysia.

Reporting on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Dato' Abdul Rauf bin Rashid
No. 2305/05/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 January 2014

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Assets			
Property and equipment	3	455,101	470,396
Investment properties	4	532,100	529,650
Prepaid land lease payments	5	16,942	17,080
Investments	6	61,525,569	57,728,922
Reinsurance assets	7	82,381	79,360
Insurance receivables	8	266,116	268,991
Other receivables	9	548,861	523,773
Cash and bank balances		38,283	17,284
Total assets		63,465,353	59,635,456
Equity			
Share capital	10	100,000	100,000
Retained earnings		1,294,996	1,171,880
Available-for-sale fair value reserves		35,835	43,666
Total equity		1,430,831	1,315,546
Liabilities			
Insurance contract liabilities	11	59,648,004	56,128,941
Derivative financial liabilities	12	131,498	66,402
Agents' retirement benefits	13	670,930	613,535
Deferred tax liabilities	14	634,989	646,093
Other financial liabilities	15	122,019	16,671
Insurance payables	16	176,828	189,770
Provision for taxation		79,130	131,307
Other payables	17	571,124	527,191
Total liabilities		62,034,522	58,319,910
Total equity and liabilities		63,465,353	59,635,456

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Gross earned premiums	18(a)	6,495,615	6,152,193
Premiums ceded to reinsurers	18(b)	(117,282)	(119,596)
Net earned premiums		6,378,333	6,032,597
Investment income	19	2,547,709	2,354,055
Realised gains and losses	20	275,873	1,584,152
Fair value gains and losses	21	(1,073,647)	701,215
(Increase)/decrease in provision for impairment of:			
Unquoted investments		-	(5)
Insurance receivables		(164)	1,576
Other receivables		89	(114)
Fees and commission income	22	5,965	16,931
Other operating revenue		5,094	14,687
Other revenue		1,760,919	4,672,497
Gross benefits and claims paid	23(a)	(4,442,636)	(3,619,462)
Claims ceded to reinsurers	23(b)	75,920	78,986
Gross change in contract liabilities	23(c)	(1,582,826)	(4,818,665)
Change in contract liabilities ceded to reinsurers	23(d)	(5,945)	2,051
Net benefits and claims		(5,955,487)	(8,357,090)
Fees and commission expense		(845,997)	(870,056)
Management expenses	24	(413,414)	(399,301)
Other operating expenses		(299)	(85)
Taxation of life insurance business	25	(107,561)	(348,149)
Other expenses		(1,367,271)	(1,617,591)
Profit before taxation		816,494	730,413
Taxation	25	(174,378)	(147,333)
Net profit for the year		642,116	583,080
Earnings per share (sen)			
Basic and diluted	26	642	583

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
Net profit for the year	642,116	583,080
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale fair value reserves:		
Net gain arising during the year	25,196	26,644
Net realised gain transferred to Income Statement	(35,621)	(26,029)
	(10,425)	615
Tax effects thereon (Note 14)	2,594	(154)
	(7,831)	461
Total comprehensive income for the year	634,285	583,541

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

		Non-Distributable			Distributable			
	Share Capital	Available-for-sale Fair Value Reserves			Retained Earnings			Total Equity
		Shareholder's Funds	Non-participating Funds	Sub-total	Non-participating Funds	Shareholder's Funds	Sub-total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	100,000	17,407	25,798	43,205	272,977	811,823	1,084,800	1,228,005
Net profit for the year		-	-	-	367,680	215,400	583,080	583,080
Other comprehensive income for the year		150	311	461	-	-	-	461
Total comprehensive income for the year	-	150	311	461	367,680	215,400	583,080	583,541
Transfer from non-participating surplus as recommended by Appointed Actuary (net of tax)	-	-	-	-	(318,000)	318,000	-	-
Dividends paid during the year	-	-	-	-	-	(496,000)	(496,000)	(496,000)
At 31 December 2012	100,000	17,557	26,109	43,666	322,657	849,223	1,171,880	1,315,546
At 1 January 2013	100,000	17,557	26,109	43,666	322,657	849,223	1,171,880	1,315,546
Net profit for the year		-	-	-	457,404	184,712	642,116	642,116
Other comprehensive income for the year		(7,333)	(498)	(7,831)	-	-	-	(7,831)
Total comprehensive income for the year	-	(7,333)	(498)	(7,831)	457,404	184,712	642,116	634,285
Transfer from non-participating surplus as recommended by Appointed Actuary (net of tax)	-	-	-	-	(394,500)	394,500	-	-
Dividends paid during the year	-	-	-	-	-	(519,000)	(519,000)	(519,000)
At 31 December 2013	100,000	10,224	25,611	35,835	385,561	909,435	1,294,996	1,430,831

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Operating Activities			
Cash used in operating activities	28	(1,573,036)	(1,349,341)
Dividend/distribution income received		508,978	510,028
Interest/profit income received		1,979,951	1,673,421
Rental income on investment properties received		78,368	66,487
Agents' retirement benefits paid		(16,619)	(35,892)
Income tax paid		(399,006)	(470,465)
Net cash flow generated from operating activities		578,636	394,238
Investing Activities			
Proceeds from disposal of property and equipment		21	45
Proceeds from disposal of owner occupied properties and leasehold land		-	3,180
Purchase of property and equipment		(36,842)	(23,673)
Purchase of investment properties		(2,022)	(707)
Net cash flows used in investing activities		(38,843)	(21,155)
Financing Activity			
Dividends paid to equity holders		(518,794)	(495,909)
Net cash flows used in financing activity		(518,794)	(495,909)
Net increase/(decrease) in cash and cash equivalents		20,999	(122,826)
Cash and cash equivalents at beginning of year		17,284	140,110
Cash and cash equivalents at end of year		38,283	17,284

Cash and cash equivalents comprise:

		2013 RM'000	2012 RM'000
Cash and bank balances		38,283	17,284

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

1. CORPORATE INFORMATION

The Company is an unquoted 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.

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 24 January 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Company had fully adopted new and revised MFRSs, amendments to MFRS and Issues Committee ("IC") Interpretations 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 RBC Framework as at the balance sheet date.

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of property and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use. Expenditure incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property and equipment.

Depreciation of property and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for freehold land and capital work in progress. The annual depreciation rates are:

Buildings - Owner occupied properties	2 %
Office furniture and fittings	10 %
Computer equipment	20 - 33 %
Software development costs	10 %
Motor vehicles	20 %
Office machinery	20 %
Building plant and equipment	6 - 7 %

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 development costs are incurred for the development of software for 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(a) Property and Equipment and Depreciation (Cont'd.)

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. Any gain or loss arising on derecognition of the asset is included in the income statement.

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

(b) Investments and Financial Assets

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

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

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Investments and Financial Assets (Cont'd.)

(i) FVTPL

Assets stated at FVTPL include financial assets held for trading and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as FVTPL. For investments designated at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset liability mismatch, that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Investments and Financial Assets (Cont'd.)

(ii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

(iii) AFS Financial Assets

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

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

(c) Financial Liabilities and Insurance Payables

Financial liabilities and insurance payables within the scope of MFRS 139 and MFRS 4 respectively are recognised on the balance sheet when the Company becomes a party to the contractual obligations of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Financial Liabilities and Insurance Payables (Cont'd.)

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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 have not designated any financial liabilities as at fair value through profit or loss.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Fair Value Measurement

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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

- 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

(e) Impairment of Financial Assets

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

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

Assets Carried at Amortised Cost

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Impairment for Financial Assets (Cont'd.)

Assets Carried at Cost

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

AFS Financial Assets

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

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, impairment loss is provided.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial Instruments : Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset expired.

- The Company retains the contractual rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party.

- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial Instruments : Derecognition of Financial Assets and Liabilities (Cont'd.)

Where 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, and the difference in the respective carrying amounts is recognised in the income statement.

(g) 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.

(h) Impairment of Non-Financial Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Impairment of Non-Financial Assets (Cont'd.)

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.

(i) Insurance Receivables

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

(j) 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 comparing benefits paid with benefits payable if the insured event did not occur.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Insurance Contract (Cont'd.)

(i) Product Classification (Cont'd.)

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Insurance Contract (Cont'd.)

(i) Product Classification (Cont'd.)

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Insurance Contract (Cont'd.)

(ii) Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

(a) Life Assurance fund 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Insurance Contract (Cont'd.)

(iii) Life Assurance Contract Liabilities (Cont'd.)

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

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Insurance Contract (Cont'd.)

(iii) Life Assurance Contract Liabilities (Cont'd.)

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). The RBC Framework for Insurers issued by BNM meets the requirement of Liability Adequacy Test under MFRS 4.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Insurance Contract (Cont'd.)

(iii) Life Assurance Contract Liabilities (Cont'd.)

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.

(k) Reinsurance Contracts

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Leases

(i) Classification

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

(ii) Finance Leases - the Company as Lessee

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Leases (Cont'd.)

(iii) Operating Leases - the Company as Lessee (Cont'd.)

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(n)). 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.

(m) 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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Life Insurance Underwriting Results (Cont'd.)

(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 is recognised on a receipt basis.

(iv) Commission and Agency Expenses

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

(v) Claims and Policy Benefits

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

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

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

(a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Life Insurance Underwriting Results (Cont'd.)

(v) Claims and Policy Benefits (Cont'd.)

(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.

(n) Other Revenue Recognition

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

Interest on loans are recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, income is recognised on a receipt basis until all arrears have been paid.

Other interest 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 amortised cost and are credited or charged to the income statement.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) 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 is recognised as revenue over the period in which the services are rendered. If the fees are for services to be provided in future periods, then they are deferred and recognised over those future periods.

(p) 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 as at the end of each year shall continue to accrue interest calculated at the dividend rate as announced by the Employees' Provident Fund for that year.

The accrued deferred benefit shall only become payable provided the Agreements has been in force for certain continuous contract years with the Company and the agent has attained the minimum age stipulated in the Agreements.

(q) 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Foreign Currencies (Cont'd.)

(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 transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in the income statement for the year.

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

	2013 RM	2012 RM
Singapore Dollar	2.59	2.50
United States Dollar	3.28	3.06
British Pound	5.42	4.97
Australian Dollar	2.92	3.18
Hong Kong Dollar	0.42	0.39

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Income Tax

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

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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.

(t) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances excluding fixed deposits and repurchase agreements, which have an insignificant risk of changes in value.

(u) Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards and interpretations

The Company applied, for the first time, certain standards and amendments in 2013. These include MFRS 13 *Fair Value Measurement* and amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*. The application of this standard and amendments resulted in additional disclosures in the financial statements of the Company.

Several other standards and amendments apply for the first time in 2013. These include MFRS 10 *Consolidated Financial Statements,* MFRS 11 *Joint Arrangements*, MFRS 119 *Employee Benefits (Revised 2011)*, and MFRS 12 *Disclosure of Interests in Other Entities.* However, the application of these standards and amendments do not impact the annual financial statements of the Company.

The nature and the impact of each new standards and amendments is described below:

(a) MFRS 13 *Fair Value Measurement*

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Company re-assessed its policies for measuring fair value, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 34.

(b) MFRS 101 *Presentation of Items of Other Comprehensive Income – Amendments to MFRS 101*

The amendments to MFRS 101 introduce a grouping of items presented in OCI. Items that will be reclassified (‘recycled’) to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company’s financial position or performance.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D.)

(b) Reclassification of comparative to conform with current year presentation

Policyholder administration and investment management services income earned by the life insurance funds from managing the investment-linked fund were previously presented as part of 'Fees and commission income' in the income statement of the Company. However, for the current year presentation, the policyholder administration and investment management services income have been eliminated against the 'Fees and commission expense' as this is an inter fund transaction between the life insurance funds and investment-linked fund.

Reconciliation of income statement

31 December 2012	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Fees and commission income	53,790	(36,859)	16,931
Fees and commission expense	(906,915)	36,859	(870,056)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Effective for financial periods beginning on or after 1 January 2014

- Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 10, MFRS 12 and MFRS 127 *Investment Entities*
- Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial* Assets
- Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge* Accounting
- IC Interpretation 21 *Levies*

Effective for financial periods beginning on or after 1 January 2015

- MFRS 9 *Financial Instruments*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

The management expects that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

(a) MFRS 9 *Financial Instruments: Classification and Measurement*

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company’s financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

(b) Amendment to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*

The Amendment to MFRS 136 introduces new disclosure requirements when impairment losses are recognised, or reversed, in relation to an asset or a group of assets. The adoption of this Amendment will require more extensive disclosures on recoverable amounts including the basis by which recoverable amounts have been determined but will not have any financial impact on the Company.

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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(a) Critical Judgements Made in Applying Accounting Policies (Cont'd.)

(i) Classification Between Investment Properties and Property and Equipment (Cont'd.)

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 AFS Financial Assets

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

(iii) Insurance Contract Classification

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(a) Critical Judgements Made in Applying Accounting Policies (Cont'd.)

(iv) Impairment of Receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting (BNM/RH/GL015-3). According to the Guidelines, objective evidence of impairment is deemed to exist where the financial assets are individually assessed for impairment is pass due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(v) Judgement of Finance or Operating lease

The Company has entered into commercial property leases on its investment properties and certain self-occupied properties. The Company evaluate whether the land and buildings are finance or operating leases based on terms and condition of the lease arrangement. The Company will treat the arrangement as an operating lease based on the following:

(i) The land titles do not pass to the Company.

(ii) The rentals paid to the landlord for the commercial properties are increased to market rent at regular intervals and the Company does not participate in the residual value of the building.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(b) Key Sources of Estimation Uncertainty

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

(i) Depreciation of Property and Equipment

The costs of a building's equipment are depreciated on a straight line basis over the asset's estimated useful lives. The Company estimates the useful lives of these equipment to be within 15 to 20 years. These are common life expectancies for a building's equipment.

The cost of self-occupied properties is depreciated on a straight-line basis. The Company estimates the useful lives to be 50 years.

(ii) Valuation of Life Insurance Contract Liabilities

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.

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 insurance fund contract liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(b) Key Sources of Estimation Uncertainty (Cont'd.)

(iii) Agents' Retirement Benefits

Provision for agent's retirement benefit 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 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 agent's retirement benefit 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.

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3. PROPERTY AND EQUIPMENT

	Properties								
	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land RM'000	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
Cost									
At 1 January 2013	13,861	331,560	64,192	5,458	1,883	77,505	56,084	378,939	929,482
Additions	-	-	1,467	12,300	559	711	1,530	20,275	36,842
Disposal	-	-	-	-	-	-	-	(455)	(455)
Reclassification	-	-	-	(34)	-	-	34	-	-
Write-offs	-	-	-	-	-	(3)	(138)	(15)	(156)
At 31 December 2013	13,861	331,560	65,659	17,724	2,442	78,213	57,510	398,744	965,713
Accumulated Depreciation and Impairment									
At 1 January 2013	-	91,338	17,728	-	1,313	60,584	38,378	249,745	459,086
Disposal	-	-	-	-	-	-	-	(447)	(447)
Depreciation charge for the year	-	6,635	1,721	-	389	4,373	4,724	34,131	51,973
At 31 December 2013	-	97,973	19,449	-	1,702	64,957	43,102	283,429	510,612
Net Book Value									
At 31 December 2013	13,861	233,587	46,210	17,724	740	13,256	14,408	115,315	455,101

3. PROPERTY AND EQUIPMENT (CONT'D.)

	Properties								
	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land RM'000	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
Cost									
At 1 January 2012	13,861	331,560	62,466	5,692	1,905	76,108	54,048	362,582	908,222
Additions	-	-	1,474	3,185	172	871	717	17,254	23,673
Disposal	-	-	(1,117)	-	(194)	(1)	-	(906)	(2,218)
Reclassification	-	-	1,369	(3,224)	-	527	1,319	9	-
Write-offs	-	-		(195)	-	-	-	-	(195)
At 31 December 2012	13,861	331,560	64,192	5,458	1,883	77,505	56,084	378,939	929,482
Accumulated Depreciation and Impairment									
At 1 January 2012	-	84,707	16,694	-	1,229	56,073	33,738	216,063	408,504
Disposal	-	-	(261)	-	(194)	-	-	(899)	(1,354)
Depreciation charge for the year	-	6,631	1,295	-	278	4,511	4,640	34,581	51,936
At 31 December 2012	-	91,338	17,728	-	1,313	60,584	38,378	249,745	459,086
Net Book Value									
At 31 December 2012	13,861	240,222	46,464	5,458	570	16,921	17,706	129,194	470,396

Included in property and equipment are the cost of fully depreciated assets which are still in use amounting to RM203,862,548 (2012: RM128,932,391).
Included in property and equipment are properties with a total net book value amounting to RM19,398,822 (2012: RM19,822,864) for which title deeds are still in the process of being transferred to the Life Insurance Fund.

4. INVESTMENT PROPERTIES

	2013 RM'000	2012 RM'000
At 1 January	529,650	519,400
Additions	2,022	707
Fair value gains (Note 21)	428	9,543
At 31 December	532,100	529,650

The Company’s investment properties consist of commercial properties in Malaysia. Management determined that the investment properties consist of two classes of asset, commercial and residential − based on the nature, characteristics and risks of each property.

As at 31 December 2013 and 2012, the fair values of the properties are based on valuations performed by CH Williams Talhar & Wong, an accredited independent valuer. CH Williams Talhar & Wong is a specialist in valuing these types of investment properties. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

	2013 RM'000	2012 RM'000
Rental income derived from investment properties	35,180	36,925
Direct operating expenses (including repairs and maintenance) generating rental income	(10,583)	(10,179)
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)	-	-
	24,596	26,747

4. INVESTMENT PROPERTIES (CONTD.)

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 hierarchy disclosures for investment properties have been provided in Note 34.

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

5. PREPAID LAND LEASE PAYMENTS

	2013 RM'000	2012 RM'000
Long term leasehold land		
At 1 January	17,080	17,897
Disposals	-	(675)
Amortisation for the year	(138)	(142)
At 31 December	16,942	17,080

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6. INVESTMENTS

	2013				2012			
	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	19,444	7,745,889	52,815	7,818,148	25,797	7,281,587	88,637	7,396,021
Debt securities	223,627	25,123,122	669,816	26,016,565	376,943	26,158,408	741,711	27,277,063
Equity securities	123,277	12,601,451	3,246,439	15,971,167	41,147	10,662,270	1,864,718	12,568,135
Unit and property trust funds	8,000	455,934	69,209	533,143	8,094	535,875	182,385	726,354
Loans	44,227	6,823,334	-	6,867,561	30,063	5,983,038	-	6,013,100
Deposits with financial institutions	34,490	1,284,540	408,860	1,727,890	9,920	1,228,809	568,360	1,807,089
Financial instruments with embedded derivatives	18,082	2,526,799	46,214	2,591,095	-	1,701,639	239,058	1,940,697
Derivatives financial assets	-	-	-	-	-	463	-	463
	471,147	56,561,069	4,493,353	61,525,569	491,964	53,552,089	3,684,869	57,728,922
The Company's financial investments are summarised by categories as follows:								
LAR	78,717	8,107,874	408,860	8,595,451	39,983	7,211,847	568,360	7,820,189
AFS	374,348	13,057,385	-	13,431,733	451,981	11,198,145	-	11,650,126
FVTPL	18,082	35,395,810	4,084,493	39,498,385	-	35,142,097	3,116,509	38,258,606
	471,147	56,561,069	4,493,353	61,525,569	491,964	53,552,089	3,684,869	57,728,922
The following investments mature after 12 months:								
LAR	44,227	2,948,095	-	2,992,322	15,000	1,078,693	-	1,093,693
AFS	233,091	-	-	233,091	382,696	-	-	382,696
FVTPL	17,909	34,324,542	548,682	34,891,133	-	33,555,951	752,191	34,308,142
	295,227	37,272,637	548,682	38,116,546	397,696	34,634,644	752,191	35,784,531

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6. INVESTMENTS (CONT'D.)

(a) LAR

	2013				2012			
	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	34,490	1,254,540	408,860	1,697,890	9,920	1,189,980	568,360	1,768,260
Others	-	30,000	-	30,000	-	38,829	-	38,829
Policy loans	-	3,763,428	-	3,763,428	-	3,635,967	-	3,635,967
Mortgage loans	29,167	1,489,752	-	1,518,919	15,000	1,076,018	-	1,091,018
Secured loans	15,016	1,570,148	-	1,585,164	15,024	1,271,034	-	1,286,057
Unsecured loans	44	6	-	50	39	19	-	58
	78,717	8,107,874	408,860	8,595,451	39,983	7,211,847	568,360	7,820,189
At Fair Value:								
Deposits with financial institutions:								
Licensed banks	34,490	1,254,540	408,860	1,697,890	9,920	1,189,980	568,360	1,768,260
Others	-	30,000	-	30,000	-	38,829	-	38,829
Policy loans	-	3,763,428	-	3,763,428	-	3,635,967	-	3,635,967
Mortgage loans	30,242	1,515,230	-	1,545,472	15,423	1,105,038	-	1,120,461
Secured loans	15,016	1,570,148	-	1,585,164	15,024	1,271,034	-	1,286,057
Unsecured loans	44	6	-	50	39	19	-	58
	79,792	8,133,352	408,860	8,622,004	40,406	7,240,867	568,360	7,849,632

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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6. INVESTMENTS (CONT'D.)

(b) AFS

	2013				2012			
	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	103,600	11,043,557	-	11,147,157	40,855	9,565,746	-	9,606,601
Quoted outside Malaysia	19,385	1,443,320	-	1,462,705	-	981,713	-	981,713
Malaysian government securities	19,444	-	-	19,444	25,797	-	-	25,797
Debt securities:								
Unquoted in Malaysia	223,627	-	-	223,627	376,943	-	-	376,943
Unit and property trust funds:								
Quoted in Malaysia	5,904	351,370	-	357,274	6,970	409,116	-	416,086
Quoted outside Malaysia	2,096	104,564	-	106,660	1,124	126,759	-	127,883
	374,056	12,942,811	-	13,316,867	451,689	11,083,334	-	11,535,023
At Cost:								
Equity securities:								
Unquoted in Malaysia	292	114,574	-	114,866	292	114,811	-	115,103
	374,348	13,057,385	-	13,431,733	451,981	11,198,145	-	11,650,126

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6. INVESTMENTS (CONT'D.)

(c) FVTPL

	2013				2012			
	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	-	-	3,227,889	3,227,889	-	-	1,848,326	1,848,326
Quoted outside Malaysia	-	-	18,550	18,550	-	-	16,392	16,392
Financial instruments with embedded derivatives	18,082	2,526,800	46,214	2,591,096	-	1,701,639	239,058	1,940,697
Malaysian government securities	-	-	52,815	52,815	-	-	88,637	88,637
Debt securities:								
Unquoted in Malaysia	-	-	669,816	669,816	-	-	741,711	741,711
Unit and property trust funds:								
Quoted in Malaysia	-	-	68,304	68,304	-	-	178,376	178,376
Quoted outside Malaysia	-	-	905	905	-	-	4,009	4,009
Derivatives financial assets	-	-	-	-	-	463	-	463
	18,082	2,526,800	4,084,493	6,629,375	-	1,702,102	3,116,509	4,818,611
Designated upon initial recognition:								
Malaysian government securities	-	7,745,889	-	7,745,889	-	7,281,587	-	7,281,587
Debt securities:								
Quoted outside Malaysia	-	615,266	-	615,266	-	592,936	-	592,936
Unquoted in Malaysia	-	24,370,954	-	24,370,954	-	25,430,738	-	25,430,738
Unquoted outside Malaysia	-	136,901	-	136,901	-	134,734	-	134,734
	-	32,869,010	-	32,869,010	-	33,439,995	-	33,439,995
	18,082	35,395,810	4,084,493	39,498,385	-	35,142,097	3,116,509	38,258,606

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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7. REINSURANCE ASSETS

Life Insurance Fund

	2013 RM'000	2012 RM'000
Reinsurance of insurance contracts (Note 11)	82,381	79,360

8. INSURANCE RECEIVABLES

Life Insurance Fund

	2013 RM'000	2012 RM'000
Due premiums including agents/brokers and co-insurers balances	271,250	272,725
Due from reinsurers and cedants	265	1,501
Allowance for impairment	(5,399)	(5,235)
	266,116	268,991

Movement in allowance accounts:

	2013 RM'000	2012 RM'000
At 1 January	5,235	6,811
Charge for the year	164	(1,576)
At 31 December	5,399	5,235

9. OTHER RECEIVABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 31 December 2013				
Income due and accrued	3,330	509,468	21,943	534,741
Allowance for impairment	-	(246)	-	(246)
Other receivables	55	9,610	-	9,665
Amount due from related companies	4,701	-	-	4,701
	8,086	518,832	21,943	548,861
Receivable after 12 months	29	4,975	-	5,004

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9. OTHER RECEIVABLES (CONT'D.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 31 December 2012				
Income due and accrued	4,476	492,137	16,165	512,778
Allowance for impairment	-	(335)	-	(335)
Other receivables	54	10,033	-	10,087
Amount due from related companies	1,243	-	-	1,243
	5,773	501,835	16,165	523,773
Receivable after 12 months	24	4,973	-	4,997

Related companies in these financial statements refer to companies within the OCBC Group.

The amount due from related companies are unsecured, interest-free and are repayable on demand.

	2013 RM'000	2012 RM'000
Movement in allowance accounts:		
At 1 January	335	221
Charge for the year	(89)	114
At 31 December	246	335

10. SHARE CAPITAL

	2013		2012	
	No. of shares ('000)	RM'000	No. of shares ('000)	RM'000
Authorised:				
Ordinary shares of RM1 each				
At beginning and end of year	500,000	500,000	500,000	500,000
Issued and Paid-up:				
Ordinary shares of RM1 each				
At beginning and end of year	500,000	500,000	500,000	500,000

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11. INSURANCE CONTRACT LIABILITIES

Life Insurance Fund

	2013			2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	5,760,675	(43,136)	5,717,539	4,756,970	(34,170)	4,722,800
Actuarial liabilities	40,091,670	(39,245)	40,052,425	34,927,490	(45,190)	34,882,300
Unallocated surplus	4,408,552	-	4,408,552	8,699,727	-	8,699,727
Available-for-sale fair value reserves	5,045,220	-	5,045,220	4,112,687	-	4,112,687
Net asset value attributable to unitholders	4,341,887	-	4,341,887	3,632,067	-	3,632,067
	59,648,004	(82,381)	59,565,623	56,128,941	(79,360)	56,049,581

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11. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Gross			Reinsurance			
	With DPF RM'000	**Without DPF RM'000**	**Total RM'000**	**With DPF RM'000**	**Without DPF RM'000**	**Total RM'000**	**Net RM'000**
At 1 January 2013	50,138,567	5,990,374	56,128,941	(16,514)	(62,846)	(79,360)	56,049,581
Premiums received	3,949,250	766,174	4,715,424	(54,993)	(62,289)	(117,282)	4,598,142
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,246,547)	(541,718)	(3,788,265)	22,754	53,165	75,919	(3,712,346)
Policy movements	2,106,211	144,519	2,250,730	-	(2,613)	(2,613)	2,248,117
Interest rate	(1,192)	(129,459)	(130,651)	-	1,676	1,676	(128,975)
Adjustments due to changes in assumptions:							
Mortality/morbidity	(1,111)	(38,913)	(40,024)	-	6,695	6,695	(33,329)
Expenses	61,369	3,464	64,833	-	(67)	(67)	64,766
Lapse	(18,398)	(5,967)	(24,365)	-	254	254	(24,111)
Others	18,994	8,590	27,584	-	-	-	27,584
Change in reserves due to change in valuation methodology to include present value of future shareholder transfer	3,067,847	-	3,067,847	-	-	-	3,067,847
Other	(53,583)	1,809	(51,774)	-	-	-	(51,774)
Claims benefit experience variation	987,325	16,380	1,003,705	35,606	(3,209)	32,397	1,036,102
Net asset value attributable to unitholders	-	485,366	485,366	-	-	-	485,366
Available-for-sale fair value reserves	1,013,622	-	1,013,622	-	-	-	1,013,622
Unallocated surplus	(4,993,880)	-	(4,993,880)	-	-	-	(4,993,880)
Deferred tax effects:							
Available-for-sale fair value reserves	(81,089)	-	(81,089)	-	-	-	(81,089)
At 31 December 2013	52,947,385	6,700,619	59,648,004	(13,147)	(69,234)	(82,381)	59,565,623

Policy benefits bears interest at 5% (2012: 5%) per annum.

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11. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Gross			Reinsurance			
	With DPF RM'000	**Without DPF RM'000**	**Total RM'000**	**With DPF RM'000**	**Without DPF RM'000**	**Total RM'000**	**Net RM'000**
At 1 January 2012	45,260,786	5,109,793	50,370,579	(10,888)	(56,482)	(67,370)	50,303,209
Premiums received	3,866,476	610,895	4,477,371	(61,479)	(58,117)	(119,596)	4,357,775
Liabilities paid for death, maturities, surrenders, benefits and claims	(2,791,243)	(217,138)	(3,008,381)	30,717	48,269	78,986	(2,929,395)
Policy movements	2,258,597	119,649	2,378,246	-	(4,814)	(4,814)	2,373,432
Interest rate	1,283	58,178	59,461	-	(507)	(507)	58,954
Adjustments due to changes in assumptions:							
Mortality/morbidity	(4,535)	(9,983)	(14,518)	-	2,668	2,668	(11,850)
Expenses	(34,620)	(13)	(34,633)	-	-	-	(34,633)
Lapse	(975)	1,163	188	-	(7)	(7)	181
Others	12,816	4,920	17,736	-	123	123	17,859
Other	122,901	16,241	139,142	-	485	485	139,627
Claims benefit experience variation	794,792	5,337	800,129	25,136	5,536	30,672	830,801
Net asset value attributable to unitholders	-	291,332	291,332	-	-	-	291,332
Available-for-sale fair value reserves	151,868	-	151,868	-	-	-	151,868
Unallocated surplus	512,723	-	512,723	-	-	-	512,723
Deferred tax effects:							
Available-for-sale fair value reserves	(12,302)	-	(12,302)	-	-	-	(12,302)
At 31 December 2012	50,138,567	5,990,374	56,128,941	(16,514)	(62,846)	(79,360)	56,049,581

* Takaful and Insurance Protection System ("TIPS") is a reserve for future statutory premium payable to Perbadanan Insurance Deposit Malaysia ("PIDM") for future liabilities. Policy benefits bears interest at 5% (2012: 5%) per annum.

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12. DERIVATIVE FINANCIAL LIABILITIES

Life Insurance Fund

	Notional Principal RM'000	Derivative Financial Liabilities RM'000
31 December 2013		
Derivatives held for trading:		
Currency swaps	709,254	131,498
31 December 2012		
Derivatives held for trading:		
Currency swaps	650,020	66,402

13. AGENTS' RETIREMENT BENEFITS

Life Insurance Fund

	2013 RM'000	2012 RM'000
At 1 January	613,535	564,165
Provision for the year	74,015	85,262
Utilised during the year	(16,620)	(35,892)
At 31 December	670,930	613,535
Payable after 12 months	490,341	455,576

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14. DEFERRED TAXATION

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 1 January 2012	108,377	516,489	20,789	645,655
Recognised in:				
Income statement (Note 25)	(1,878)	(20,539)	10,399	(12,018)
Other comprehensive income	154	-	-	154
Insurance contract liabilities	-	12,302	-	12,302
At 31 December 2012	106,653	508,252	31,188	646,093
At 1 January 2013	106,653	508,252	31,188	646,093
Recognised in:				
Income statement (Note 25)	37,073	(144,786)	18,114	(89,599)
Other comprehensive income	(2,594)	-	-	(2,594)
Insurance contract liabilities	-	81,089	-	81,089
At 31 December 2013	141,132	444,555	49,302	634,989

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
Presented after appropriate offsetting as follows:				
At 31 December 2012				
Deferred tax liabilities	106,653	514,006	31,188	651,847
Deferred tax assets	-	(5,754)	-	(5,754)
	106,653	508,252	31,188	646,093
At 31 December 2013				
Deferred tax liabilities	141,132	450,266	49,302	640,700
Deferred tax assets	-	(5,711)	-	(5,711)
	141,132	444,555	49,302	634,989

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14. DEFERRED TAXATION (CONT'D.)

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

Deferred Tax Liabilities

	Fair value of investment properties RM'000	Fair value of investments assets RM'000	Accelerated capital allowance on property and equipment RM'000	Accretion of discounts on investments RM'000	Unallocated Surplus of Non-Participating Funds RM'000	Total RM'000
Shareholder's Fund						
At 1 January 2013	-	17,696	-	(2,037)	90,994	106,653
Recognised in other comprehensive income	-	(2,594)	-	-	-	(2,594)
Recognised in income statement	-	(487)	-	34	37,526	37,073
At 31 December 2013	-	14,615	-	(2,003)	128,520	141,132
At 1 January 2012	-	17,543	-	(160)	90,994	108,377
Recognised in other comprehensive income	-	154	-	-	-	154
Recognised in income statement	-	(1)	-	(1,877)	-	(1,878)
At 31 December 2012	-	17,696	-	(2,037)	90,994	106,653

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14. DEFERRED TAXATION (CONT'D.)

Deferred Tax Liabilities (Cont'd.)

	Fair value of investment properties RM'000	Fair value of investments assets RM'000	Accelerated capital allowance on property and equipment RM'000	Accretion of discounts on investments RM'000	Unallocated Surplus of Non-Participating Funds RM'000	Total RM'000
Life Insurance Fund						
At 1 January 2013	15,754	488,178	10,074	-	-	514,006
Recognised in insurance contract liabilities	-	81,089	-	-	-	81,089
Recognised in income statement	34	(142,541)	(2,322)	-	-	(144,829)
At 31 December 2013	15,788	426,726	7,752	-	-	450,266
At 1 January 2012	14,964	496,890	12,278	-	-	524,132
Recognised in insurance contract liabilities	-	12,302	-	-	-	12,302
Recognised in income statement	790	(21,014)	(2,204)	-	-	(22,428)
At 31 December 2012	15,754	488,178	10,074	-	-	514,006

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14. DEFERRED TAXATION (CONT'D.)

Deferred Tax Liabilities (Cont'd.)

	Fair value of investment properties RM'000	Fair value of investments assets RM'000	Accelerated capital allowance on property and equipment RM'000	Accretion of discounts on investments RM'000	Unallocated Surplus of Non-Participating Funds RM'000	Total RM'000
Unit-linked						
At 1 January 2013	-	31,188	-	-	-	31,188
Recognised in income statement	-	18,114	-	-	-	18,114
At 31 December 2013	-	49,302	-	-	-	49,302
Unit-linked						
At 1 January 2012	-	20,789	-	-	-	20,789
Recognised in income statement	-	10,399	-	-	-	10,399
At 31 December 2012	-	31,188	-	-	-	31,188

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14. DEFERRED TAXATION (CONT'D.)

Deferred Tax Assets

	Provision for impairment of investments RM'000
Life Insurance Fund	
At 1 January 2013	(5,754)
Recognised in income statement	43
At 31 December 2013	(5,711)
At 1 January 2012	(7,643)
Recognised in income statement	1,889
At 31 December 2012	(5,754)

15. OTHER FINANCIAL LIABILITIES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2013				
Deposits received from reinsurers	-	758	-	758
Outstanding purchases of investment securities	5,979	57,477	57,805	121,261
	5,979	58,235	57,805	122,019
31 December 2012				
Deposits received from reinsurers	-	823	-	823
Outstanding purchases of investment securities	-	7,027	8,821	15,848
	-	7,850	8,821	16,671

The carrying amounts disclosed above approximate fair value at the balance sheet date. All amounts are payable within one year.

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16. INSURANCE PAYABLES

	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2013			
Due to reinsurers	25,435	-	25,435
Due to agents and intermediaries	151,393	-	151,393
	176,828	-	176,828
31 December 2012			
Due to reinsurers	46,314	-	46,314
Due to agents and intermediaries	143,456	-	143,456
	189,770	-	189,770

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

17. OTHER PAYABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2013				
Accrued expenses	12	85,533	18	85,563
Deposits from tenants	-	17,313	-	17,313
Dividends payable	133,654	-	-	133,654
Premium suspense	-	34,036	-	34,036
Advance premium	-	172,571	-	172,571
Amount due to ultimate holding company	1,045	-	-	1,045
Amount due to intermediate holding company	6,012	-	-	6,012
Amount due to holding company	381	-	-	381
Others	-	86,311	34,238	120,549
Total payables	141,104	395,764	34,256	571,124

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17. OTHER PAYABLES (CONT'D.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2012				
Accrued expenses	12	70,576	111	70,699
Deposits from tenants	-	16,907	-	16,907
Dividends payable	133,450	-	-	133,450
Premium suspense	-	33,951	-	33,951
Advance premium	-	168,535	-	168,535
Amount due to ultimate holding company	912	-	-	912
Amount due to intermediate holding company	1,464	-	-	1,464
Amount due to holding company	397	-	-	397
Others	-	72,459	28,417	100,876
Total payables	136,235	362,428	28,528	527,191

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

18. NET EARNED PREMIUMS

Life Insurance Fund

	2013 RM'000	2012 RM'000
(a) Gross Premiums		
Life insurance contract	6,495,615	6,152,193
(b) Premiums Ceded		
Life insurance contract	(117,282)	(119,596)
Net Earned Premiums	6,378,333	6,032,597

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19. INVESTMENT INCOME

2013	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Rental income from properties	-	51,449	51,449
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	656	173,132	173,788
Dividend income:			
- equity securities quoted in Malaysia	-	93,267	93,267
- equity securities quoted outside Malaysia	-	793	793
Financial assets at FVTPL			
- designated upon initial recognition:			
Interest income	-	1,356,141	1,356,141
Financial assets at AFS:			
Interest income	17,341	-	17,341
Dividend income:			
- equity securities quoted in Malaysia	2,926	401,267	404,193
- equity securities quoted outside Malaysia	159	54,720	54,879
- equity securities unquoted in Malaysia	38	4,958	4,996
LAR interest income	1,984	348,735	350,719
Cash and cash equivalents interest income	2,070	38,073	40,143
	25,174	2,522,535	2,547,709

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19. INVESTMENT INCOME (CONT'D.)

2012	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Rental income from properties	-	52,475	52,475
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	301	101,988	102,289
Dividend income:			
- equity securities quoted in Malaysia	-	81,996	81,996
- equity securities quoted outside Malaysia	-	644	644
Financial assets at FVTPL			
- designated upon initial recognition:			
Interest income	-	1,326,556	1,326,556
Financial assets at AFS:			
Interest income	22,945	-	22,945
Dividend income:			
- equity securities quoted in Malaysia	1,766	377,662	379,428
- equity securities quoted outside Malaysia	1	74,460	74,461
- equity securities unquoted in Malaysia	30	4,522	4,552
LAR interest income	55	253,688	253,743
Cash and cash equivalents interest income	1,840	53,126	54,966
	26,938	2,327,117	2,354,055

Included in rental income from investment properties is contingent rent for the year amounting to RM692,356 (2012: RM707,082). Contingent rental arrangements are computed based on sales or profit achieved by tenants.

20. REALISED GAINS AND LOSSES

2013	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Property and equipment and prepaid land lease payments			
Realised gains	-	13	13

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20. REALISED GAINS AND LOSSES (CONT'D.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2013 (cont'd.)			
AFS financial assets			
Realised gains/(losses):			
Equity securities:			
- quoted in Malaysia	5,546	225,469	231,015
- quoted outside Malaysia	202	15,577	15,779
- unquoted in Malaysia	-	10,538	10,538
Debt securities:			
- unquoted in Malaysia	6,502	-	6,502
Total realised gains for AFS financial assets	12,250	251,584	263,834
FVTPL financial assets			
Realised gains/(losses):			
Debt securities:			
- quoted in Malaysia	-	34	34
- quoted outside Malaysia	-	110	110
- unquoted in Malaysia	-	7,775	7,775
Equity securities:			
- quoted in Malaysia	-	6,141	6,141
- quoted outside Malaysia	-	(145)	(145)
Realised losses:			
Embedded securities:			
- quoted in Malaysia	-	(1,889)	(1,889)
Total realised gains for FVTPL	-	12,026	12,026
	12,250	263,623	275,873
2012			
Property and equipment and prepaid land lease payments			
Realised gains	-	1,686	1,686

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20. REALISED GAINS AND LOSSES (CONT'D.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2012 (cont'd.)			
AFS financial assets			
Realised gains:			
Equity securities:			
- quoted in Malaysia	(770)	171,517	170,747
- quoted outside Malaysia	(66)	1,394,646	1,394,580
Debt securities:			
- unquoted in Malaysia	10,638	-	10,638
- unquoted outside Malaysia	37	-	37
Total realised gains for AFS financial assets	9,839	1,566,163	1,576,002
FVTPL financial assets			
Realised gains/(losses):			
Debt securities:			
- quoted outside Malaysia	-	81	81
- unquoted in Malaysia	-	8,210	8,210
- unquoted outside Malaysia	-	(799)	(799)
Equity securities:			
- quoted in Malaysia	-	3,397	3,397
- quoted outside Malaysia	-	323	323
Realised losses:			
Embedded securities:			
- quoted in Malaysia	11	(4,759)	(4,748)
Total realised gains for FVTPL	11	6,453	6,464
	9,850	1,574,302	1,584,152

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21. FAIR VALUE GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2013			
Investment properties (Note 4)	-	428	428
Financial investments - FVTPL	(1,949)	(1,072,126)	(1,074,075)
	(1,949)	(1,071,698)	(1,073,647)
2012			
Investment properties (Note 4)	-	9,543	9,543
Financial investments - FVTPL	(11)	691,683	691,672
	(11)	701,226	701,215

22. FEES AND COMMISSION INCOME

Life Insurance Fund

	2013 RM'000	2012 RM'000
Reinsurance commission income	5,965	16,931

23. NET BENEFITS AND CLAIMS

Life Insurance Fund

	2013 RM'000	2012 RM'000
(a) Gross Benefits and Claims Paid		
Life insurance contracts:		
Death	(315,449)	(292,589)
Maturity	(768,116)	(538,947)
Surrender	(1,035,096)	(841,705)
Cash bonus	(1,364,304)	(1,068,254)
Others	(959,671)	(877,967)
	(4,442,636)	(3,619,462)

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23. NET BENEFITS AND CLAIMS (CONTD.)

Life Insurance Fund

	2013 RM'000	2012 RM'000
(b) Claims Ceded to Reinsurers		
Life insurance contracts	75,920	78,986
(c) Gross Change in Contract Liabilities		
Life insurance contracts	(1,582,826)	(4,818,665)
(d) Change in Contract Liabilities Ceded to Reinsurers		
Life insurance contracts	(5,945)	2,051

24. MANAGEMENT EXPENSES

	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2013				
Employee benefits expense	24(a)	-	168,568	168,568
Directors' remuneration	24(b)	-	1,200	1,200
Auditor's remuneration:				
- statutory audits		11	621	632
- non-audit fee		-	49	49
Depreciation of property and equipment	3	-	51,973	51,973
Amortisation of prepaid land lease payments	5	-	138	138
Rental of properties		-	9,337	9,337
Operating lease payment		-	991	991
Others		613	179,913	180,526
		624	412,790	413,414

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24. MANAGEMENT EXPENSES (CONT'D.)

2013 (Cont'd.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
(a) Employee Benefits Expense			
Wages and salaries	-	137,442	137,442
Short term accumulating compensated absences	-	354	354
Social security contributions	-	926	926
Defined contribution plans - EPF	-	21,557	21,557
Other employee benefits expense	-	8,289	8,289
	-	168,568	168,568

(b) Directors' Remuneration

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Executive:			
Salaries and other emoluments	-	1,910	1,910
Bonus	-	608	608
Estimated money value of benefits-in-kind	-	31	31
	-	2,549	2,549
Non-executive:			
Fees	-	1,200	1,200
	-	3,749	3,749
Represented by:			
Directors' fees	-	1,200	1,200
Amount included in employee benefits expense	-	2,549	2,549

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24. MANAGEMENT EXPENSES (CONT'D.)

	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2012				
Employee benefits expense	24(a)	-	158,577	158,577
Directors' remuneration	24(b)	-	903	903
Auditor's remuneration:				
- statutory audits		11	504	515
- non-audit fee		-	48	48
Depreciation of property and equipment	3	-	51,936	51,936
Amortisation of prepaid land lease payments	5	-	142	142
Rental of properties		-	9,169	9,169
Operating lease payment		-	702	702
Others		603	176,706	177,309
		614	398,687	399,301

(a) Employee Benefits Expense

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Wages and salaries	-	128,842	128,842
Short term accumulating compensated absences	-	129	129
Social security contributions	-	927	927
Defined contribution plans - EPF	-	19,993	19,993
Other employee benefits expense	-	8,686	8,686
	-	158,577	158,577

24. MANAGEMENT EXPENSES (CONT'D.)

2012 (Cont'd.)

(b) Directors' Remuneration

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Executive:			
Salaries and other emoluments	-	1,751	1,751
Bonus	-	741	741
Estimated money value of benefits-in-kind	-	31	31
	-	2,523	2,523
Non-executive:			
Fees	-	903	903
	-	3,426	3,426
Represented by:			
Directors' fees	-	903	903
Amount included in employee benefits expense	-	2,523	2,523

The remuneration, including benefits-in-kind, attributable to the CEO, who is the Director of the Company amounted to RM2,549,000 (2012: RM2,523,000).

The directors' fees are subject to the recommendation of the 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 year that fall within the following bands is analysed below:

	Number of Directors 2013	2012
Executive Director		
RM2,500,001 - RM2,550,000	1	1

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24. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' Remuneration (Cont'd)

	Number of Directors 2013	2012
Non-Executive Directors		
Below RM50,000	1	-
RM50,001 - RM100,000	-	3
RM100,001 - RM150,000	1	1
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	1	2
RM250,001 - RM300,000	3	-

25. TAXATION

	2013 RM'000	2012 RM'000
Tax expense/(income):		
Current	137,305	149,211
Deferred	37,073	(1,878)
	174,378	147,333
Current income tax:		
Malaysian income tax	171,541	184,347
Double taxation relief	(34,236)	(35,136)
	137,305	149,211
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	37,073	(1,878)
	174,378	147,333

The current income tax is calculated at 25% of the estimated assessable profit for the financial year.

The income tax for the Shareholders' Funds are calculated based on the tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year.

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25. TAXATION (CONT'D.)

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:

	2013 RM'000	2012 RM'000
2013		
Profit before taxation	816,494	730,413
Taxation at Malaysian statutory tax rate of 25%	204,124	182,603
Income not subject to tax	(598)	(274)
Expenses not deductible for tax purposes	5,088	140
Double taxation relief	(34,235)	(35,136)
Tax expense for the year	174,378	147,333

Taxation of life insurance business

Tax expense/(income)		
Current	234,233	358,289
Deferred	(126,672)	(10,140)
	107,561	348,149
Current income tax:		
Malaysian income tax	234,192	358,231
Tax on foreign dividend income	41	58
	234,233	358,289
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	(126,672)	(10,140)
	107,561	348,149

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% (2012: 8%) of the assessable investment oncome net of allowable deductions for the financial year.

26. EARNINGS PER SHARE

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

	2013	**2012**
Profit attributable to ordinary equity holder (RM'000)	642,116	583,080
Weighted average number of shares in issue (RM'000)	100,000	100,000
Basic earnings per share (sen)	642	583

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 this financial statements.

27. DIVIDENDS

	2013	**2012**
	RM'000	**RM'000**
Recognised during the financial year:		
Dividend on ordinary shares:		
- Interim single tier dividend for 2013: RM1.12 (2012: RM1.24) per share	112,000	124,000
- Final single tier dividend for 2012: RM4.07 (2011: RM3.72) per share	407,000	372,000
	519,000	496,000
Proposed but not recognised as a liability as at 31 December:		
- Final single tier dividend for 2013: RM4.945 (2012: RM4.07) per share	494,500	407,000

At the forthcoming AGM of the Company, a second and final single tier dividend in respect of the financial year ended 31 December 2013 of RM4.945 (2012: RM4.07) per ordinary share on 100,000,005 ordinary shares, amounting to a dividend payable of RM494,500,025 (2012: RM407,000,020) 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 equity as an appropriation from retained earnings in the next financial year ending 31 December 2014.

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28. CASH FLOWS

	2013 RM'000	2012 RM'000
Profit before taxation	816,494	730,413
Adjustment for non-cash items:		
Taxation of life fund	107,561	348,149
Investment income	(2,618,730)	(2,414,578)
Realised gains recorded in the income statement	(275,873)	(1,584,152)
Fair value gains recorded in the income statement	1,073,647	(701,215)
Purchases of FVTPL financial investments	(20,027,724)	(25,516,123)
Proceeds from disposals/maturities of FVTPL financial investments	17,785,914	18,794,622
Purchases of AFS financial investments	(1,891,003)	(1,641,259)
Proceeds from disposals/maturities of AFS financial investments	1,359,330	3,669,548
(Increase)/decrease in LAR	(775,263)	1,239,349
Non-cash items:		
Depreciation of property and equipment	51,973	51,936
Amortisation of prepaid land lease payments	138	142
Net accretion of discounts	565	41
Impairment losses on financial investments	-	5
Impairment of insurance and other receivables	75	(1,462)
Provision for agents' retirement benefits	74,015	85,263
Property and equipment write-off	156	195
Realised foreign exchange loss on receipts of dividend	(1)	(60)
Realised foreign exchange gain on disposal of investments	(4,324)	(13,738)
Unrealised derivative forward foreign exchange	27,740	14,806
Unrealised bond foreign exchange	(26,635)	(16,086)
Changes in working capital:		
Increase in reinsurance assets	(3,021)	(11,990)
Decrease/(Increase) in insurance receivables	2,712	(7,606)
Decrease/(Increase) in other receivables	2,953	(11,890)
Increase in insurance contract liabilities	2,610,266	5,618,798
Increase in other financial liabilities	105,348	2,467
Decrease in insurance payables	(12,942)	(1,617)
Increase in other payables	43,593	16,701
Cash used in operations activities	(1,573,036)	(1,349,341)

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28. CASH FLOWS (CONT'D.)

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 contract, net of the cash flows for payments of benefits and claim incurred for insurance contracts, which are respectively treated under operating activities.

29. OPERATING LEASE ARRANGEMENTS

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

	2013 RM'000	2012 RM'000
(a) The Company as lessee		
Not later than 1 year	157	160
Later than 1 year and not later than 5 years	1,709	1,712
	1,866	1,872
(b) The Company as lessor		
Not later than 1 year	20,224	10,103
Later than 1 year and not later than 5 years	49,490	85,297
	69,714	95,400

The lease payments and rental income including contingent rent recognised in the income statement during the financial year are described in Note 24 and Note 19 respectively.

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30. CAPITAL COMMITMENTS

	2013 RM'000	2012 RM'000
Capital expenditure		
Approved and contracted for:		
- Investment properties	238	340
- Property and equipment	53,336	15,162
Approved but not contracted for:		
Investment properties	93,042	95,569
	146,616	111,071

31. RELATED PARTY DISCLOSURES

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

	2013 RM'000	2012 RM'000
Transactions with related parties during the year:		
Property rentals received (note ii)		
- OCBC Bank (Malaysia) Berhad	768	768
- Overseas Assurance Corporation (Malaysia) Berhad	1,738	1,729
- Great Eastern Takaful Berhad	989	931
Service charges paid (note iii)		
- OCBC Bank (Malaysia) Berhad	36,904	36,646
- E2 Power Limited	3,531	316
- Pacific Mutual Fund Bhd	360	338
- Lion Global Investor Ltd	204	-
Service charges received		
- Overseas Assurance Corporation (Malaysia) Berhad	4,502	3,311
- Great Eastern Takaful Berhad	6,286	4,318
Premium paid (note i)		
- Overseas Assurance Corporation (Malaysia) Berhad	2,435	2,457

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31. RELATED PARTY DISCLOSURES (CONT'D.)

(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 (Cont'd.):

	2013 RM'000	2012 RM'000
Transactions with related parties during the year (Cont'd.):		
Premium received (note i)		
- Overseas Assurance Corporation (Malaysia) Berhad	160	221
- E2 Power Sdn Bhd	233	152
- OCBC Bank (Malaysia) Berhad	604	620
- OCBC Al-Amin Bank Berhad	53	42
Commission received		
- Overseas Assurance Corporation (Malaysia) Berhad	379	376
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	28,892	24,995
- OCBC Securities Private Limited	784	671
- PAC Lease Sdn Bhd	118	74
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	73,736	60,583
Dividend income from preference shares (note v)		
- OCBC Bank (Malaysia) Berhad	4,510	4,522
Bank charges		
- OCBC Bank (Malaysia) Berhad	1,882	1,258
Employee Share Purchase Plan		
- Overseas Chinese Banking Corporation Ltd.	403	628

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31. RELATED PARTY DISCLOSURES (CONT'D.)

(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 (Cont'd.):

	2013 RM'000	2012 RM'000
Transactions with related parties during the year (Cont'd.):		
Employee Share Option Scheme paid		
- Overseas Chinese Banking Corporation Ltd.	629	1,108
Deferred Share Plan		
- Overseas Chinese Banking Corporation Ltd.	347	-
Charges for group services (note vi)		
- Great Eastern Life Assurance Company Limited	24,148	16,092
Balances with related parties at year end:		
Investment in preference shares (note v)		
- OCBC Bank (Malaysia) Berhad	100,000	100,000
Investment in redeemable subordinated bonds		
- OCBC Bank (Malaysia) Berhad	198,992	203,604
- PAC Lease Sdn Bhd	199,593	189,584
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	13,313	6,757
Fixed deposits, structured deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	1,677,093	1,466,526
- OCBC Al-Amin Bank Berhad	92,042	52,077
Investment in unit trust		
- Lion Global Investors Limited	899	1,584

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31. RELATED PARTY DISCLOSURES (CONT'D.)

(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 (Cont'd.):

	2013 RM'000	2012 RM'000
Balances with related parties at year end (Cont'd.):		
Amount due from related companies:		
- The Great Eastern General Insurance Sdn Bhd	29	24
- Overseas Assurance Co (Malaysia) Berhad	1,846	499
- Great Eastern Takaful Berhad	2,695	720
Amount due to ultimate holding company:		
- Overseas Chinese Banking Corporation Ltd	1,045	912
Amount due to intermediate holding company:		
- Great Eastern Life Assurance Company Limited	6,012	755
- Great Eastern Holdings Company Limited	-	709
Amount due from intermediate holding company:		
- Great Eastern Holdings Company Limited	131	-
Amount due to holding company:		
- Great Eastern Capital (M) Sdn Bhd	381	397

Related companies are companies within the OCBC group:

(i) The sale and purchase of insurance policies to related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.

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

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

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31. RELATED PARTY DISCLOSURES (CONT'D.)

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

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

(v) The dividend income arose from investment in OCBC Bank (Malaysia) Bhd preference shares which are made according to arms length terms and conditions. The investment in OCBC (Malaysia) Bhd preference shares amounting to RM100 million was approved by the Board.

(vi) With effect from June 2010, Great Eastern Holdings Limited had allocated its Group function cost to all its subsidiaries including to the Company based on allocation rates approved by Group function heads.

(b) Compensation of Key Management Personnel

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

	2013 RM'000	2012 RM'000
Short-term employee benefits	6,535	6,348
Post-employments benefits:		
Defined contribution plan - EPF	794	736
Share-based payment	496	520
	7,825	7,604
Share-based payment (in units)	301,826	162,959

Included in the total key management personnel are:

Directors' remuneration (Note 24(b))	3,749	3,426

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32. FINANCIAL INSTRUMENT BY CATEGORY

	Note	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
2013							
Assets							
Property and equipment	3	-	-	-	-	455,101	455,101
Investment properties	4	-	-	-	-	532,100	532,100
Prepaid land lease payments	5	-	-	-	-	16,942	16,942
Investments	6	39,498,385	13,431,733	8,595,451	61,525,569	-	61,525,569
Reinsurance assets	7	-	-	-	-	82,381	82,381
Insurance receivables	8	-	-	266,116	266,116	-	266,116
Other receivables	9	-	-	548,861	548,861	-	548,861
Cash and bank balances		-	-	38,283	38,283	-	38,283
Total assets		39,498,385	13,431,733	9,448,711	62,378,829	1,086,524	63,465,353

32. FINANCIAL INSTRUMENT BY CATEGORY (CONT'D.)

	Note	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
2013 (Cont'd.)						
Liabilities						
Insurance contract liabilities	11	-	-	-	59,648,004	59,648,004
Derivative financial liabilities	12	131,498	-	131,498	-	131,498
Agents' retirement benefits	13	-	-	-	670,930	670,930
Deferred tax liabilities	14	-	-	-	634,989	634,989
Other financial liabilities	15	-	122,019	122,019	-	122,019
Insurance payables	16	-	176,828	176,828	-	176,828
Provision for taxation		-	-	-	79,130	79,130
Other payables	17	-	485,561	485,561	85,563	571,124
Total liabilities		131,498	784,408	915,906	61,118,616	62,034,522

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32. FINANCIAL INSTRUMENT BY CATEGORY (CONT'D.)

	Note	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
2012							
Assets							
Property and equipment	3	-	-	-	-	470,396	470,396
Investment properties	4	-	-	-	-	529,650	529,650
Prepaid land lease payments	5	-	-	-	-	17,080	17,080
Investments	6	38,258,606	11,650,126	7,820,189	57,728,922	-	57,728,922
Reinsurance assets	7	-	-	-	-	79,360	79,360
Insurance receivables	8	-	-	268,991	268,991	-	268,991
Other receivables	9	-	-	523,773	523,773	-	523,773
Cash and bank balances		-	-	17,284	17,284	-	17,284
Total assets		38,258,606	11,650,126	8,630,237	58,538,970	1,096,486	59,635,456

32. FINANCIAL INSTRUMENT BY CATEGORY (CONT'D.)

	Note	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
2012 (Cont'd.)						
Liabilities						
Insurance contract liabilities	11	-	-	-	56,128,941	56,128,941
Derivative financial liabilities	12	66,402	-	66,402	-	66,402
Agents' retirement benefits	13	-	-	-	613,535	613,535
Deferred tax liabilities	14	-	-	-	646,093	646,093
Other financial liabilities	15	-	16,671	16,671	-	16,671
Insurance payables	16	-	189,770	189,770	-	189,770
Provision for taxation		-	-	-	131,307	131,307
Other payables	17	-	456,492	456,492	70,699	527,191
Total liabilities		66,402	662,933	729,335	57,590,575	58,319,910

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES

Governance Framework

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

- Always operate within the risk appetite set by the Board; and
- Ensure commensurate reward for any risk taken.

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

The Board Risk Committee ("BRC"), 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")

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

The ALC is responsible for assisting the SMT in balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. The ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

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

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

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Governance Framework (Cont'd.)

On 1 March 2013, Bank Negara Malaysia (“BNM”) issued a policy document on Risk Governance which sets out a framework of principles on risk governance to guide the Board and SMT in performing their risk oversight function. The principles in this document are foundation for and complement other guidelines and sound practices papers issued by BNM on specific risks. Collectively, they reflect BNM’s supervisory expectations with regards to the Company’s risk management framework and practices, and form the basis for supervisory assessments performed by the BNM.

Regulatory Framework

Insurers have to comply with the Financial Services Act 2013 (“FSA”) which came into force on 30 June 2013, including guidelines on investment limits.

As the FSA effectively serves to replace the Insurance Act (“IA”)1996, the enforcement of the FSA has a profound impact on the way the Company operates and it raises challenges to business departments to put the house in order for compliance with the new regulatory requirements. In comparison with IA 1996, FSA provides greater sense of regulatory control and consumer protection as well as endowing BNM with wide powers to intervene with a financial institution's business or operations to manage risk and ensure good governance. Insurers are still subjected to certain requirements under IA while transitioning to FSA.

Notwithstanding the impact of FSA on the Company’s overall operations and business conduct, the Company had started moving towards full compliance with the applicable provisions of the FSA since February 2013. Through Life Insurance Association of Malaysia, the Company continues to engage with BNM, particularly in implementation of procedures, with the objective of gaining mutual understanding on the standards and regulations issued by BNM.

The responsibility for the formulation, establishment and approval of the Company’s investment policies rests with the Board. The Board exercises oversight on the investments to safeguard the interests of the policyholders and shareholders.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Capital Management Framework

The Company’s capital management policy is to create shareholder value, deliver sustainable returns to shareholder, maintain a strong capital position with sufficient buffer to meet policyholders’ obligations and regulatory requirements and 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 commensurate with its risk profiles. The minimum capital requirement under the Risk-Based Capital Framework regulated by Bank Negara Malaysia (BNM) is 130%. The Capital Adequacy Ratios of the Company remained well above the minimum capital requirement of 130% under the RBC Framework regulated by BNM.

The Internal Capital Adequacy Assessment Process (“ICAAP”) Framework came into effect on 1 September 2012. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review. Capital management and planning policies were further developed and refined under the Framework to outline the approaches and principles under which the Company’s capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement was established to outline the Company’s capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The following sections provide details regarding the Company's exposure to the insurance and key financial risks 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 insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance Risk

The principal activities of the Company are the provision of financial services coupled with insurance protection against risks such as mortality and morbidity (health, critical illness, disability and personal accident).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Insurance Risk (Cont'd.)

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 across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For examples, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Sources of assumptions affecting insurance risk include policy lapses and policy claims, such as mortality, morbidity and expenses.

The Company utilises reinsurance to manage the mortality and morbidity risks. The Company’s reinsurance management strategy and policy are reviewed annually by the ALC and BRC, and approved by the Board. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses. The Company’s exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

Only reinsurers meeting a minimum credit rating of S&P "A-" 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 products 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 appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

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

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

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Insurance Risk (Cont'd.)

For investment-linked funds, the risk exposure for the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholder.

Stress Testing (“ST”) is performed twice a year. The purpose of the ST is to test the solvency of the life insurance fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, mortality/morbidity patterns, lapse rates and operational loss.

Table 33(A): The table below shows the concentration of life insurance contract liabilities by type of contract as at the balance sheet date, net of reinsurance:

Life Insurance Fund

	Net of reinsurance		
	With DPF RM'000	**Without DPF RM'000**	**Total RM'000**
2013			
Whole Life	28,516,540	4,688,104	33,204,644
Endowment	7,950,572	1,277,586	9,228,158
Term	(2,647)	296,975	294,328
Accident and Health	8,910	125,253	134,163
Annuity	-	1,176	1,176
Others	1,452,578	79,264	1,531,842
Total	37,925,953	6,468,358	44,394,311
2012			
Whole Life	24,646,865	3,887,439	28,534,304
Endowment	6,982,053	1,425,977	8,408,030
Term	(2,906)	277,461	274,555
Accident and Health	9,486	123,361	132,847
Annuity	-	4,108	4,108
Others	1,110,316	50,209	1,160,525
Total	32,745,814	5,768,555	38,514,369

The sensitivity analysis below shows the impact of changes in key parameters on the value of policy liabilities, and hence on the income statement and shareholders' equity.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Insurance Risk (Cont'd.)

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

	Change in Assumptions
(a) Scenario 1 – Mortality & Major Illness	+ 25% for all future years
(b) Scenario 2 – Mortality & Major Illness	- 25% for all future years
(c) Scenario 3 – Health & Disability	+ 25% for all future years
(d) Scenario 4 – Health & Disability	- 25% for all future years
(e) Scenario 5 – Lapse & Surrender rates	+ 25% for all future years
(f) Scenario 6 – Lapse & Surrender rates	- 25% for all future years
(g) Scenario 7 - Expenses	+ 30% for all future years

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Insurance Risk (Cont'd.)

Table 33(B): The table below shows the insurance risk sensitivity analysis on the policy liabilities, profit/(loss) after taxation and shareholders' equ

RM '000	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2013							
Gross impact	(131,044)	119,626	(33,914)	28,021	(12,556)	17,556	(18,113)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(131,044)	119,626	(33,914)	28,021	(12,556)	17,556	(18,113)
2012							
Gross impact	(159,194)	139,283	(35,348)	28,918	3,273	(2,907)	(18,530)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(159,194)	139,283	(35,348)	28,918	3,273	(2,907)	(18,530)

The above table demonstrates the sensitivity of the Company's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant. The effect of sensitivity analysis on reinsurance ceded is not material. The method used and significant assumptions made for deriving sensitivity information above did not change from previous year.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

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 in the mismatch risk between the assets and liabilities of the Insurance Funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement as well as approving hedging strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company’s risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risk resulting from changes in interest rates and currency exchange rates, volatility in equity price, as well as other risks like credit and liquidity risks are briefly described as follows:

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

The Company is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholder’s Fund and the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholder’s Fund has exposure to investments in fixed income instruments but no exposure to insurance policies liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of cash flows for the Insurance Funds, it is difficult to source assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk, which is managed and monitored by the ALC. On the other hand, the Insurance Funds is likely to incur economic loss when interest rates drop since the duration of policyholders’ liabilities are generally longer than the duration of the fixed income assets.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

(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. Most of the foreign currency risk comes from our Singapore core holdings, which are long-term in nature with good dividends on purchase cost. The percentage exposure is small. (Refer to Table 33(C)).

(c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Company through its investments in the Shareholder's Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk.

Equity price risk also exists in investment linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. A robust monitoring process is in place to manage equity risk by activating appropriate risk management strategies to limit the downside risk at certain predetermined levels. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk

Exposure to credit spread risk exists in the Company's investments in bonds. Credit spread is the difference between the corporate yields against risk-free rate of the same tenure. When spreads widen, it generally implies that the market is factoring more risk of default on the bonds. A widening in credit spreads will result in a fall in the values of the Company's bond portfolio.

(e) Alternative investment risk

The Company is exposed to alternative investment risk through the investments in direct real estate that it owns through real estate. Due to the special nature of this risk, every property deal is reviewed by the BRC regardless of its value, but subject to the approval by the Board. The ALC assists in deliberating matters relating to property, including real estate guidelines, risk management, performance, expenditure, operations and facilities management.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

(f) Commodity risk

The Company does not have any direct exposure to commodity risk.

(g) Cash flow and liquidity risk

Cash flow and liquidity risk arises when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. 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 policy 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, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates. (Refer to Table 33(D1)&(D2)).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

(h) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk through (i) investment in cash, deposits and bonds, (ii) corporate lending activities and (iii) exposure to counterparty’s credit in derivatives transactions and reinsurance contracts. For all three types of exposures, financial loss may materialize as a result of credit default by the borrower or counterparty. For investment in bonds, financial loss may materialize as a result of the widening credit spread or downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the Credit Risk Committee (“CRC”), which in turn reports to the ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information. (Refer to Table 33(E1)&(E2)).

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

Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

The Company issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets.

The loans in the Company's portfolio are generally secured by collateral with maximum loan to value ratio of 80% predominantly.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

(h) Credit risk (Cont'd.)

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, request additional collateral when needed and performs an impairment valuation, whenever applicable. The fair value of collateral, held by the company as 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
2013			
Mortgage loans	Properties	1,518,919	3,626,941
Secured loans	Others	1,585,164	2,975
Policy loans	Cash value of policies	3,763,428	7,431,129
		6,867,511	11,061,045
2012			
Mortgage loans	Properties	1,091,018	2,849,693
Secured loans	Others	1,286,057	2,771
Policy loans	Cash value of policies	3,635,967	7,167,567
		6,013,042	10,020,031

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

(i) 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 product mix to ensure that there is no significant concentration of credit risk.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

(j) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, these variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after tax 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 tax and the effect on changes in fair value of financial assets held in Shareholder's Funds.

	2013		**2012**	
RM (millions)	**Impact on Profit Taxation**	**Impact on Equity***	**Impact on Profit After Taxation**	**Impact on Equity***
Change in variables				
a) Equity				
+/-20% - STI	0.0	+/-2.3	0.0	+/-0.7
- KLCI	0.0	+/-35.9	0.0	+/-25.9
b) Alternative Investment				
+/-10%	0.0	+/-13.3	0.0	+/-10.4
c) Foreign Currency				
+/-5%	+/-0.1	+/-1.6	0.0	+/-0.8
d) Interest Rate				
Yield curve +100 bps	-26.7	-48.0	-25.2	-50.0
Yield curve -100 bps	27.7	50.9	18.0	45.4
e) Credit Spread				
Spread +100 bps	-109.1	-120.5	-108.5	-126.9
Spread - 100 bps	123.4	136.3	+124.0	+144.7

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

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

(j) Sensitivity analysis on financial risks (Cont'd.)

The method for deriving sensitivity information and significant variables is enhanced from previous year to more accurately estimate the change in asset value due to changes in interest rate and credit spread. Comparative figures have been revised using the new computation method.

Operational And Compliance Risk

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

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company’s objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- Laws, regulations and rules governing insurance business and financial activities undertaken by the Company
- Codes of practice promoted by industry associations
- Internal standards and guidelines

The day-to-day management of operational and compliance risk is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors operational and compliance 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 Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from operational risk.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(C): The table below shows the foreign exchange position of the Company's financial assets and liabilities by major currencies.

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2013					
Assets					
Investments					
Malaysian government securities	7,818,148	-	-	-	7,818,148
Debt securities	25,264,398	615,266	136,901	-	26,016,565
Equity securities	14,489,911	1,062,592	1,715	416,948	15,971,166
Unit and property trust funds	425,578	107,118	-	447	533,143
Loans	7,855,847	-	-	-	7,855,847
Deposits with financial institutions	1,727,890	-	-	-	1,727,890
Financial instruments with embedded derivatives	2,591,095	-	-	-	2,591,095
Reinsurance assets	82,381	-	-	-	82,381
Insurance receivables	266,116	-	-	-	266,116
Other receivables	548,861	-	-	-	548,861
Cash and bank balances	16,086	12,594	159	9,446	38,285
Liabilities					
Insurance contract liabilities	59,648,004	-	-	-	59,648,004
Derivative financial liabilities	-	102,118	29,380	-	131,498
Agents' retirement benefits	670,930	-	-	-	670,930
Other financial liabilities	122,019	-	-	-	122,019
Insurance payables	176,828	-	-	-	176,828
Other payables	571,124	-	-	-	571,124

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(C): The table below shows the foreign exchange position of the Company's financial assets and liabilities by major currencies (Cont'd.).

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2012					
Investments					
Malaysian government securities	7,396,021	-	-	-	7,396,021
Debt securities	25,787,918	592,936	881,185	-	27,262,039
Equity securities	11,649,550	804,560	3,255	110,770	12,568,135
Unit and property trust funds	594,461	131,893	-	-	726,354
Loans	6,028,124	-	-	-	6,028,124
Deposits with financial institutions	1,807,089	-	-	-	1,807,089
Financial instruments with embedded derivatives	1,940,697	-	-	-	1,940,697
Derivatives financial assets	-	463	-	-	463
Reinsurance assets	79,360	-	-	-	79,360
Insurance receivables	268,991	-	-	-	268,991
Other receivables	523,773	-	-	-	523,773
Cash and bank balances	9,225	4,644	30	3,385	17,284
Liabilities					
Insurance contract liabilities	56,128,941	-	-	-	56,128,941
Derivative financial liabilities	-	56,054	10,348	-	66,402
Agents' retirement benefits	613,535	-	-	-	613,535
Other financial liabilities	16,671	-	-	-	16,671
Insurance payables	189,770	-	-	-	189,770
Other payables	527,191	-	-	-	527,191

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(D1): The following table shows the maturity profile of the Company's financial liabilities and the expected recovery or settlement of financial assets based on contractual undiscounted cash flow basis.

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

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
2013						
Investments:						
LAR	8,595,451	1,984,608	1,811,527	1,812,457	3,763,428	9,372,020
AFS	13,431,733	20,770	101,978	259,314	13,057,386	13,439,447
FVTPL	39,498,385	2,580,060	13,626,060	38,997,627	3,315,647	58,519,394
Reinsurance assets	82,381	4,942	15,709	18,594	43,136	82,381
Insurance receivables	266,116	266,116		-	-	266,116
Other receivables	548,861	462,761	2,083	2,920	81,097	548,861
Cash and bank balances	38,283	38,283	-	-	-	38,283
Total financial assets	62,461,210	5,357,540	15,557,357	41,090,912	20,260,695	82,266,503

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

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(D1) (Cont'd.)

	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
2013 (Cont'd.)						
Insurance contract liabilities:						
With DPF	52,947,385	939,087	3,836,570	33,170,292	15,001,436	52,947,385
Without DPF	6,700,619	748,523	236,386	1,180,811	4,534,899	6,700,619
Derivatives financial liabilities	131,498	-	131,498	-	-	131,498
Agents' retirement benefit	670,930	180,589	130,491	359,850		670,930
Other financial liabilities	122,019	121,261	758	-	-	122,019
Insurance payables	176,828	176,828		-	-	176,828
Other payables	485,561	468,248	17,313	-	-	485,561
Total financial liabilities	61,234,840	2,634,536	4,353,016	34,710,953	19,536,335	61,234,840

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

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(D1) (Cont'd.)

	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
2012						
Investments:						
LAR	7,820,189	1,864,128	1,435,072	1,172,638	3,635,967	8,107,805
AFS	11,650,126	53,821	143,425	397,325	11,247,385	11,841,956
FVTPL	38,258,606	4,700,758	14,060,365	34,100,774	2,056,631	54,918,528
Reinsurance assets	79,360	5,448	51,676	22,236	-	79,360
Insurance receivables	268,991	267,489	1,502	-	-	268,991
Other receivables	523,773	436,418	2,077	2,920	82,358	523,773
Cash and bank balances	17,284	17,284	-	-	-	17,284
Total financial assets	58,618,330	7,345,346	15,694,117	35,695,893	17,022,341	75,757,697
Insurance contract liabilities:						
With DPF	50,138,568	492,097	2,811,794	29,441,924	17,392,753	50,138,568
Without DPF	5,990,373	705,123	221,588	1,254,964	3,808,698	5,990,373
Derivatives financial liabilities	66,402	66,402	-	-	-	66,402
Agents' retirement benefit	613,535	157,959	120,192	335,384	-	613,535
Other financial liabilities	16,671	15,848	823	-	-	16,671
Insurance payables	189,770	143,456	46,314	-	-	189,770
Other payables	456,492	439,585	16,907	-	-	456,492
Total financial liabilities	57,471,811	2,020,470	3,217,618	31,032,272	21,201,451	57,471,811

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

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(D2): The following table shows the current/non current classification of assets and liabilities.

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
2013				
Property and equipment	-	455,101	-	455,101
Investment properties	-	532,100	-	532,100
Prepaid lease payments	-	16,942	-	16,942
Investments:				
LAR	5,082,520	3,104,071	408,860	8,595,451
AFS	13,188,662	243,071	-	13,431,733
FVTPL	1,029,576	34,384,316	4,084,493	39,498,385
Reinsurance assets	48,078	34,303	-	82,381
Insurance receivables	265,850	266	-	266,116
Other receivables	440,823	86,101	21,937	548,861
Cash and bank balances	36,613	-	1,670	38,283
Total assets	20,092,122	38,856,271	4,516,960	63,465,353
Insurance contract liabilities:				
With DPF	15,940,526	37,006,859	-	52,947,385
Without DPF	941,534	1,417,200	4,341,885	6,700,619
Derivatives financial liabilities	131,498	-	-	131,498
Agents' retirement benefit	180,589	490,341	-	670,930
Deferred tax liabilities	585,687	-	49,302	634,989
Other financial liabilities	63,456	758	57,805	122,019
Insurance payables	151,393	25,435	-	176,828
Provision for taxation	67,534	-	11,596	79,130
Other payables	519,560	17,313	34,251	571,124
Total liabilities	18,581,777	38,957,906	4,494,839	62,034,522

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

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(D2) (Cont'd.)

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
2012				
Property and equipment	-	470,396	-	470,396
Investment properties	-	529,650	-	529,650
Prepaid lease payments	-	17,080	-	17,080
Investments:				
LAR	4,874,850	2,376,979	568,360	7,820,189
AFS	11,282,453	367,673	-	11,650,126
FVTPL	2,853,451	32,288,646	3,116,509	38,258,606
Reinsurance assets	5,448	73,912	-	79,360
Insurance receivables	267,489	1,502	-	268,991
Other receivables	436,418	87,355	-	523,773
Cash and bank balances	15,032	-	2,252	17,284
Total assets	19,735,141	36,213,194	3,687,121	59,635,456
Insurance contract liabilities:				
With DPF	5,072,437	45,066,131	-	50,138,568
Without DPF	881,752	1,476,552	3,632,069	5,990,373
Derivatives financial liabilities	66,402	-	-	66,402
Agents' retirement benefit	157,959	455,576	-	613,535
Deferred tax liabilities	614,905	-	31,188	646,093
Other financial liabilities	7,850	-	8,821	16,671
Insurance payables	143,456	46,314	-	189,770
Provision for taxation	115,892	-	15,415	131,307
Other payables	510,284	16,907	-	527,191
Total liabilities	7,570,937	47,061,480	3,687,493	58,319,910

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

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the Balance Sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and use of credit derivatives. 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
2013					
LAR:	6(a)				
Deposits with financial institutions		34,490	1,284,540	408,860	1,727,890
Policy loans		-	3,763,428	-	3,763,428
Mortgage loans		29,167	1,489,752	-	1,518,919
Secured loans		15,016	1,570,148	-	1,585,164
Unsecured loans		44	6	-	50
AFS financial investments:	6(b)				
Equity securities		123,277	12,601,451	-	12,724,728
Malaysian government securities		19,444	-	-	19,444
Debt securities		223,627	-	-	223,627
Unit and property trust funds		8,000	455,934	-	463,934
Financial investments at FVTPL:	6(c)				
Equity securities		-	-	3,246,439	3,246,439
Financial instruments with embedded derivatives		18,082	2,526,800	46,214	2,591,096
Malaysian government securities		-	7,745,889	52,815	7,798,704
Debt securities		-	25,123,121	669,816	25,792,937
Unit and property trust funds		-	-	69,209	69,209
Derivatives financial assets		-	-	-	-
Reinsurance assets	7	-	82,381	-	82,381
Insurance receivables	8	-	266,116	-	266,116
Other receivables	9	8,087	518,832	21,942	548,861
Cash and bank balances		5,505	31,108	1,670	38,283
		484,739	57,459,506	4,516,965	62,461,210

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(E1) (Cont'd.)	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
2012					
LAR:	6(a)				
Deposits with financial institutions		9,920	1,228,809	568,360	1,807,089
Policy loans		-	3,635,967	-	3,635,967
Mortgage loans		15,000	1,076,018	-	1,091,018
Secured loans		15,024	1,271,034	-	1,286,057
Unsecured loans		39	19	-	58
AFS financial investments:	6(b)				
Equity securities		41,147	10,662,270	-	10,703,417
Malaysian government securities		25,797	-	-	25,797
Debt securities		376,943	-	-	376,943
Unit and property trust funds		8,094	535,875	-	543,969
Financial investments at FVTPL:	6(c)				
Equity securities		-	-	1,864,718	1,864,718
Financial instruments with embedded derivatives		-	1,701,639	239,058	1,940,697
Malaysian government securities		-	7,281,587	88,637	7,370,224
Debt securities		-	26,158,408	741,711	26,900,119
Unit and property trust funds		-	-	182,385	182,385
Derivatives financial assets		-	463	-	463
Reinsurance assets	7	-	79,360	-	79,360
Insurance receivables	8	-	268,991	-	268,991
Other receivables	9	5,773	501,835	16,165	523,773
Cash and bank balances		938	14,094	2,252	17,284
		498,675	54,416,369	3,703,286	58,618,330

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(E2): The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired						
	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	Past-due** RM'000	Total RM'000
2013							
LAR:							
Deposits with financial institutions	1,309,030	-	10,000	408,860	-	-	1,727,890
Policy loans	-	-	3,763,428	-	-	-	3,763,428
Mortgage loans	29,167	-	1,489,752	-	-	-	1,518,919
Secured loans	1,585,164	-	-	-	-	-	1,585,164
Unsecured loans	-	-	50	-	-	-	50
AFS financial investments:							
Equity securities	-	-	-	-	12,724,728	-	12,724,728
Malaysian government securities	19,444	-	-	-	-	-	19,444
Debt securities	223,627	-	-	-	-	-	223,627
Unit and property trust funds	-	-	-	-	463,934	-	463,934

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(E2) (Cont'd.):

	Neither past-due nor impaired						
	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	Past-due** RM'000	Total RM'000
2013 (Cont'd.)							
Financial investments at FVTPL:							
Equity securities	-	-	-	3,246,439	-	-	3,246,439
Financial instruments with embedded derivatives	2,503,189	-	41,693	46,214	-	-	2,591,096
Malaysian government securities	7,745,889	-	-	52,815	-	-	7,798,704
Debt securities	23,712,703	45,793	1,364,625	669,816	-	-	25,792,937
Unit and property trust fund	-	-	-	69,209	-	-	69,209
Reinsurance assets	81,286	-	1,095	-	-	-	82,381
Insurance receivables	266	-	264,841	-	-	1,009	266,116
Other receivables	379,129	10	147,681	21,943	-	98	548,861
Cash and bank balances	36,613	-	-	1,670	-	-	38,283
	37,625,506	45,803	7,083,164	4,516,966	13,188,662	1,107	62,461,209

* Based on public ratings assigned by external rating agencies including RAM and MARC.
** An aging analysis for financial assets past due is provided below.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(E2) (Cont'd.):

	Neither past-due nor impaired						
	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	Past-due** RM'000	Total RM'000
2012							
LAR:							
Deposits with financial institutions	1,115,409	-	123,320	568,360	-	-	1,807,089
Policy loans	-	-	3,635,967	-	-	-	3,635,967
Mortgage loans	527,692	-	563,326	-	-	-	1,091,018
Secured loans	1,283,286	-	2,771	-	-	-	1,286,057
Unsecured loans	-	-	58	-	-	-	58
AFS financial investments:							
Equity securities	-	-	-	-	10,703,417	-	10,703,417
Malaysian government securities	25,797	-	-	-	-	-	25,797
Debt securities	366,939	-	10,004	-	-	-	376,943
Unit and property trust funds	-	-	-	-	543,969	-	543,969

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Table 33(E2) (Cont'd.):

	Neither past-due nor impaired						
	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	Past-due** RM'000	Total RM'000
2012 (Cont'd.)							
Financial investments at FVTPL:							
Equity securities	-	-	-	1,864,718	-	-	1,864,718
Financial instruments with embedded derivatives	1,698,424	-	-	239,058	3,215	-	1,940,697
Malaysian government securities	7,281,587	-	-	88,637	-	-	7,370,224
Debt securities	24,151,880	-	2,006,528	741,711	-	-	26,900,119
Unit and property trust fund	-	-	-	182,385	-	-	182,385
Derivatives financial assets	463	-	-	-	-	-	463
Reinsurance assets	78,272	-	1,088	-	-	-	79,360
Insurance receivables	1,502	-	258,435	-	-	9,054	268,991
Other receivables	359,511	-	148,025	16,165	-	72	523,773
Cash and bank balances	15,002	-	30	2,252	-	-	17,284
	36,905,765	-	6,749,552	3,703,286	11,250,601	9,126	58,618,330

* Based on public ratings assigned by external rating agencies including RAM and MARC.
** An Aging analysis for financial assets past due is provided below.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risk (Cont'd.)

Aging Analysis of financial assets past due:

Table 33(E2) (Cont'd.):

	Past-due but not impaired					
	< 6 Months RM'000	6 Months to 12 Months RM'000	>12 Months RM'000	Total RM'000	Past Due and impaired RM'000	Total RM'000
2013						
Insurance receivables	188	530	291	1,009	5,401	6,410
Other receivables	30	68	-	98	110	208
	218	598	291	1,107	5,511	6,618
2012						
Insurance receivables	8,306	244	504	9,054	5,236	14,290
Other receivables	51	5	16	72	335	407
	8,357	249	520	9,126	5,571	14,697

Receivables that are neither past due nor impaired
Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

Receivables that are past due but not impaired
The Company has receivables amounting to RM1,107,000 (31 December 2012: RM9,126,000) that are past due at reporting date but not impaired.

At reporting date, receivables amounting to RM1,009,000 (31 December 2012: RM8,456,000) have been arranged to be settled. The remaining balances of receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired
Receivables that are impaired are individually assessed and determined to be impaired relates to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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34. FAIR VALUE OF ASSETS AND LIABILITIES

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

	Carrying Amount		Fair Value	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Financial Assets:				
Investments				
AFS financial assets (Note 6(b)):				
Equity securities:				
Quoted in Malaysia	11,147,157	9,606,601	11,147,157	9,606,601
Quoted outside Malaysia	1,462,705	981,713	1,462,705	981,713
Malaysian government securities	19,444	25,797	19,444	25,797
Debt securities:		-		
Unquoted in Malaysia	223,627	376,943	223,627	376,943
Unit and property trust funds:		-		
Quoted in Malaysia	357,274	416,086	357,274	416,086
Quoted outside Malaysia	106,660	127,883	106,660	127,883
Equity securities:				
Unquoted in Malaysia	114,866	115,103	114,866	115,103
FVTPL - Held for Trading (Note 6(c)):				
Equity securities:				
Quoted in Malaysia	3,227,889	1,848,326	3,227,889	1,848,326
Quoted outside Malaysia	18,550	16,392	18,550	16,392
Financial instruments with embedded derivatives	2,591,096	1,940,697	2,591,096	1,940,697
Malaysian government securities	52,815	88,637	52,815	88,637
Debt securities:				
Unquoted in Malaysia	669,816	741,711	669,816	741,711
Unit and property trust funds:				
Quoted in Malaysia	68,304	178,376	68,304	178,376
Quoted outside Malaysia	905	4,009	905	4,009
Derivative financial assets	-	463	-	463

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D.)

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values (cont'd):

	Carrying Amount		Fair Value	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial Assets:				
FVTPL - Designated Upon Initial Recognition (Note 6(c)):				
Malaysian government securities	7,745,889	7,281,587	7,745,889	7,281,587
Debt securities:				
Quoted outside Malaysia	615,266	592,936	615,266	592,936
Unquoted in Malaysia	24,370,954	25,430,738	24,370,954	25,430,738
Unquoted outside Malaysia	136,901	134,734	136,901	134,734
Loans and receivables (Note 6(a)):				
Mortgage loans	1,518,919	1,091,018	1,545,472	1,120,461
	54,449,037	50,999,751	54,475,590	51,029,194
Financial Liabilities:				
Derivative financial liabilities (Note 12):				
Currency swaps	131,498	66,402	131,498	66,402
	131,498	66,402	131,498	66,402

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

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is 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 following methods and assumptions were used to estimate the fair values:

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

- 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 price 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").

- For unquoted and unrated bonds, the unrated bonds are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against Bank Negara's indicative bond yields for a bond with similar rating and tenure.

- 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.

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

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

2013	Date of valuation	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>Assets measured at fair value:</u>					
<u>Financial Assets:</u>					
<u>AFS financial assets (Note 6(b)):</u>					
Equity securities:					
Quoted in Malaysia	31 December 2013	11,147,157	-	-	11,147,157
Quoted outside Malaysia	31 December 2013	1,462,705	-	-	1,462,705
Malaysian government securities	31 December 2013	-	19,444	-	19,444
Debt securities:					
Unquoted in Malaysia	31 December 2013	-	223,627	-	223,627
Unit and property trust funds:					
Quoted in Malaysia	31 December 2013	357,274	-	-	357,274
Quoted outside Malaysia	31 December 2013	106,660	-	-	106,660
<u>FVTPL - Held for Trading (Note 6(c)):</u>					
Equity securities:					
Quoted in Malaysia	31 December 2013	3,227,889	-	-	3,227,889
Quoted outside Malaysia	31 December 2013	18,550	-	-	18,550
Financial instruments with embedded derivatives	31 December 2013	62,135	2,528,961	-	2,591,096
Malaysian government securities	31 December 2013	-	52,815	-	52,815
Debt securities:					
Unquoted in Malaysia	31 December 2013	-	669,816	-	669,816
Unit and property trust funds:					
Quoted in Malaysia	31 December 2013	68,304	-	-	68,304
Quoted outside Malaysia	31 December 2013	905	-	-	905

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

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

2013 (cont'd.)	Date of valuation	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
Assets measured at fair value (cont'd.):					
FVTPL - Designated Upon Initial Recognition (Note 6(c)):					
Malaysian government securities	31 December 2013	-	7,745,889	-	7,745,889
Debt securities:					
Quoted outside Malaysia	31 December 2013	615,266	-	-	615,266
Unquoted in Malaysia	31 December 2013	-	24,370,954	-	24,370,954
Unquoted outside Malaysia	31 December 2013	-	136,901	-	136,901
Financial assets		17,066,845	35,748,407	-	52,815,252
Non Financial Assets:					
Investment Properties (Note 4):					
Commercial	31 December 2013	-	301,450	-	301,450
Residential	31 December 2013	-	230,650	-	230,650
Non financial assets		-	532,100	-	532,100
Assets for which fair values are disclosed:					
LAR (Note 6(a)):					
Mortgage loans	31 December 2013	-	1,545,472	-	1,545,472
Liabilities measured at fair value:					
Financial Liabilities					
Derivative financial liabilities (Note 12):					
Currency swaps	31 December 2013	-	131,498	-	131,498

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

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

2012	Date of valuation	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
Assets measured at fair value:					
Financial Assets:					
AFS financial assets (Note 6(b)):					
Equity securities:					
Quoted in Malaysia	31 December 2012	9,606,601	-	-	9,606,601
Quoted outside Malaysia	31 December 2012	981,713	-	-	981,713
Malaysian government securities	31 December 2012	-	25,797	-	25,797
Debt securities:					
Unquoted in Malaysia	31 December 2012	-	376,943	-	376,943
Unit and property trust funds:					
Quoted in Malaysia	31 December 2012	416,086	-	-	416,086
Quoted outside Malaysia	31 December 2012	127,883	-	-	127,883
FVTPL - Held for Trading (Note 6(c)):					
Equity securities:					
Quoted in Malaysia	31 December 2012	1,848,326	-	-	1,848,326
Quoted outside Malaysia	31 December 2012	16,392	-	-	16,392
Financial instruments with embedded derivatives	31 December 2012	11,102	1,929,595	-	1,940,697
Malaysian government securities	31 December 2012	-	88,637	-	88,637
Debt securities:					
Unquoted in Malaysia	31 December 2012	-	741,711	-	741,711
Unit and property trust funds:					
Quoted in Malaysia	31 December 2012	178,376	-	-	178,376
Quoted outside Malaysia	31 December 2012	4,009	-	-	4,009
Derivative financial assets	31 December 2012	463	-	-	463
FVTPL - Designated Upon Initial Recognition (Note 6(c)):					
Malaysian government securities	31 December 2012	-	7,281,587	-	7,281,587
Debt securities:					
Quoted outside Malaysia	31 December 2012	592,936	-	-	592,936
Unquoted in Malaysia	31 December 2012	-	25,430,738	-	25,430,738
Unquoted outside Malaysia	31 December 2012	-	134,734	-	134,734
Financial assets		13,783,887	36,009,743	-	49,793,630

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

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

2012 (cont'd.)	Date of valuation	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
Assets measured at fair value (cont'd.):					
Non Financial Assets:					
Investment Properties (Note 4):					
Commercial	31 December 2012	-	299,000	-	299,000
Residential	31 December 2012	-	230,650	-	230,650
Non financial assets		-	529,650	-	529,650
Assets for which fair values are disclosed:					
LAR (Note 6(a)):					
Mortgage loans	31 December 2012	-	1,120,461	-	1,120,461
Liabilities measured at fair value:					
Financial Liabilities					
Derivative financial liabilities (Note 12):					
Currency swaps	31 December 2012	-	66,402	-	66,402

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

Fair value Hierarchy

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

Level 1 assets/liabilities are those 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 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 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 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 has been no transfers of financial assets between Level 1 and Level 2 during the financial years ended 31 December 2013 and 31 December 2012.

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35. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2013, as prescribed under the RBC is provided below:

	2013 RM'000	2012 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	17,076,689	18,476,533
	17,176,689	18,576,533
Tier 2 Capital		
Eligible reserves	5,083,277	4,159,927
Total Capital Available	22,259,966	22,736,460

36. CONTINGENT LIABILITIES

	2013 RM'000	2012 RM'000
Unsecured:		
Arising from litigation cases	341	928

As at end of the financial year, the Company has a few outstanding litigation claims that may incur potential liabilities for the Company. These outstanding litigation claims arise mainly from disputes on claims settlement, agency and staff industrial relation matters.

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37. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into Life Insurance, Shareholder and General and Unit-Linked funds in accordance with the Financial Services Act, 2013. The Income Statement and Balance Sheet by funds are presented as follow:

Balance Sheet by Funds
As at 31 December 2013

	Shareholder's Fund		Life Insurance Fund		Elimination*		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets								
Financial investments	471,146	491,964	61,054,423	57,236,958	-	-	61,525,569	57,728,922
Reinsurance assets	-	-	82,381	79,360	-	-	82,381	79,360
Insurance receivables	-	-	266,116	268,991	-	-	266,116	268,991
Other assets	1,164,827	1,003,590	1,619,510	1,564,206	(1,193,050)	(1,009,613)	1,591,287	1,558,183
	1,635,973	1,495,554	63,022,430	59,149,515	(1,193,050)	(1,009,613)	63,465,353	59,635,456
Equity, Policyholders' Fund and Liabilities								
Total Equity	1,430,831	1,315,546	-	-	-	-	1,430,831	1,315,546
Insurance contract liabilities	-	-	59,648,004	56,128,941	-	-	59,648,004	56,128,941
Other liabilities	205,142	180,008	3,374,426	3,020,574	(1,193,050)	(1,009,613)	2,386,518	2,190,969
Total policyholders' fund and liabilities	205,142	180,008	63,022,430	59,149,515	(1,193,050)	(1,009,613)	62,034,522	58,319,910
	1,635,973	1,495,554	63,022,430	59,149,515	(1,193,050)	(1,009,613)	63,465,353	59,635,456

* Refers to elimination of Interfund balances.

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37. INSURANCE FUNDS (CONT'D.)

Income Statement by Funds
For the year ended 31 December 2013

	Shareholder's Funds		Life Insurance Fund		Total	
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	-	6,495,615	6,152,193	6,495,615	6,152,193
Premiums ceded to reinsurers	-	-	(117,282)	(119,596)	(117,282)	(119,596)
Net earned premiums	-	-	6,378,333	6,032,597	6,378,333	6,032,597
Investment income	25,172	26,938	2,522,537	2,327,117	2,547,709	2,354,055
Fee and commission income	-	-	5,965	16,931	5,965	16,931
Gains and losses and other operating revenue	10,621	9,839	(803,376)	2,291,672	(792,755)	2,301,511
Other revenue	35,793	36,777	1,725,126	4,635,720	1,760,919	4,672,497
Gross benefits and claims paid	-	-	(4,442,636)	(3,619,462)	(4,442,636)	(3,619,462)
Claims ceded to reinsurers	-	-	75,920	78,986	75,920	78,986
Gross change in contract liabilities	-	-	(1,582,826)	(4,818,665)	(1,582,826)	(4,818,665)
Change in contract liabilities ceded to reinsurers	-	-	(5,945)	2,051	(5,945)	2,051
Net benefits and claims	-	-	(5,955,487)	(8,357,090)	(5,955,487)	(8,357,090)
Depreciation and amortisation	-	-	(52,112)	(52,078)	(52,112)	(52,078)
Other operating and management expenses	(622)	(393)	(1,206,976)	(1,216,971)	(1,207,598)	(1,217,364)
Taxation of life insurance business	-	-	(107,561)	(348,149)	(107,561)	(348,149)
Other expenses	(622)	(393)	(1,366,649)	(1,617,198)	(1,367,271)	(1,617,591)
Profit from operations	35,171	36,384	781,323	694,029	816,494	730,413
Reversal of excess transfer in the prior years	(20,000)	-	20,000	-	-	-
Transfer from Life Insurance Fund*	801,323	694,029	(801,323)	(694,029)	-	-
Profit/Surplus before Taxation	816,494	730,413	-	-	816,494	730,413
Taxation (Note 25)	(174,378)	(147,333)	-	-	(174,378)	(147,333)
Net profit/surplus for the year	642,116	583,080	-	-	642,116	583,080

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

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37. INSURANCE FUNDS (CONT'D.)

Information on Cash Flows by Funds
As at 31 December 2013

	Shareholder's Fund		Life Insurance Fund		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flow from:						
Operating activities	697,390	573,740	(118,754)	(179,522)	578,636	394,218
Investing activities	-	-	(38,843)	(21,135)	(38,843)	(21,135)
Financing activities	(518,794)	(495,909)	-	-	(518,794)	(495,909)
Increase/(Decrease) in cash and cash equivalents	178,596	77,831	(157,597)	(200,657)	20,999	(122,826)
Cash and cash equivalents:						
At beginning of year	185,665	107,834	(168,381)	32,276	17,284	140,110
At end of year	364,261	185,665	(325,978)	(168,381)	38,283	17,284