



GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (93745-A)

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GREAT STARTS SMALL

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD

ANNUAL REPORT 2014

GREAT
STARTS SMALL



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ANNUAL REPORT 2014

Great Starts Small. As a LIFE company, Great Eastern values how a little can go a long way. We believe that every purposeful action undertaken today, no matter how small, will lead to a greater and better tomorrow.

The spherical icon and the dynamic rays represent the world of Great Eastern... a world which is constantly evolving and continually expanding in diverse and vibrant ways to empower the lives around us.

Be it helping our customers achieve their financial and wellness goals, developing our people to help them realise their fullest potential or simply lending a helping hand to the needy in the community, Great Eastern remains committed to achieving excellence and to making a meaningful difference.



OUR MISSION

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

OUR VISION

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

OUR CORE VALUES

• Integrity • Initiative • Involvement

ETHOS

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

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KEY FIGURES

Performance Highlights FY2014

RM66,857.2
MILLION
TOTAL ASSETS

RM6,779.4
MILLION
GROSS PREMIUMS

RM662.7
MILLION
PROFIT ATTRIBUTABLE
TO SHAREHOLDERS

RM6.32¹
DISTRIBUTION
PER SHARE

RM3,144.3
MILLION
INVESTMENT INCOME
AND CAPITAL GAIN

RM1,573.0
MILLION
SHAREHOLDER'S
FUND

¹ This includes the interim dividend of RM1.20 per ordinary share and a final dividend of RM5.12 per share.

INTEGRITY



INITIATIVE

Firmly guided by its core values of Integrity, Initiative and Involvement, Great Eastern will continue to blaze new trails of excellence as it strives to deliver a compelling and differentiated customer proposition and to be the most trusted insurance company in the region.





GREAT STARTS SMALL

As a LIFE company, we are committed to helping our customers achieve their financial and wellness goals in the best way possible.

From providing innovative solutions to encouraging and rewarding them to Live Great, healthier and better, we have made it our purpose to help our customers go beyond their limitations to achieve greater milestones in life.



GREAT IS KNOWING
YOUR LIMITS YET **SURPASSING**
YOUR BOUNDARIES



GREAT IS SEEING THE
POTENTIAL IN THE SMALL
AND **MAKING IT BIG**



GREAT
STARTS SMALL

We value our employees and distribution representatives as our greatest assets. We value talent, and aspire to bring out the best in our people. Our strong corporate culture is underpinned by our cohesive team spirit, open communication and trust, and a steadfast commitment to excellence. We believe in nurturing an invigorating and engaging environment to bring forth the best in our people and help them realise their fullest potential.



GREAT
STARTS SMALL

We believe that the creation of a better tomorrow starts with a positive change today. That is why we champion the little efforts that enrich life in meaningful ways. A small act has the potential to leave a great impact – whether it is lending a helping hand to those in need or going the extra mile for a community cause. Every action made in the present will go a long way to inspire a brighter future.



GREAT IS **ENVISIONING**
A BRIGHTER FUTURE
BUT CREATING IT IN THE PRESENT

CEO'S REVIEW



Y BHG DATO KOH YAW HUI
Director and Chief Executive Officer

“Our steadfast commitment to excellence in meeting our customers’ needs with innovative products, providing proficient advice and building meaningful relationships remains our top priority. We will continue to improve and transcend our limitations to realise our fullest potential.”

In 2014, we announced the “Live Great” message to our customers through various health and wellness initiatives and platforms as we marked the third year as a LIFE company. We re-inforced our efforts to continue inspiring customers to live healthier, better and longer not only for themselves but for their loved ones.

It is our brand promise to inspire Malaysians to turn their health intentions into actions and we aspire to be the catalyst that helps encourage Malaysians to stay motivated while achieving their goals in life.

BUILDING A HEALTHY NATION

The Live Great Programme, the first integrated health and wellness programmes was initiated in 2012 to offer multiple channels for our customers to Live Great. Since the launch, the programme has been the main component and a platform in encouraging our customers to practise healthier living.

In 2014, we organised a few signature events of which one was The Star Health Fair, a three-day holistic health event which attracted 30,000 visitors. This third year collaboration with The Star further cemented our LIFE company proposition.

The “Live Great Run”, another signature event held for three consecutive years at Menara MATRADE, Kuala Lumpur attracted more than 6,200 runners from local and abroad. This year, the run was combined with “Run with a Child” campaign where children were dressed in superhero outfits running under the watchful eyes of big brothers and sisters, volunteers from our company. This campaign aims to inculcate healthy habits among the underprivileged children in a fun way while instilling the spirit of volunteerism within Great Eastern Life.

Further to that, we took a bold step forward to show our commitment in promoting healthy values to our employees and customers. We designed an on-ground interactive health centre called The Live Great Space. Conveniently located at the lobby of Menara Great Eastern, the space provides customers and the public with expert advice and professional support to help them achieve their health goals, at a single unified location.

In September, we collaborated with the National Heart Association of Malaysia, National Heart Foundation, Women’s Heart Health Organisation and National Heart Institute in realising The Heart Exhibition. The event received overwhelming response from 30,000 visitors over two days. Themed “Live Great from The Heart”, the exhibition demonstrated the importance of keeping a healthy heart as a start to a great life which is in line with our brand aspiration.

In addition to our initiatives to encourage our young customers to Live Great, the “Colour Me Up” contest was held in its third year where more than 51,000 children from 7,000 primary schools across Malaysia entered the contest. The contest aims to inspire young children to express their talents through art.

ENHANCING OUR DISTRIBUTION CHANNELS

Every year we work hard to create strong distribution channels and we make it a top priority to equip our agents with the best skills and resources to help them in this increasingly competitive market. We aim to enhance the professionalism and distribution capabilities of our life planners. Last year, we announced the RM20 million Agency Transformation Plan where we plan to establish an iconic training academy with the objective to enhance our life planner’s professionalism, skills and increase their productivity towards business growth.

This year, we successfully unveiled the all new Centre for Excellence (CFE) which was officially opened by YB Datuk Hj. Ahmad bin Hj. Maslan, Deputy Minister of Finance Malaysia. Comprising 60,000 square feet the state-of-the-art training centre can house more than 2,000 life planners at any one time for trainings and workshops. This all-new Centre for Excellence, located at level 6 features a 1,000-capacity great hall, 2 theatre-styled auditoriums, 13 training rooms, 7 discussion rooms, a video conferencing room to promote virtual learning and discussion, IT rooms, an exclusive Premier Business Lounge and a Live Great cafeteria.

This training centre and best-in-class training curriculum has been carefully designed to provide a holistic learning experience that will not only support our existing field force but also to raise their level of competency and skills to effectively and consistently drive success while delivering service excellence to all our customers. It also serves as a unique attraction to drive our recruitment initiatives and retain talents as we remain committed to developing our human resource and enhance talent management within the industry. I believe that this strategic initiative will propel our agency force to be recognised as the most trusted and professional life planners in Malaysia.

New and enhanced initiatives were launched such as the MPower Challenges for all ranks of agents, a quarterly recruitment challenge were introduced to spur all levels of Agents to adopt recruitment in their daily activities. Apart from that, a new Recruitment Workshop was also introduced for Agency Leaders to gain practical knowledge and skills from our renowned practitioners facilitated by Great Eastern Life Assurance Co Ltd (GELS) Group Sales Managers.

A two-session programme of Central Region Business Opportunity Convention was also organised which attracted over 1,000 people. We also continued our 500 Supremacy Bonus Point initiative to encourage our new agents to fulfil their mandatory training in order to sharpen their selling skills and drive productivity. The Agency Internship Programme was also held arising from positive response from students. We also continued with the TarGETS Entrepreneurship Programme and GETS Experience Programme which was launched last year.

CEO'S REVIEW

FINANCIAL PERFORMANCE

I am pleased to report that the company delivered another year of success in 2014 where we achieved total weighted new business premiums of RM1.16 billion. Our asset size grew 5.34% to RM66.9 billion, while net profit attributable to shareholders increased by 3.20% to RM662.7 million compared with RM642.1 million in 2013.

INNOVATIVE PRODUCTS FOR BUSINESS GROWTH

As the largest life insurance company in Malaysia, we continue to be innovative in our product development strategies to deliver customer-centric and revolutionary products to ensure business growth in an evolving and competitive environment.

Great Eastern Life achieved a breakthrough with Great Early Living Care (GELC), by being the first in Malaysia to offer an early critical illness insurance plan with guaranteed premium rates and a wellness programme to reward customers. We also ventured in a direction where no life insurance company has gone. This was in response to a Morbidity Survey done in 2011, which revealed that one in three Malaysian adults has either high cholesterol or high blood pressure or is overweight. To cater to this high risk category, Great Eastern Life was the first in the country to offer early critical illness coverage for these customers through our Advantage and Wellness Programme.

The Advantage Programme will evaluate customers with borderline elevation of these three health conditions with the objective of offering early critical illness coverage at standard rate while the Wellness Programme aims to motivate those with higher elevation to a healthier status through a two-year wellness programme. The Wellness Programme represents our commitment towards their well-being where we will reward them monetarily to motivate them to achieve the health target set at the end of the two years.

Great Eastern Life also introduced another "first" to the life insurance market this year. The Smart Extender is a comprehensive healthcare protection plan that provides our customers the financial freedom and confidence to live life without being held back by financial constraints should a medical need arises.

This medical rider with no co-insurance provides higher annual limit, up to 10 times the initial overall annual limit and no lifetime limit to ease the burdens of increasing medical expenses.

DEVELOPING OUR PEOPLE

Emphasising on the importance of health and wellness, Great Eastern Life rolled out the 2014 LIFE Programme to include all permanent Great Eastern Life and OACM executive employees. Numerous incentives and tools are given to employees to take care of their health - from subsidised gym membership, to rewarding participation for LIFE Programme activities during its regular Wellness Wednesdays, Trim Tummy Thursdays and Live Great Fridays that ranged from health quizzes, running clinics, stair-

climbing, health talks delivered by medical specialists, Zumba, aerobics, aerobelly, flexigroove and various other fun workout sessions.

We also organised the 'Kickstart to Fitness' under the LIFE Programme initiative to help our employees to personalise a fitness regime according to their fitness level. Through this programme, personnel who worked hard enjoyed tremendous improvements to their overall health while feeling great altogether. The in-house gym at the Head Office was also refurbished.

We launched a Clerical Development Programme for our clerical employee to develop a pool of high-performing clerks within the organisation in support of the Best People Initiatives, and held our inaugural Staff Speech Challenge to encourage and enhance competency in speech and communication.

Our people development and employer branding initiatives have also ensured that we remained the most popular graduate employer in the country's insurance sector for the sixth consecutive year as voted by graduates through the Malaysia's 100 Leading Graduate Employers' survey. We were also accorded the Life Office Management Association (LOMA) Educational Achievement Award for the sixth time. This award recognised our contribution towards developing industry-relevant knowledge and professionalism.

HELPING THE COMMUNITY

It is close to two decades through our ChildrenCare Programme where Great Eastern Life collaborated with Department of Social Welfare Malaysia or *Jabatan Kebajikan Masyarakat* (JKM) to provide assistance to the underprivileged children. Committed to inspiring underprivileged children to discover their potential in life, ChildrenCare focuses on three core pillars, namely education, health and wellness, as well as personal development when reaching out to children in need.

This strategic partnership with JKM has helped encourage and motivate children from the JKM institutions to excel in their studies. We also hope that this long term programme will continue to inspire more children to pursue academic success.

The highlight of 2014 was the results from *Program Aspirasi Gemilang 'A'* where children from charitable homes under the JKM achieved 108 A's and were awarded RM100 for each 'A' scored in their public examinations - an increase of 100% from previous year.

In conjunction with the award presentation ceremony, Great Eastern Life also organised the 'Live Great Discovery'. Held over five days, underprivileged children were encouraged to discover their true potential in the areas of education, health and wellness and personal development. Various fun activities were conducted in three significant zones namely "Education", "Health and Wellness" and "Personal Development".

At the “Education” corner, children learned about the C Programming Language to control robots and to get a better understanding in subjects like Science, Technology, Engineering and Mathematics while improving their lateral thinking, communications and problem-solving skills.

Eye checks and BMI tests were carried out at the “Health and Wellness” corner to ensure that children are not hindered by impaired vision or obesity in their journey to discover their true potential. The children also demonstrated their creativity through Lego building and clay craft-making at the “Personal Development” corner.

As part of the *Program Aspirasi Gemilang 'A'*, a specially designed revision programme called Let's Score 'A' Workshop was conducted in August and September to help children to prepare better for the public examinations namely, *Ujian Penilaian Sekolah Rendah* (UPSR) and *Sijil Pelajaran Malaysia* (SPM).

ChildrenCare also organised visits to selected homes to extend the festive spirit to underprivileged children as well as to instill the spirit of volunteerism among employees and agents. We spread the joy of Chinese New Year to Angel Home, Kuala Lumpur; *buka puasa* or break fast with 100 students from Sekolah Tunas Bakti Sungai Besi, Selangor in conjunction with Ramadhan; celebrated the colours of Diwali through 'kolam-making' in Pure Life Society, Kuala Lumpur; and brought children to the National Zoo for 'Christmas in Zoo-Wonderland'.

ChildrenCare also organised outings and camps to expose children to knowledge and interactive skills. Thirty-three underprivileged children from Rumah Charis and Rumah Bakti Cahaya Hati were taken to a one-day Science Adventure exploration at Petrosains, KLCC. In addition, twenty-one i-Pledge volunteers accompanied thirty-eight underprivileged children from various parts of northern Malaysia for a three-day leadership camp to help children develop leadership qualities and enhance their communicational skills.

We are also committed in nurturing young talents through our Supremacy Scholarship Awards by providing a platform for deserving young Malaysians to realise their potential and contribute towards elevating the country to a developed Nation status in line with Vision 2020. This year, fifteen scholarships were presented to deserving students, bringing the total scholarship amount to over RM9.24 million awarded to 132 recipients since its inception in 1998.

CREATING NEW MILESTONES

During the year, Great Eastern Life was once again voted as one of the most trusted and favourite brands by consumers in Malaysia. For the 11th consecutive year, Great Eastern Life bagged the prestigious Reader's Digest Trusted Brands Gold Award in the Life Insurance category.

Another reason to celebrate was the recognition as The BrandLaureate BestBrands, Brand of the Year Award 2013-2014 in the Insurance Category.

Great Eastern Life also bagged the Malaysia Power Brand – Hall of Fame Award 2014.

We were also recognised for the sixth consecutive year as one of the best insurance company to work at in the Malaysia's 100 Leading Graduate Employers 2014 list. The recognition was based on a Trendence Graduate Barometer that surveyed 12,000 Malaysian students and fresh graduates from universities in Malaysia.

Great Eastern Life was also selected as one of the winners of the Asia Corporate Excellence & Sustainability Awards 2014 under the Top 5 Community Care Companies in Asia 2014 category for its Corporate Social Responsibility (CSR) Project – ChildrenCare.

OUR FUTURE STRATEGIES

Moving forward, we will strive towards creating greater value through product innovation and building the most trusted and professional advisory capabilities among our life planners. We will focus in giving the best to meet the demands of our customers and continue our effort to drive business growth.

As Great Eastern Life advances, we will leverage all opportunities to overcome challenges and continue to balance our good economic performance with responsible corporate practices.

On behalf of the Management Team, I would like to express my heartfelt gratitude to Bank Negara Malaysia, Great Eastern Holdings Limited and OCBC Bank for their steadfast support and confidence in Great Eastern Life Malaysia. My deep appreciation goes also to all our loyal customers for their unwavering support.

My sincere thanks also go to the Board of Directors as well as my fellow colleagues on the Management Team for their dedication, contributions and wise insights. This company is indeed fortunate to have such committed individuals to serve in the respective roles and steer our company through the challenges.

Last but not least, I wish to convey my heartfelt thanks to our dedicated and hardworking employees who continue to deliver good work and display great attitude and spirit in all that they undertake. We continue to stand tall because of the unwavering commitment and efforts of our team and I am confident that we will achieve greater heights of success.



DATO KOH YAW HUI

Director and Chief Executive Officer
Great Eastern Life Assurance (Malaysia) Berhad

BOARD OF DIRECTORS



Top row from left:

Norman Ip Ka Cheung, Y Bhg Datuk Kamaruddin Bin Taib, Y Bhg Dato' Albert Yeoh Beow Tit

Bottom row from left:

Y Bhg Dato Koh Yaw Hui, Lee Kong Yip, Ng Hon Soon

CORPORATE INFORMATION

BOARD OF DIRECTORS

Norman Ip Ka Cheung
Y Bhg Datuk Kamaruddin Bin Taib
Y Bhg Dato' Albert Yeoh Beow Tit
Y Bhg Dato Koh Yaw Hui
Lee Kong Yip
Ng Hon Soon

CHIEF EXECUTIVE OFFICER

Y Bhg Dato Koh Yaw Hui

APPOINTED ACTUARY

Loke Chang Yueh

COMPANY SECRETARY

Liza Hanim Binti Zainal Abidin

REGISTERED OFFICE

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

AUDITORS

Messrs Ernst & Young

ENGAGEMENT PARTNER

Brandon Bruce Sta Maria

SENIOR MANAGEMENT TEAM



Standing from left: Chan Chee Wei (*Senior Vice President and Head, Bancassurance*),
Dennis Tan Koh Tiong (*Senior Vice President and Head, Human Capital*), Raymond Ong Eng Siew (*Chief Financial Officer*)
Seated from left: Cheong Soo Ching (*Chief Risk Officer*), Y Bhg Dato Koh Yaw Hui (*Director and Chief Executive Officer*),
Song Hock Wan (*Chief Distribution Officer*),
Liza Hanim Binti Zainal Abidin (*Senior Vice President and Company Secretary, Secretariat and Legal*)



Standing from left: Loke Chang Yueh (*Appointed Actuary*),
Vincent Chin Kok Lean (*Senior Vice President and Head, Information Technology*)

Seated from left: Nicholas Kua Choo Ming (*Chief Marketing Officer*), Jeffrey Yem Voon Cheat (*Chief Operations Officer*),
Richard Lin Kwok Wing (*Chief Investment Officer*), Audra Chung Kit Li (*Chief Internal Auditor*)

KEY FUNCTIONAL DIVISIONS

CUSTOMER ACQUISITION DIVISION (Agency Management)

Song Hock Wan
Chief Distribution Officer

Andy Ng Yen Heng
Senior Vice President and Head
Centre for Excellence

Koh Ken Yong
Assistant Vice President and Head
Strategic Business Development Unit

Suresh Tanigajalam
Senior Manager and Head
Indian Business Development Unit

Selvamony Muniandy
Senior Manager and Head
Agency Administration

REGIONAL MANAGERS

Susan Tan San San
Central Region 1

Eric Soo Hong Kee
Central Region 2

David Ong Kar Perng
Northern Region 1

Ken Ong Kean Teik
Northern Region 2

Scott Wong Charng Yeon
Sabah Region

Ricky Voon Woo Kian
Sarawak Region

James Pang Shau Hwa
Southern Region

BUSINESS DEVELOPMENT MANAGERS

Brandon Lee Chi Ping
Alor Setar

Irene Koh Ai Lian
Batu Pahat

Tan Pang Siang
Klang

Radzuan Abu Bakar
Kota Bharu

Alex Hew Aik Thye
Dickson Ow Siew Kay
Looi Chee Nang
Alicia Keh Pei Chin
Danny Liew Yew Cho
Kuala Lumpur

See Han Chung
Kuantan

Tan Chu Boon
Melaka

Alex Ch'ng Seet Loke
Penang

Yap Hock Ban
Seremban

CHIEF MARKETING OFFICER'S OFFICE

Nicholas Kua Choo Ming
Chief Marketing Officer

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

Wong Mei Chim
Vice President and Head
Product Management

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

GROUP INSURANCE

Sean Loo Ping Nam
Vice President and Head

BANCASSURANCE

Chan Chee Wei
Senior Vice President and Head

ACTUARIAL

Loke Chang Yueh
Appointed Actuary

COMPANY SECRETARIAT AND LEGAL

Liza Hanim Binti Zainal Abidin
Senior Vice President and
Company Secretary

Mazlin Haslinda Mohammed
Vice President and Head
Legal

Wendy Chin Loong Ying
Assistant Vice President
Company Secretariat

PROPERTY

Yip Swee Chang
Assistant Vice President

CHIEF FINANCIAL OFFICER'S OFFICE

Raymond Ong Eng Siew
Chief Financial Officer

Mah Poon Keong
Vice President and Head
Finance

Lo Chin Loon
Assistant Vice President and Head
Strategic Planning

Gan Geok Lai
Manager and Head
Investment Operations

CHIEF RISK OFFICER'S OFFICE

Cheong Soo Ching
Chief Risk Officer

Helen Quat Li Huang
Assistant Vice President and Head
Compliance

HUMAN CAPITAL

Dennis Tan Koh Tiong
Senior Vice President and Head

Kwon Yen May
Assistant Vice President and Head
Corporate Services

INTERNAL AUDIT

Audra Chung Kit Li
Chief Internal Auditor

INFORMATION TECHNOLOGY

Vincent Chin Kok Lean
Senior Vice President and Head

INVESTMENT

Richard Lin Kwok Wing
Chief Investment Officer

Alexis Jong Kian Wei
Vice President and Head
Fixed Income

Goh Pei Kuan
Vice President and Head
Equity

CHIEF OPERATIONS OFFICER'S OFFICE

Jeffrey Yem Voon Cheat
Chief Operations Officer

Dr Alan Tan Yew Choon
Vice President and Head
HealthCare Services

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

Kong Siew Choe
Senior Manager and Head
Operations Support

Ng Li Yan
Vice President and Head
New Business

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

2014 AGENTS' HONOUR ROLL CEO'S EXCELLENCE AWARD



Standing from left: Bo Chin Hoong (*Top Unit Sales Manager*), Dato Toh Chun Shiong (*Top Group Sales Manager*)
Seated from left: Heng Shoou Ju (*Top Career Agent*), Gan Ai Ling (*Top Agent*)

TOP PRODUCERS



Standing from left: Gan Ai Ling (*Top Producer and Top Agent*), Dato Toh Chun Shiong (*Top Group Sales Manager*)
Seated from left: Heng Shouu Ju (*Top Career Agent*), Bo Chin Hoong (*Top Unit Sales Manager*)

2014 AGENTS' HONOUR ROLL

TOP 3 GROUP SALES MANAGERS (WHOLE GROUP)

Name	Award
DATO TOH CHUN SHIONG	Champion
TAN LAY SEONG	1st Runner Up
CHONG SHUN TSENG	2nd Runner Up

TOP 3 GROUP SALES MANAGERS (DIRECT GROUP)

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

TOP 3 UNIT SALES MANAGERS (DIRECT GROUP)

Name	Award
BO CHIN HOONG	Champion
LIEW TAT YOON	1st Runner Up
LAM SIEW MIIN	2nd Runner Up

TOP 3 PERSONAL PRODUCERS

Name	Award
GAN AI LING	Champion
GAJAINDAREN A/L RAMA KRISHNAN	1st Runner Up
HENG SHOOU JU	2nd Runner Up

TOP 3 CAREER AGENTS

Name	Ranking
HENG SHOOU JU	Champion
WONG SHU FON	1st Runner Up
ANG WEI PIN	2nd Runner Up

TOP 3 AGENTS

Name	Ranking
GAN AI LING	Champion
WONG HOONG CHUN	1st Runner Up
LIM SIEW WAI	2nd Runner Up

MDRT TOP OF THE TABLE

Name	Years
GAN AI LING	5

MDRT COURT OF THE TABLE

Name	Years
HENG SHOOU JU	18
KIU SIU UNG (COT)	18
CHEN FOONG LING	13
LO NYOK MOOI	9
GAJAINDAREN A/L RAMA KRISHNAN	8
CHONG NYUK CHUI	6
LEE GEAT MENG	5
TAN YEE VON	3
YAN WAI YUEN (COT)	2
WONG HOONG CHUN	2

QUARTER CENTURY CLUB & LIFE MEMBERS

Name	Years
CHEAH BOOY	32
SATHEESAN A/L GOPALAN	30
TEH BOON SING	29
CHANG CHEE KIANG	27

HONOR ROLL

Name
MAHALINGAM A/L VELLASAMY
UTHAY KUMARAN S/O K APPAVOO
CHEAH HAR MOOI
LAW KIM NOI
KIU SIU UNG
LEE MOI CHIN
PARTHIBAN A/L NADASEN
HENG SHOOU JU
TANG YET KIEW
SUE YUET MOI
CHENG WAN LENG
DATO GUI SIEW LUANG
DATO TOH CHUN SHIONG
CHEAH BOOY
SATHEESAN A/L GOPALAN
GAN SING SHOO
LEE FONG THYE
DATIN TAN PO MOI

MDRT QUALIFYING & LIFE MEMBERS

Name	Years
TANG YET KIEW	17
SUE YUET MOI	16
YU SIONG CHOO	16
CHENG WAN LENG	15
DATO GUI SIEW LUANG	15
DATO TOH CHUN SHIONG	15
AUN SOO LIM	14
CECILIA A/P JOSEPH LEO	14
FOO KWAI KHENG	14
KHO SIANG KIT	14
LIEW SIEW YUN	14
LIM CHIN HONG	14
PUA LIAN KENG	14
NG YOKE HWA	14
CHONG CHING SHON	13
LAW SUOK UNG	13
SELVA KUMAR A/L P KARPANAN	13
BENNIE HOO WEI CHUAN	12
GAN CHOON WAH	12
LIM LAY HEONG	12
CHEN LAI LI	11
KONG KAH LUN	11
TEAR HO HENG	11
NG HIOK ANN	11
AMUTHA A/P KARPANAN	10
CHONG PUI KIM	10
HENG SHOOU BAO	10
SOH SOON SEK	10
WONG CHEN SEONG	10

MDRT LIFE MEMBERS

Name	Years
CHEAH BOOY	32
SATHEESAN A/L GOPALAN	30
CHANG CHEE KIANG	27
CHONG MOAN LAM @ CHEONG MOON LAM	24
CHUA CHOH WAN	21
GAN SING SHOO	21
CHIEW GUO CHANG	18
YAP MEE LEN	18
CHEONG KIM CHEE	18
LEE FONG THYE	18
FUNG SIEW HONG	16
TAN KIM KOK	16
LEONG YUET WAN	16
YU SIONG CHOO	16
KHOO TECK LEONG	16
JIMMY NG BOK HER	16
PHANG BOON CHAI	15
TAN LAY SEONG	15
TAN CHOO MENG	14
HOI KOOI LIAN	13
KOH KER LIK	13
CHEH YOKE LENG	12
K R RAJU	12
ANGIE AW AY FONG	11



GREAT STARTS SMALL

Great Starts Small. As a LIFE company,
Great Eastern values how a little can go a long way.
We believe that every purposeful action undertaken today,
no matter how small, will lead to a greater and better
tomorrow.

The spherical icon and the dynamic rays represent the world
of Great Eastern... a world which is constantly evolving and
continually expanding in diverse and vibrant ways to empower
the lives around us – our customers, employees, distribution
representatives, partners and other stakeholders –
to make a meaningful difference.



CALENDAR OF EVENTS



1. GELM launched Great Early Living Care.
2. ChildrenCare Christmas and New Year Lunch with underprivileged children.
3. Launch of Live Great Space (LGS) – an interactive centre designed to support Malaysians in their quest towards achieving a healthier lifestyle via a series of health and wellness workshops and events.
4. GELM launched LGS at Menara Great Eastern in the presence of Dato' Seri Dr. Hilmi Yahaya, Deputy Minister of Health, Malaysia.
5. "We are number #1". Great Eastern Life agents celebrate their achievements during the annual Great Eastern Supremacy Gala Dinner 2013 at Genting International Convention Centre.



1. GELM presented RM10,800 to 50 deserving children who scored 'A's through ChildrenCare Program Aspirasi Gemilang 'A'.
2. Dato' Sri Rohani Abdul Karim, Minister of Women, Family and Community Development Malaysia at the ChildrenCare Program Aspirasi Gemilang 'A' award ceremony with Dato Koh Yaw Hui, Director & CEO Great Eastern Life.
3. 3rd year partnership with The Star Health Fair sealed with a handshake.
4. Our state-of-the-art Centre for Excellence at Menara Great Eastern was officially opened by Datuk Hj. Ahmad bin Hj. Maslan, Malaysia's Deputy Minister of Finance.
5. GELM was awarded the Top 5 Community Care Companies in Asia Corporate Excellence & Sustainability Awards (ACES) through its long term community project, ChildrenCare.
6. GELM was awarded the Reader's Digest Trusted Brand Gold Award for the 11th consecutive time. The award was presented to Dato Koh Yaw Hui by Y.B. Senator Datuk Paul Low Seng Kuan.
7. GELM won The BrandLaureate BestBrands, Brand of the Year Award 2013-2014 in the Insurance category.

CALENDAR OF EVENTS



1. ChildrenCare explored Petrosains during the ChildrenCare Science Adventure Day.
2. Graduation of GELM's Life Planning Advisors.
3. GELM Supremacy Scholarship Award was presented to 15 deserving students.
4. GELM celebrating 106 glorious years.
5. Joining hands to mark 106 glorious years at the cake cutting ceremony.
6. GELM SMT alongside Dato Koh Yaw Hui and board of committee members at the starting line of the Live Great Run 2014.
7. 3 Days 2 Nights' leadership camp at Bukit Merah for 38 underprivileged children.

JANUARY

- ChildrenCare Christmas and New Year Lunch
- Product Launch: Great Early Living Care

FEBRUARY

- Live Great Space Launch
- CNY Townhall Celebration
- Smart for Life Tea Talk – Great Investment Insights 2014
- CNY Visit

APRIL

- ChildrenCare Program Aspirasi Gemilang 'A'
- Star Health Fair
- Centre For Excellence Launch
- Winning Malaysia's Book of Records' Outstanding Business Awards – 100 Years of Excellence Awards

MAY

- Smart for Life Tea Talk – Managing Stress for Great Living and Relationships
- Winning Reader's Digest Trusted Brand Gold Award
- Winning The BrandLaureate Award – Best Brand of the Year – Category Financial Services – Life Insurance

JUNE

- ChildrenCare Science Adventure Day
- Product Launch: SmartMedic Xtra and Smart Extender

JULY

- Buka Puasa Program at Sekolah Tunas Bakti
- Life Planning Advisors' Graduation

AUGUST

- Great Eastern Supremacy Scholarship Award Ceremony
- GE Townhall and Raya gathering
- Let's Score 'A' Workshop (UPSR)

SEPTEMBER

- Let's Score 'A' Workshop (SPM)
- Winning Power Brand Award 2014 Hall of Fame Award
- The Heart Exhibition

OCTOBER

- Product Launch: Great Golden Gift
- Colours of Diwali with ChildrenCare

NOVEMBER

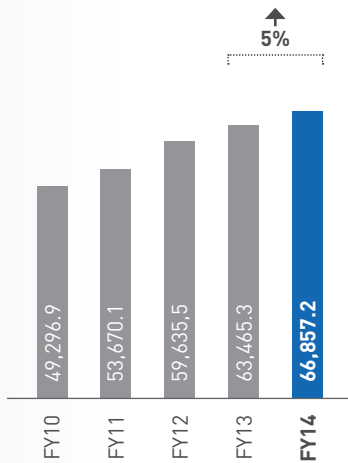
- Live Great Run
- ChildrenCare Leadership Camp
- Winning Asia Corporate Excellence & Sustainability Awards: Top 5 Community Care Companies in Asia 2014

DECEMBER

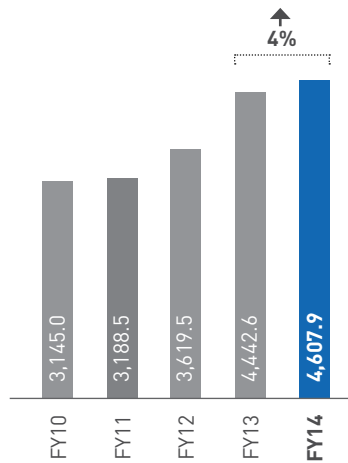
- Great Eastern JB 10K

FINANCIAL SYNOPSIS 2014

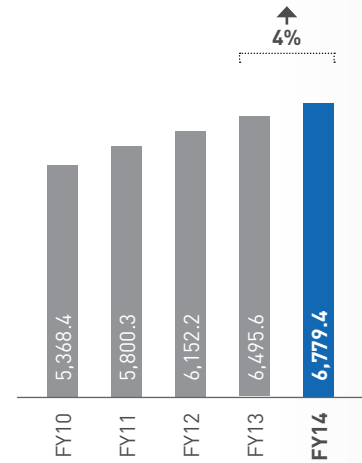
Total assets
RM millions



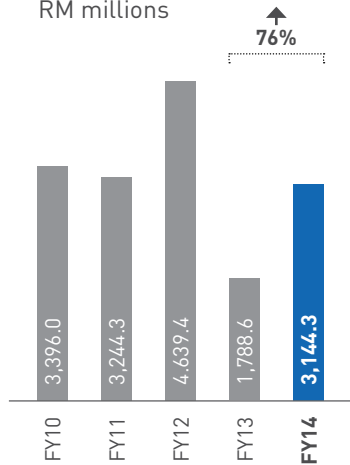
Benefits to policy owners
RM millions



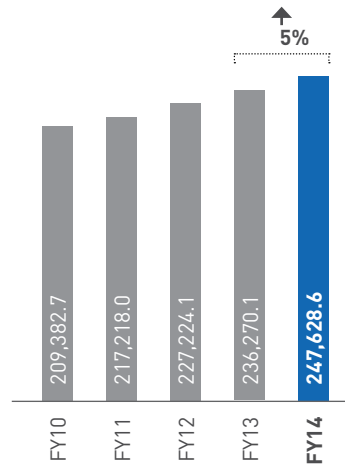
Gross premium income
RM millions



Investment income & capital gain
RM millions



Business in force
RM millions



FINANCIAL STATEMENTS

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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 2014.

PRINCIPAL ACTIVITY

The Company is engaged principally in the underwriting of life insurance business including investments-linked business. There has been no significant change in the principal activity during the financial year.

RESULTS

	RM'000
Net profit for the year	662,678

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 2013 were as follows:

	RM'000
In respect of financial year ended 31 December 2013:	
Second and final single tier dividend of RM3.699 per ordinary share on 100,000,005 ordinary shares declared on 25 March 2014 and paid on 29 April 2014	369,900
In respect of financial year ended 31 December 2014:	
Interim single tier dividend of RM1.20 per ordinary share on 100,000,005 ordinary shares paid on 30 September 2014	120,000
	489,900

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:

Mr Norman Ip Ka Cheung (Appointed on 8 August 2014)
 Yg Bhg Datuk Kamaruddin bin Taib
 Yg Bhg Dato' Yeoh Beow Tit
 Yg Bhg Dato Koh Yaw Hui
 Mr Lee Kong Yip
 Mr Ng Hon Soon (Appointed on 1 November 2014)
 Mrs Fang Ai Lian (nee Ho Ai Lian) (Chairman) (Resigned on 16 April 2014)
 Mr Christopher Wei (Resigned on 30 September 2014)

In accordance with Section 129 of the Companies Act, 1965, Mr Lee Kong Yip would retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, offers himself for re-appointment.

DIRECTORS' REPORT

DIRECTORS (continued)

In accordance with Article 66 of the Company's Articles of Association, Yg Bhg Dato' Albert Yeoh Beow Tit and Yg Bhg Datuk Kamaruddin Taib 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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 24(b) and 31(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed under 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				
	1.1.2014	Acquired	Disposed	31.12.2014
(a) Ordinary shares in the capital of OCBC Bank				
Mr Norman Ip Ka Cheung	3,450	500	-	3,950
Yg Bhg Dato' Yeoh Beow Tit	345,815	48,417	(30,000)	364,232
Yg Bhg Dato Koh Yaw Hui	80,756	39,244	-	120,000
Mr Lee Kong Yip	124,108	18,274	-	142,382
Shareholdings in which Directors are deemed to have an interest				
	1.1.2014	Granted	Vested	31.12.2014
Yg Bhg Dato' Yeoh Beow Tit	29,961	-	-	29,961 ⁽¹⁾
Yg Bhg Dato Koh Yaw Hui	35,102	15,013	(11,629)	38,486 ⁽²⁾

Notes:

- (1) 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.
- (2) Comprises deemed interest in 31,205 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription over 7,281 ordinary shares granted under the OCBC Employee Share Purchase Plan.

DIRECTORS' REPORT

DIRECTORS' INTERESTS (continued)

			Shareholdings in which Directors have a direct interest				
			1.1.2014	Acquired	Disposed	31.12.2014	
(b) 4.2% non cumulative non convertible Class G Preference Shares in OCBC Bank							
Mr Norman Ip Ka Cheung			2,000	-	-	2,000	
			Options held by Directors in their own name				
	Expiry Date	Exercise Price S\$*	1.1.2014	Adjustment*	Granted	Exercised	31.12.2014
(c) Options to subscribe for ordinary shares in the capital of OCBC Bank							
Yg Bhg Dato' Yeoh Beow Tit	13.3.2017	8.35	50,000	1,415	-	-	51,415
	13.3.2018	7.31	50,000	1,415	-	-	51,415
Yg Bhg Dato Koh Yaw Hui	7.4.2015	5.63	20,000	566	-	-	20,566
	22.5.2016	6.40	20,000	566	-	-	20,566
	13.3.2017	8.35	20,000	566	-	-	20,566
	13.3.2018	7.31	25,000	707	-	-	25,707
	15.3.2019	4.02	20,000	566	-	-	20,566
	14.3.2020	8.52	40,000	1,132	-	-	41,132
	13.3.2021	9.09	36,773	1,040	-	-	37,813
	13.3.2022	8.56	84,010	2,377	-	-	86,387
	13.3.2023	10.02	185,901	5,260	-	-	191,161
	13.3.2024	9.17	-	3,392	119,885	-	123,277

* The exercise price and number of options were adjusted pursuant to OCBC right issue.

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

CORPORATE GOVERNANCE

The Company has taken concerted steps to comply with BNM's 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 pages 57 to 147 of 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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (continued)

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

DIRECTORS' REPORT

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 30 January 2015.

Yeoh Beow Tit
Kuala Lumpur

Koh Yaw Hui

CORPORATE GOVERNANCE

Great Eastern Life Assurance (Malaysia) Berhad (the “Company”) is committed to uphold good corporate governance practices, in conformity with Bank Negara Malaysia (“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 adopted management practices that conform to the Framework.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT

Board’s Conduct of Affairs

The Board of Directors (the “Board”) are overall responsible for leading the Company and providing strategic directions in terms of corporate objectives, monitoring performance goals, and business strategies for the Company. The prime stewardship responsibility of the Board is to ensure the viability of the Company and that it is managed in the best interest of the Shareholders as a whole while taking into account the interests of other stakeholders. Its principal roles and functions, among others, include the following:

- (a) review and approve the annual business and strategic plans of the Company;
- (b) oversee the conduct of the Company’s business to ensure that the business is properly managed towards achieving the insurer’s corporate objectives, and that the Company’s dealings with its policy owners, claimants and creditors are conducted in a fair and equitable manner;
- (c) identify key business risks, determines the risk appetite of the Company and ensure the implementation of appropriate systems to manage risks within established risk-tolerance limits;
- (d) ensure the adequacy and integrity of the Company’s internal control and management information systems, including systems for monitoring compliance with applicable laws, regulations, rules, directives and guidelines; and
- (e) ensure that proper management succession and performance management are in place for the Company to meet its objectives.

The Company had adopted internal guidelines on matters which require Board’s approval. Matters requiring Board’s approval 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.

Board Committees

The Board had established specialised Board Committees to assist it in carrying out more effectively its oversight of the operations and business affairs of the Company. These Board Committees consist of the Nominating Committee, Remuneration Committee, Audit Committee and Board Risk Committee. All the Board Committees have been constituted with clear Board-approved written terms of reference. The Company’s Board Committees examine specific issues within their respective terms of reference and report to the Board with their recommendations. The ultimate responsibility for decision making lies with the Board. Details of the roles and responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of meetings of these Board Committees were maintained and circulated to the Board on a regular basis.

CORPORATE GOVERNANCE

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Meetings and Directors' Attendance

The Board meets regularly during the year, to review the business performance and key activities of the Company presented by Senior Management Team, and to consider business proposals of a significant nature. Decisions were taken objectively in the interests of the Company. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened. In 2014, the Board held six scheduled Board meetings and two ad hoc Board meetings.

The number of meetings of the Board and Board Committees held in 2014 and the attendance at those meetings held during the time the respective Directors held office as member of the Board and Board Committees, are as set out below:

Name of director	Board		Nominating Committee	
	No. of Meetings ⁽⁷⁾		No. of Meetings ⁽⁸⁾	
	Held	Attended	Held	Attended
Mrs Fang Ai Lian (nee Ho Ai Lian) ⁽¹⁾	3	3	2	2
Mr Norman Ip Ka Cheung ⁽²⁾	2	2	2	2
Mr Christopher Brian Wei ⁽³⁾	7	5	6	4
Yg Bhg Datuk Kamaruddin bin Taib ⁽⁴⁾	8	8	7	7
Yg Bhg Dato' Yeoh Beow Tit ⁽⁵⁾	8	8	7	7
Yg Bhg Dato Koh Yaw Hui	8	8	-	7 ⁽¹²⁾
Mr Lee Kong Yip	8	8	7	7
Mr Ng Hon Soon ⁽⁶⁾	1	1	1	1

Name of director	Remuneration Committee		Audit Committee	
	No. of Meetings ⁽⁹⁾		No. of Meetings ⁽¹⁰⁾	
	Held	Attended	Held	Attended
Mrs Fang Ai Lian (nee Ho Ai Lian) ⁽¹⁾	2	2	2	2
Mr Norman Ip Ka Cheung ⁽²⁾	-	-	1	1
Mr Christopher Brian Wei ⁽³⁾	2	2	-	3 ⁽¹²⁾
Yg Bhg Datuk Kamaruddin bin Taib ⁽⁴⁾	-	2 ⁽¹²⁾	2	2
Yg Bhg Dato' Yeoh Beow Tit ⁽⁵⁾	-	2 ⁽¹²⁾	5	5
Yg Bhg Dato Koh Yaw Hui	-	2 ⁽¹²⁾	-	5 ⁽¹²⁾
Mr Lee Kong Yip	2	2	5	5
Mr Ng Hon Soon ⁽⁶⁾	-	-	-	-

Name of director	Board Risk Committee	
	No. of Meetings ⁽¹¹⁾	
	Held	Attended
Mrs Fang Ai Lian (nee Ho Ai Lian) ⁽¹⁾	-	-
Mr Norman Ip Ka Cheung ⁽²⁾	-	-
Mr Christopher Brian Wei ⁽³⁾	6	3
Yg Bhg Datuk Kamaruddin bin Taib ⁽⁴⁾	3	3
Yg Bhg Dato' Yeoh Beow Tit ⁽⁵⁾	7	7
Yg Bhg Dato Koh Yaw Hui	-	7 ⁽¹²⁾
Mr Lee Kong Yip	7	7
Mr Ng Hon Soon ⁽⁶⁾	-	-

Notes:

- (1) Stepped down as Chairman of the Board and ceased as Member of Nominating Committee, Remuneration Committee and Audit Committee on 16 April 2014.
- (2) Appointed as Chairman of the Board and Member of Nominating Committee, Remuneration Committee and Audit Committee on 8 August 2014. Mr Norman Ip Ka Cheung was re-designated as Executive Director from 21 November 2014.
- (3) Stepped down as Director and ceased as Member of Nominating Committee, Remuneration Committee and Board Risk Committee on 30 September 2014.
- (4) Appointed as Member of Audit Committee and Board Risk Committee on 1 July 2014.
- (5) Appointed as Member of Remuneration Committee on 1 July 2014.
- (6) Appointed as Director and Member of Nominating Committee on 1 November 2014.

CORPORATE GOVERNANCE

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Meetings and Directors' Attendance (continued)

Notes: (continued)

- (7) A total of 8 Board meetings were held in 2014, on 24 January, 3 March (*ad hoc*), 25 March, 2 May (*ad hoc*), 30 May, 22 July, 26 September and 20 November 2014.
- (8) A total of 7 Nominating Committee meetings were held in 2014, on 24 January, 25 March, 2 May (*ad hoc*), 30 May, 21 July, 26 September and 20 November 2014.
- (9) A total of 2 Remuneration Committee meetings were held in 2014, on 24 January and 25 March 2014.
- (10) A total of 5 Audit Committee meetings were held in 2014, on 24 January, 25 March (*ad hoc*), 17 April, 21 July and 16 October 2014.
- (11) A total of 7 Board Risk Committee meetings were held in 2014, on 7 January, 28 February, 2 May, 10 June, 22 July (*ad hoc*), 22 August and 30 October 2014.
- (12) Attendance by Invitation.

Board Membership

The Company's Board comprises 6 members. All Directors complied with the prescribed maximum limit of other directorships held. The Independent Directors provide unbiased and independent views, advice and judgment on issues for the Board's deliberation.

The composition of the Board was as follows:

Members

Mr Norman Ip Ka Cheung
Yg Bhg Datuk Kamaruddin bin Taib
Yg Bhg Dato' Yeoh Beow Tit
Yg Bhg Dato Koh Yaw Hui
Mr Lee Kong Yip
Mr Ng Hon Soon

Status of directorship

Chairman and Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director
Non-Independent Executive Director
Independent Non-Executive Director
Independent Non-Executive Director

Note:

Mr Norman Ip Ka Cheung was re-designated as Executive Director from 21 November 2014.

The Board members are from diverse backgrounds and qualifications, and bring a wide range of financial and commercial experience to the Company. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill sets required for the Board Committees to be able to perform their respective roles and responsibilities.

Each Director had 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 were 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.

CORPORATE GOVERNANCE

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Board Membership (continued)

On a yearly basis, the Directors are subject to an internal declaration to review their status of compliance with Sections 59, 60 and 61 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”.

Board Orientation and Training

Newly appointed Directors will be apprised of their statutory duties and obligations and receive an In-House Orientation and Education Programme which includes presentations by the Senior Management Team. On an on-going basis, the Company organised in-house trainings for the Directors to share the in-sight into the life insurance industry and the Company, among others topics related to new legislations, actuarial and investments. The Company encourages continuous professional development for the benefit of Directors and Directors were 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. The ICLIF Leadership and Governance Centre are flexible in their programme offerings and most Directors had benefited from the Financial Institutions Directors’ Education Programme. They also participate in on-going talks organised by The ICLIF Leadership and Governance Centre and FIDE Forum. Directors were also promptly updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company had made available resources for Directors to receive knowledge 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. The Chairman and the CEO are not related to each other.

The Chairman’s principal responsibilities include leading the Board to ensure its effectiveness on various aspects of the Board’s role, setting guidelines and monitoring the quality and timeliness of the flow of information from Management to the Board. The Chairman, with the assistance of the Company Secretary, facilitates the convening of board meetings. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between Directors, as well as between the Board and Management. The Chairman promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

The CEO manages the Company and oversees 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 is 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

The Board members were provided with relevant 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 Senior Management Team of the Company is invited to attend Board meetings to provide additional insights, views and explanations into the matters being discussed. The Directors have independent access to the advice and services of the Company Secretary and the Senior Management Team. Occasionally, external consultants may be invited to advise or brief the Board.

CORPORATE GOVERNANCE

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Access to Information (continued)

The Board members have unfettered access to all information within the Company, whether as a full board or in their individual capacity, for the purpose of carrying out their duties and responsibilities.

Nominating Committee

The Nominating Committee comprised the following Directors:

Mr Lee Kong Yip - Chairman
 Mr Norman Ip Ka Cheung
 Yg Bhg Datuk Kamaruddin bin Taib
 Yg Bhg Dato' Yeoh Beow Tit
 Mr Ng Hon Soon

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

With the endorsement of the Board, the Nominating Committee had established the minimum requirements for the Board and the CEO to perform their responsibilities effectively following statutory requirements.

The Nominating Committee 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 expertise relevant to the Company with potential to complement the skills, knowledge and expertise of the Board.

The Nominating Committee made recommendations to the Board on all such nominations of Directors as well as nominations to fill up Board Committees. The Nominating Committee also recommends the re-appointment of Directors to the Board. In considering the re-appointment, the Nominating Committee 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 Nominating Committee is also responsible for proposing nominees for the positions of CEO and Key Senior Officers ("KSOs") of the Company.

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

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

The Nominating Committee 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 overall Board.

CORPORATE GOVERNANCE

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Nominating Committee (continued)

Whenever applicable and consistent with the prescribed Framework, the Nominating Committee's recommendations on the CEO and KSO would be made in consultation with the input from the Chairman of the Audit Committee and Board Risk Committee.

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

Remuneration Committee

The Remuneration Committee comprised the following Directors:

Mr Lee Kong Yip - Chairman
Mr Norman Ip Ka Cheung
Yg Bhg Dato' Yeoh Beow Tit

A Board-approved Framework on Remuneration for Directors, CEO and KSOs is in place. The Remuneration Committee 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 not excessive and consistent with the prudent management of the Company's affairs.

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

The Remuneration Committee 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.

Audit Committee

The Audit Committee comprised the following Directors:

Yg Bhg Dato' Yeoh Beow Tit – Chairman
Mr Norman Ip Ka Cheung
Yg Bhg Datuk Kamaruddin bin Taib
Mr Lee Kong Yip

The members of the Audit Committee are appropriately qualified to discharge their responsibilities as prescribed by the Framework. The Audit Committee is authorised by the Board to investigate any matter within its terms of reference and has the co-operation as well as full and independent access to the Company's Senior Management and Internal Auditors. The Audit Committee, in performing its functions, had met at least annually with the internal and external auditors, without the presence of Management. Adequate resources are made available to the Audit Committee 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 Audit Committee and Group Chief Internal Auditor, and administratively to the CEO.

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

CORPORATE GOVERNANCE

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Audit Committee (continued)

The Audit Committee discharged the following functions:

- (a) Reviewed with the internal auditor:
 - (i) their audit plans, their evaluation of the system of internal controls and their audit findings; as well as Management's response to those findings;
 - (ii) the scope and results of the internal audit procedures and resources needed; and
 - (iii) the assistance given by the officers of the Company to the internal auditors.
- (b) Reviewed with the external auditor:
 - (i) their audit plans prior to the commencement of the annual audit;
 - (ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval thereafter;
 - (iii) the scope and results of the audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them (if any);
 - (iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies and regulatory requirements on the financial statements together with the Senior Management Team;
 - (v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and
 - (vi) the assistance given by the officers of the Company, including the internal auditors, to the external auditors.
- (c) Reviewed and evaluated, on behalf of the Board, the adequacy of the system of internal control, including accounting controls, taking input from external auditors, internal auditors, risk management and compliance functions.
- (d) Maintained an appropriate relationship with both the external auditors and internal auditors met at least annually with the Management, external auditors and internal auditors in separate sessions, to consider any other matters which may be raised privately.
- (e) Reviewed and approved among others, the appointment, remuneration and performance evaluation of the Chief Internal Auditor.
- (f) Made recommendation to the Board on the re-appointment of the external auditor and their remuneration and terms of engagement.

Board Risk Committee

The Board Risk Committee comprised the following Directors:

Mr Lee Kong Yip – Chairman
 Yg Bhg Dato' Yeoh Beow Tit
 Yg Bhg Datuk Kamaruddin bin Taib

The Board Risk Committee 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 Board Risk Committee is responsible for the following:

CORPORATE GOVERNANCE

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Board Risk Committee (continued)

Governance & Oversight

- (a) review the overall risk management philosophy, in line with the overall corporate strategy and risk tolerance set and approved by the Board;
- (b) 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) endorse the Group Risk Management Charter outlining the fundamental principles, roles, responsibilities, authority and reporting line of the Risk Management and Compliance functions for the Board's adoption;
- (d) review the appointment, annual performance evaluation and remuneration of the Chief Risk Officer, before submission to the Nominating Committee/Remuneration Committee for endorsement and the Board for approval;
- (e) review and recommend risk tolerance levels (Risk Appetite Statement and Regulatory Limits) for the Board's approval;
- (f) oversee the establishment and implementation of approved frameworks, policies, strategies and limits; and where required, endorse deviations from approved frameworks and policies;
- (g) review the adequacy of risk management practices for material risks, such as market, credit, liquidity, insurance, operational, technology, regulatory and compliance risks on a regular basis;
- (h) review Management's frameworks, policies and strategies that govern the process for identifying, assessing and managing risks and review Management's performance against these frameworks, policies and strategies;
- (i) 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) initiate any review and action as appropriate for prudent risk management;
- (k) 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) review the scope, effectiveness and objectivity of the risk management function.

Risk Management

- (m) review reports to monitor and control the Company's risk exposures, which include the Enterprise Risk Dashboard;
- (n) review and endorse the annual Risk Disclosures for the Board's approval.

Investment, Asset-liability & Liability Management

- (o) review and endorse the annual strategic asset allocation and tactical asset allocation limits for the Board's approval;
- (p) review and endorse new risk exposures including new insurance product risk, new asset class, complex instrument/structures and investment transactions within the Limits Policy for the Board's approval;

CORPORATE GOVERNANCE

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Board Risk Committee (continued)

Investment, Asset-liability & Liability Management (continued)

(q) review the assets and portfolios in the watchlist; and

(r) review reports to monitor and control the Company's financial risk exposures, which include the Investment Dashboard.

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, have been reviewed by the Board Risk Committee and approved by the Board on an annual basis.

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 have been 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 and communicated to relevant staff. 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 complied 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, on reasonable commercial terms and in the ordinary course of business.

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.

PART C. CORPORATE INDEPENDENCE

The Company had 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. The Company has implemented policies and procedures on related party transactions covering the definitions of related parties, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring such transactions. 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 had 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.

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.

CORPORATE GOVERNANCE

PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

The investment limits that have considered the limits pursuant to BNM's Guidelines on "Risk-Based Capital Framework for Insurers" (BNM/RH/GL 003-24) are in place to contain the Company's investment exposure. In addition, investment transactions are governed by the requirements set out in the Authority Grid. Both 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 defined 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 Life Insurance Product 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 2014 had 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. The Board Risk Committee is updated on the new products on quarterly basis.

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 related standards and guidelines to protect the confidentiality, integrity and availability of the Company's data.

The Compliance Matrix and Compliance Requirements Self-Assessment are tools to assist the respective Head of Departments in conducting 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 assess the management of risks and effectiveness of internal controls of the Company. Further, the Company had established its risk appetite statement, which is reviewed annually.

The disclosures of the Company's risk management policies are set out under Note 33 in the Company's financial statements. The Company has promoted the business strategy "Lean Six Sigma" that aligns best practices for variation and waste reduction in processes.

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 Audit Committee 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 Audit Committee 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.

CORPORATE GOVERNANCE

PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

Internal Audit (continued)

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 Audit Committee, 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 Audit Committee are submitted annually to BNM.

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 Company had adopted a Code of Ethics and Conduct as well as other internal policies which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of ethical conduct and professional integrity. The Code of Ethics and Conduct also provides guidance on areas such as the Company's position against conflict of interest and the appropriate disclosures to be made, misuse of position, misuse of information, maintaining completeness, accuracy and confidentiality of information, and fair and equitable treatment to all policy owners and other stakeholders. The Code of Ethics and Conduct is available on the Company's staff intranet.

The members of the field force similarly would 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 requirements set out by BNM.

The Company had launched the Live Great Space at the lobby of Menara Great Eastern to provide an opportunity for the local community, which includes the staff, agents, policy owners and general public, to participate in health and wellness-related activities.

For the general public and policy owners' 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 policy owners to check on the status of their policy via eConnect, a useful and informative online portal for policy owners 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 (Consolidated)" (BNM/RH/GL 003-9). 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 policyholders. 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 were resolved in a fair and consistent manner.

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

CORPORATE GOVERNANCE

PART E. PUBLIC ACCOUNTABILITY (CONTINUED)

With the establishment of an Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") Policy 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.

The Company had instituted a Whistleblowing Policy whereby staff and external parties may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Concerns expressed anonymously will be considered and investigated on the basis of their merits.

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 Audit Committee are provided with regular comprehensive information and analyses on the financial reports together with explanation for any material variances 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 Board Risk Committee and Asset Liability Committee (management committee), as appropriate. The Board also takes note of 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.

In line with the implementation of the Goods and Services Tax ("GST") on 1 April 2015, the Company had registered its business with the Royal Malaysian Customs. With the active participation by all operational units of the Company, the systems and processes of the Company have been enhanced to meet the requirements of GST, where appropriate.

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 52 to 147 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 2014 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 30 January 2015.

Yeoh Beow Tit

Koh Yaw Hui

STATUTORY DECLARATION

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

I, Ong Eng Siew Raymond, 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 52 to 147 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 Ong Eng Siew Raymond
at Kuala Lumpur in the Federal Territory
on 30 January 2015

Ong Eng Siew Raymond

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 2014, 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 52 to 147.

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 (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 2014 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

Kuala Lumpur, Malaysia

30 January 2015

Brandon Bruce Sta Maria

No. 2937/09/15(J)

Chartered Accountant

BALANCE SHEET

as at 31 December 2014

	Note	2014 RM'000	2013 RM'000
ASSETS			
Property and equipment	3	446,998	455,101
Investment properties	4	546,616	532,100
Prepaid land lease payments	5	16,804	16,942
Investments	6	64,826,279	61,525,569
Reinsurance assets	7	108,941	82,381
Insurance receivables	8	265,040	266,116
Other receivables	9	627,526	548,861
Cash and bank balances		19,037	38,283
TOTAL ASSETS		66,857,241	63,465,353
EQUITY			
Share capital	10	100,000	100,000
Retained earnings		1,467,774	1,294,996
Available-for-sale fair value reserves		5,261	35,835
TOTAL EQUITY		1,573,035	1,430,831
LIABILITIES			
Insurance contract liabilities	11	62,758,551	59,648,004
Derivatives	12	166,039	131,498
Agents' retirement benefits	13	714,036	670,930
Deferred tax liabilities	14	561,470	634,989
Other financial liabilities	15	171,565	122,019
Insurance payables	16	204,475	176,828
Provision for taxation		130,201	79,130
Other payables	17	577,869	571,124
TOTAL LIABILITIES		65,284,206	62,034,522
TOTAL EQUITY AND LIABILITIES		66,857,241	63,465,353

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

INCOME STATEMENT

for the year ended 31 December 2014

	Note	2014 RM'000	2013 RM'000
Gross earned premiums	18(a)	6,779,362	6,495,615
Earned premiums ceded to reinsurers	18(b)	(123,626)	(117,282)
Net earned premiums		6,655,736	6,378,333
Investment income	19	2,701,460	2,586,341
Realised gains and losses	20	236,141	275,873
Fair value gains and losses	21	206,763	(1,073,647)
(Increase)/decrease in provision for impairment of:			
Insurance receivables	8	(2,456)	(164)
Other receivables	9	(17)	89
Fees and commission income	22	21,933	5,965
Other operating revenue		10,749	5,094
Other revenue		3,174,573	1,799,551
Gross benefits and claims paid	23(a)	(4,607,899)	(4,442,636)
Claims ceded to reinsurers	23(b)	87,722	75,920
Gross change in contract liabilities	23(c)	(2,931,916)	(1,582,826)
Change in contract liabilities ceded to reinsurers	23(d)	7,294	(5,945)
Net benefits and claims		(7,444,799)	(5,955,487)
Fees and commission expense		(912,857)	(884,629)
Management expenses	24	(422,571)	(413,414)
Other operating expenses		(39)	(299)
Taxation of life insurance business	25(a)	(210,621)	(107,561)
Other expenses		(1,546,088)	(1,405,903)
Profit before taxation		839,422	816,494
Taxation	25(b)	(176,744)	(174,378)
Net profit for the year		662,678	642,116
Earnings per share (sen)			
Basic and diluted	26	663	642

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	2014 RM'000	2013 RM'000
Net profit for the year	662,678	642,116
Other comprehensive income:		
Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:		
Available-for-sale fair value reserves:		
Net (loss)/gain arising during the year	(15,415)	25,196
Net realised gain transferred to Income Statement	(25,329)	(35,621)
	(40,744)	(10,425)
Tax effects thereon (Note 14)	10,170	2,594
	(30,574)	(7,831)
Total comprehensive income for the year	632,104	634,285

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Non-Distributable				Distributable			
	Available-for-sale				Retained Earnings			
	Fair Value Reserves							
	Share Capital	Non-participating Funds	Shareholder's Funds	Sub-total	Non-participating Funds	Shareholder's Funds	Sub-total	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	100,000	26,109	17,557	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 loss for the year	-	(498)	(7,333)	(7,831)	-	-	-	(7,831)
Total comprehensive (loss)/ income for the year	-	(498)	(7,333)	(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 (Note 27)	-	-	-	-	-	(519,000)	(519,000)	(519,000)
At 31 December 2013	100,000	25,611	10,224	35,835	385,561	909,435	1,294,996	1,430,831
At 1 January 2014	100,000	25,611	10,224	35,835	385,561	909,435	1,294,996	1,430,831
Net profit for the year	-	-	-	-	462,493	200,185	662,678	662,678
Other comprehensive loss for the year	-	(16,913)	(13,661)	(30,574)	-	-	-	(30,574)
Total comprehensive (loss)/ income for the year	-	(16,913)	(13,661)	(30,574)	462,493	200,185	662,678	632,104
Transfer from non-participating surplus as recommended by Appointed Actuary (net of tax)	-	-	-	-	(445,500)	445,500	-	-
Dividends paid during the year (Note 27)	-	-	-	-	-	(489,900)	(489,900)	(489,900)
At 31 December 2014	100,000	8,698	(3,437)	5,261	402,554	1,065,220	1,467,774	1,573,035

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

CASH FLOW STATEMENT

for the year ended 31 December 2014

	Note	2014 RM'000	2013 RM'000
Operating Activities			
Cash used in operating activities	28	(1,169,409)	(1,669,576)
Dividend/distribution income received		546,123	508,978
Interest/profit income received		2,091,531	1,979,951
Rental income on investment properties received		65,573	78,368
Agents' retirement benefits paid		(36,987)	(16,619)
Income tax paid		(321,603)	(399,006)
Net cash flow generated from operating activities		1,175,228	482,096
Investing Activities			
Proceeds from disposal of property and equipment		167	21
Purchase of property and equipment	3	(42,551)	(36,842)
Purchase of investment properties	4	(72)	(2,022)
Net cash flows used in investing activities		(42,456)	(38,843)
Financing Activity			
Dividends paid to equity holders		(489,886)	(518,794)
Net cash flows used in financing activity		(489,886)	(518,794)
Net increase/(decrease) in cash and cash equivalents		642,886	(75,541)
Cash and cash equivalents at beginning of year		1,658,773	1,734,314
Cash and cash equivalents at end of year		2,301,659	1,658,773
Cash and cash equivalents comprise of:			
Cash and bank balances		19,037	38,283
Short term deposits with maturity periods of less than 3 months	6(a)	2,282,622	1,620,490
		2,301,659	1,658,773

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

NOTES TO THE FINANCIAL STATEMENTS

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 including investment-linked business.

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

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

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 January 2015.

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 the amendments to MFRS and IC Interpretation 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.

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

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

2.2 Summary of Significant Accounting Policies

(a) Property and Equipment and Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(a) Property and Equipment and Depreciation (continued)

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

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

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

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

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

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

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

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

(b) Investment Properties

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(b) Investment Properties (continued)

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

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

(c) Leases

(i) Classification

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

(ii) Finance Leases - the Company as Lessee

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

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

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

(iii) Operating Leases - the Company as Lessee

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

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

(iv) Operating Leases - the Company as Lessor

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(d) Investments and Financial Assets

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

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

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

(i) FVTPL

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(d) Investments and Financial Assets (continued)

(ii) LAR

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

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

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

(iii) AFS Financial Assets

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

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

(e) Insurance Receivables

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

(f) Derivatives

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

(g) Financial Liabilities and Insurance Payables

Financial liabilities and insurance payables 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.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (Continued)

(g) Financial Liabilities and Insurance Payables (continued)

(i) Financial liabilities at FVTPL

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

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

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

(ii) Other financial liabilities

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

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

(h) Fair Value Measurement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(h) Fair Value Measurement (continued)

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 including quotes from brokers and market makers, discounted cash flows and other valuation techniques commonly used by market participants
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing 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.

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.

(i) Impairment of Financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(i) Impairment of Financial Assets (continued)

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.

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.

(j) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when:

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

(k) Impairment of Non-Financial Assets

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

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

(l) Insurance Contract

(i) Product Classification

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(I) Insurance Contract (continued)

(i) Product Classification (continued)

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(i) Insurance Contract (continued)

(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, future shareholder's transfers, and expected future management and distribution expenses, less the present value of future gross consideration arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(l) Insurance Contract (continued)

(iii) Life Assurance Contract Liabilities (continued)

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

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

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

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

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

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

(m) Reinsurance Contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Reinsurance Contracts (continued)

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

(n) Life Insurance Underwriting Results

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

(i) Gross Premium Income

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

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

(ii) Reinsurance Premiums

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

(iii) Creation of Units

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

(iv) Commission and Agency Expenses

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

(v) Claims and Policy Benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(n) Life Insurance Underwriting Results (continued)

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

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

(o) Other Revenue Recognition

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

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

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.

(p) Fees and Commission Income

Fees and commission income comprise mainly of management fee and reinsurance commission income. Management fee includes income earned from provision of investment management services for investment linked businesses. These fees income are recognised as revenue over the period in which the services are rendered. If the fees are for services to be provided in future periods, then they are deferred and recognised over those future periods.

(q) Agents' Retirement Benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(q) Agents' Retirement Benefits (continued)

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 have been in force for certain continuous contract years with the Company and the agent having attained the minimum age stipulated in the Agreements.

(r) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

	2014 RM	2013 RM
Singapore Dollar	2.65	2.59
United States Dollar	3.50	3.28
British Pound	5.44	5.42
Australian Dollar	2.84	2.92
Hong Kong Dollar	0.45	0.42

(s) Income Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(s) Income Tax (continued)

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

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

(t) Employee Benefits

(i) Defined Contribution Plans Under Statutory Regulations

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

(ii) Employee Leave Entitlements

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

(iii) Share Options

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(t) Employee Benefits (continued)

(iv) Deferred Share Plan

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

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

(u) Cash and Cash Equivalents

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

(v) Provisions

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

2.3 Changes In Accounting Policies and Disclosures

(a) Amended standards and interpretation

The amendments to published standards and IC Interpretations that are effective for the Company's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 10, MFRS 12 and MFRS 127: *Investment Entities*
- Amendments to MFRS 132: *Offsetting Financial Assets and Financial Liabilities*
- 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*

The adoptions of these amendments to standards and interpretation did not have any effect on the financial performance or position of the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies and Disclosures (continued)

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

Change in presentation of interest expense incurred on agents' retirement benefits

In prior years, the Company reported interest expense incurred on agents' retirement benefits on a net basis within investment income. During the current financial year, the Company decided to improve the presentation of investment income and interest expense incurred on agents' retirement benefits by retrospectively reporting these on a gross basis, with the interest expense incurred on agents' retirement benefit being reported under the fee and commission expense line item in the income statement.

The effects of the change in presentation described above on the relevant income statement line items for the year ended 31 December 2013 are as follows:

31 December 2013	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Investment income	2,547,709	38,632	2,586,341
Fees and commission expense	(845,997)	(38,632)	(884,629)

Short term deposits which mature within 3 months was previously not included as part of Cash and Cash Equivalents in the Cash Flow Statement, and was disclosed as part of the increase or decrease in Loans and Receivables (LAR) under Cash used in operating activities. However, for the current year presentation, the short term deposits will be presented as part of Cash and Cash Equivalents, in line with MFRS 107 *Statement of Cash Flows*.

Reconciliation of cash flow statement

31 December 2013	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Increase in LAR	(775,263)	(96,540)	(871,803)
Cash used in operating activities	(1,573,036)	(96,540)	(1,669,576)
Net cash flow generated from operating activities	578,636	(96,540)	482,096
Net increase/(decrease) in cash and cash equivalents	20,999	(96,540)	(75,541)
Cash and cash equivalents at beginning of year	17,284	1,717,030	1,734,314
Cash and cash equivalents at end of year	38,283	1,658,773	1,658,773

2.4 Standards Issued But Not Yet Effective

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards Issued But Not Yet Effective (continued)

Effective for financial periods beginning on or after 1 July 2014

- Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 2 *Share-based Payment*
- Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 3 *Business Combinations*
- Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 8 *Operating Segments*
- Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 138 *Intangible Assets*
- Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 124 *Related Party Disclosures*
- Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 3 *Business Combinations*
- Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 13 *Fair Value Measurement*
- Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 140 *Investment Property*

Effective for financial periods beginning on or after 1 January 2016

- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

Effective for financial periods beginning on or after 1 January 2017

- MFRS 15 *Revenue from Contracts with Customers*

Effective for financial periods beginning on or after 1 January 2018

- MFRS 9 *Financial Instruments*

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

MFRS 9 *Financial Instruments*

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. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review of its financial instruments in the upcoming years.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant Accounting Estimates and Judgements (continued)

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

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

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 (Note 6(b))

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

(iii) Insurance Contract Classification (Note 11)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant Accounting Estimates and Judgements (continued)

(b) Key Sources of Estimation Uncertainty

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

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

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

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

(ii) Agents' Retirement Benefits (Note 13)

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

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

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

(iii) Deferred tax (Note 14)

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant Accounting Estimates and Judgements (continued)

(b) Key Sources of Estimation Uncertainty (continued)

(iii) Deferred tax (Note 14) (continued)

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

3. PROPERTY AND EQUIPMENT

	Properties								
	Freehold Land	Buildings on Freehold Land	Buildings on Leasehold Land	Capital Work-in-Progress	Motor Vehicles	Office Machinery	Office Furniture and Fittings	Computer Equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January 2014	13,861	331,560	65,659	17,724	2,442	78,213	57,510	398,744	965,713
Additions	-	290	28	220	329	6,370	1,178	34,136	42,551
Disposal	-	-	-	-	(296)	-	-	(339)	(635)
Reclassification	-	6,765	-	(9,604)	-	362	2,770	(293)	-
Write-offs	-	-	-	(176)	-	-	-	(463)	(639)
At 31 December 2014	13,861	338,615	65,687	8,164	2,475	84,945	61,458	431,785	1,006,990
Accumulated Depreciation and Impairment									
At 1 January 2014	-	97,973	19,449	-	1,702	64,957	43,102	283,429	510,612
Disposal	-	-	-	-	(177)	-	-	(339)	(516)
Depreciation charge for the year	-	8,608	1,320	-	247	5,498	4,035	30,188	49,896
At 31 December 2014	-	106,581	20,769	-	1,772	70,455	47,137	313,278	559,992
Net Book Value									
At 31 December 2014	13,861	232,034	44,918	8,164	703	14,490	14,321	118,507	446,998

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT (CONTINUED)

	Properties								
	Freehold Land	Buildings on Freehold Land	Buildings on Leasehold Land	Capital Work-in-Progress	Motor Vehicles	Office Machinery	Office Furniture and Fittings	Computer Equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

Included in property and equipment are the cost of fully depreciated assets which are still in use amounting to RM205,350,997 (2013: RM203,862,548).

Included in property and equipment are properties with a total net book value amounting to RM18,989,089 (2013: RM19,398,822) for which title deeds are still in the process of being transferred to the Life Insurance Fund.

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES

	2014 RM'000	2013 RM'000
At 1 January	532,100	529,650
Additions	72	2,022
Fair value gains (Note 21)	14,444	428
At 31 December	546,616	532,100

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 2014 and 2013, the fair values of the properties are based on valuations performed by Messrs. CH Williams Talhar & Wong and Messrs. CH Williams Talhar Wong & Yeo, accredited independent firm of property valuers. Messrs. CH Williams Talhar & Wong and Messrs. CH Williams Talhar Wong & Yeo are specialists in valuing these types of investment properties. The valuation models applied are in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13 *Fair Value Measurements*.

The amount of rental income and expenses recorded in the income statement is as follows:

	2014 RM'000	2013 RM'000
Rental income derived from investment properties	34,957	35,180
Direct operating expenses (including repairs and maintenance) generating rental income	(11,261)	(10,583)
	23,696	24,597

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 properties used for commercial and residential purposes is its current use.

5. PREPAID LAND LEASE PAYMENTS

	2014 RM'000	2013 RM'000
Long term leasehold land		
At 1 January	16,942	17,080
Amortisation for the year	(138)	(138)
At 31 December	16,804	16,942

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS

	2014				2013			
	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	21,966	6,772,336	40,037	6,834,339	19,444	7,745,889	52,815	7,818,148
Debt securities	384,099	28,122,147	853,137	29,359,383	223,627	25,123,122	669,816	26,016,565
Equity securities	73,474	12,730,546	2,663,231	15,467,251	123,277	12,601,451	3,246,439	15,971,167
Unit and property trust funds	9,107	602,623	64,543	676,273	8,000	455,934	69,209	533,143
Loans	43,522	7,138,360	-	7,181,882	44,227	6,823,334	-	6,867,561
Deposits with financial institutions	7,100	1,532,032	1,073,490	2,612,622	34,490	1,284,540	408,860	1,727,890
Financial instruments with embedded derivatives	18,257	2,642,810	33,462	2,694,529	18,082	2,526,799	46,214	2,591,095
	557,525	59,540,854	4,727,900	64,826,279	471,147	56,561,069	4,493,353	61,525,569
The Company's financial investments are summarised by categories as follows:								
LAR	50,622	8,670,392	1,073,490	9,794,504	78,717	8,107,874	408,860	8,595,451
AFS	488,646	13,333,169	-	13,821,815	374,348	13,057,385	-	13,431,733
FVTPL	18,257	37,537,293	3,654,410	41,209,960	18,082	35,395,810	4,084,493	39,498,385
	557,525	59,540,854	4,727,900	64,826,279	471,147	56,561,069	4,493,353	61,525,569
The following investments mature after 12 months:								
LAR	43,522	3,155,938	-	3,199,460	44,227	2,948,095	-	2,992,322
AFS	396,061	-	-	396,061	233,091	-	-	233,091
FVTPL	18,257	35,873,868	756,819	36,648,944	17,909	34,324,542	548,682	34,891,133
	457,840	39,029,806	756,819	40,244,465	295,227	37,272,637	548,682	38,116,546

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

(a) LAR

	2014				2013			
	Shareholder's Fund	Life Insurance Fund	Unit-linked	Total	Shareholder's Fund	Life Insurance Fund	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Amortised Cost/								
Cost:								
Deposits with financial institutions:								
Licensed banks	7,100	1,502,032	1,073,490	2,582,622	34,490	1,254,540	408,860	1,697,890
Others	-	30,000	-	30,000	-	30,000	-	30,000
Policy loans	-	3,918,699	-	3,918,699	-	3,763,428	-	3,763,428
Mortgage loans	28,433	1,649,220	-	1,677,653	29,167	1,489,752	-	1,518,919
Secured loans	15,014	1,570,438	-	1,585,452	15,016	1,570,148	-	1,585,164
Unsecured loans	75	3	-	78	44	6	-	50
	50,622	8,670,392	1,073,490	9,794,504	78,717	8,107,874	408,860	8,595,451
At Fair Value:								
Deposits with financial institutions:								
Licensed banks	7,100	1,502,032	1,073,490	2,582,622	34,490	1,254,540	408,860	1,697,890
Others	-	30,000	-	30,000	-	30,000	-	30,000
Policy loans	-	3,918,699	-	3,918,699	-	3,763,428	-	3,763,428
Mortgage loans	29,199	1,677,107	-	1,706,306	30,242	1,515,230	-	1,545,472
Secured loans	15,014	1,570,438	-	1,585,452	15,016	1,570,148	-	1,585,164
Unsecured loans	75	3	-	78	44	6	-	50
	51,388	8,698,279	1,073,490	9,823,157	79,792	8,133,352	408,860	8,622,004

Included in deposits with financial institutions of the Company are short term deposits with maturity periods of less than 3 months amounting to RM2,282,622,000 (2013: RM1,620,490,000), which have been classified as cash and cash equivalents for the purpose of the cash flow statement.

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

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

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

(b) AFS

	2014				2013			
	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	68,157	10,780,503	-	10,848,660	103,600	11,043,557	-	11,147,157
Quoted outside Malaysia	5,026	1,841,870	-	1,846,896	19,385	1,443,320	-	1,462,705
Malaysian government securities	21,966	-	-	21,966	19,444	-	-	19,444
Debt securities:								
Unquoted in Malaysia	384,099	-	-	384,099	223,627	-	-	223,627
Unit and property trust funds:								
Quoted in Malaysia	7,241	412,692	-	419,933	5,904	351,370	-	357,274
Quoted outside Malaysia	1,865	189,930	-	191,795	2,096	104,564	-	106,660
	488,354	13,224,995	-	13,713,349	374,056	12,942,811	-	13,316,867
At Cost:								
Equity securities:								
Unquoted in Malaysia	292	108,174	-	108,466	292	114,574	-	114,866
	488,646	13,333,169	-	13,821,815	374,348	13,057,385	-	13,431,733

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

(c) FVTPL

	2014				2013			
	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	-	-	2,639,726	2,639,726	-	-	3,227,889	3,227,889
Quoted outside Malaysia	-	-	23,505	23,505	-	-	18,550	18,550
Financial instruments with embedded derivatives	18,257	2,642,810	33,462	2,694,529	18,082	2,526,800	46,214	2,591,096
Malaysian government securities	-	-	40,037	40,037	-	-	52,815	52,815
Debt securities:								
Unquoted in Malaysia	-	-	853,137	853,137	-	-	669,816	669,816
Unit and property trust funds:								
Quoted in Malaysia	-	-	63,227	63,227	-	-	68,304	68,304
Quoted outside Malaysia	-	-	1,316	1,316	-	-	905	905
	18,257	2,642,810	3,654,410	6,315,477	18,082	2,526,800	4,084,493	6,629,375
Designated upon initial recognition:								
Malaysian government securities	-	6,772,336	-	6,772,336	-	7,745,889	-	7,745,889
Debt securities:								
Quoted outside Malaysia	-	640,855	-	640,855	-	615,266	-	615,266
Unquoted in Malaysia	-	27,331,888	-	27,331,888	-	24,370,954	-	24,370,954
Unquoted outside Malaysia	-	149,404	-	149,404	-	136,901	-	136,901
	-	34,894,483	-	34,894,483	-	32,869,010	-	32,869,010
	18,257	37,537,293	3,654,410	41,209,960	18,082	35,395,810	4,084,493	39,498,385

NOTES TO THE FINANCIAL STATEMENTS

7. REINSURANCE ASSETS

Life Insurance Fund

	2014 RM'000	2013 RM'000
Reinsurance of insurance contracts (Note 11)	108,941	82,381

8. INSURANCE RECEIVABLES

Life Insurance Fund

	2014 RM'000	2013 RM'000
Due premiums including agents/brokers and co-insurers balances	272,895	271,250
Due from reinsurers and cedants	-	265
	272,895	271,515
Allowance for impairment	(7,855)	(5,399)
	265,040	266,116

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

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
31 December 2013			
Premiums ceded	211	-	211
Commissions receivable	-	(85)	(85)
Claims recoveries	-	(391)	(391)
	211	(476)	(265)

Movement in allowance accounts:

Individual impairment:

At 1 January	5,399	5,235
Charge for the year	2,456	164
At 31 December	7,855	5,399

There were no collectively impaired insurance receivables for years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER RECEIVABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit- linked RM'000	Total RM'000
At 31 December 2014				
<u>Non-financial asset</u>				
Prepayments	-	9,127	-	9,127
	-	9,127	-	9,127
<u>Financial asset</u>				
Income due and accrued	6,355	545,517	61,200	613,072
Other receivables	57	2,214	-	2,271
Amount due from related companies	3,319	-	-	3,319
	9,731	547,731	61,200	618,662
Allowance for impairment	-	(263)	-	(263)
	9,731	547,468	61,200	618,399
Total other receivables	9,731	556,595	61,200	627,526
Receivable after 12 months	35	4,994	-	5,029

At 31 December 2013

Non-financial asset

Prepayments	-	7,856	-	7,856
	-	7,856	-	7,856

Financial asset

Income due and accrued	3,330	509,468	21,943	534,741
Other receivables	55	1,754	-	1,809
Amount due from related companies	4,701	-	-	4,701
	8,086	511,222	21,943	541,251
Allowance for impairment	-	(246)	-	(246)
	8,086	510,976	21,943	541,005
Total other receivables	8,086	518,832	21,943	548,861
Receivable after 12 months	29	4,975	-	5,004

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.

	2014 RM'000	2013 RM'000
Movement in allowance accounts:		
Individual impairment:		
At 1 January	246	335
Reversal/(charge) for the year	17	(89)
At 31 December	263	246

There were no collectively impaired other receivables for years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

10. SHARE CAPITAL

	2014		2013	
	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	100,000	100,000	100,000	100,000

11. INSURANCE CONTRACT LIABILITIES

Life Insurance Fund

	2014			2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	6,812,755	(62,402)	6,750,353	5,760,675	(43,136)	5,717,539
Actuarial liabilities	42,129,121	(46,539)	42,082,582	40,091,670	(39,245)	40,052,425
Unallocated surplus	4,990,093	-	4,990,093	4,408,552	-	4,408,552
Available-for-sale fair value reserves	4,171,771	-	4,171,771	5,045,220	-	5,045,220
Net asset value attributable to unitholders	4,654,811	-	4,654,811	4,341,887	-	4,341,887
	62,758,551	(108,941)	62,649,610	59,648,004	(82,381)	59,565,623

NOTES TO THE FINANCIAL STATEMENTS

11. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			Net
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2014	52,947,385	6,700,619	59,648,004	(13,147)	(69,234)	(82,381)	59,565,623
Premiums received	3,945,004	862,645	4,807,649	(57,820)	(65,806)	(123,626)	4,684,023
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,579,777)	(292,600)	(3,872,377)	31,729	55,994	87,723	(3,784,654)
Policy movements	1,947,563	127,617	2,075,180	-	(1,331)	(1,331)	2,073,849
Interest rate	1,350	49,165	50,515	-	(55)	(55)	50,460
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(115)	(23,573)	(23,688)	-	(3,189)	(3,189)	(26,877)
<i>Expenses</i>	50,479	255	50,734	-	-	-	50,734
<i>Lapse</i>	(9,808)	(3,227)	(13,035)	-	(2,719)	(2,719)	(15,754)
<i>Others</i>	70,108	16,218	86,326	-	-	-	86,326
Other	(184,425)	(4,154)	(188,579)	-	-	-	(188,579)
Claims benefit experience variation	1,024,198	27,882	1,052,080	23,142	(6,505)	16,637	1,068,717
Net asset value attributable to unitholders	-	(257,119)	(257,119)	-	-	-	(257,119)
Available-for-sale fair value reserves	(949,402)	-	(949,402)	-	-	-	(949,402)
Unallocated surplus	216,310	-	216,310	-	-	-	216,310
Deferred tax effects:							
Available-for-sale fair value reserves	75,953	-	75,953	-	-	-	75,953
At 31 December 2014	55,554,823	7,203,728	62,758,551	(16,096)	(92,845)	(108,941)	62,649,610

Policy benefits bear interest at 5% per annum.

NOTES TO THE FINANCIAL STATEMENTS

11. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			Net
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
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)
<i>Adjustments due to changes in assumptions:</i>							
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 bear interest at 5% per annum.

NOTES TO THE FINANCIAL STATEMENTS

12. DERIVATIVES

Life Insurance Fund

	Notional Principal RM'000	Fair Value RM'000
31 December 2014		
Derivatives held for trading:		
Currency swaps	709,254	166,039
31 December 2013		
Derivatives held for trading:		
Currency swaps	709,254	131,498

13. AGENTS' RETIREMENT BENEFITS

Life Insurance Fund

	2014 RM'000	2013 RM'000
At 1 January	670,930	613,535
Provision for the year	80,093	74,015
Utilised during the year	(36,987)	(16,620)
At 31 December	714,036	670,930
Payable after 12 months	520,379	490,341

NOTES TO THE FINANCIAL STATEMENTS

14. DEFERRED TAXATION

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 1 January 2014	141,132	444,555	49,302	634,989
Recognised in:				
Income statement (Note 25)	5,523	42,708	(35,627)	12,604
Other comprehensive income	(10,170)	-	-	(10,170)
Insurance contract liabilities	-	(75,953)	-	(75,953)
At 31 December 2014	136,485	411,310	13,675	561,470

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 2013				
Deferred tax liabilities	141,132	447,615	49,302	638,049
Deferred tax assets	-	(3,060)	-	(3,060)
	141,132	444,555	49,302	634,989
At 31 December 2014				
Deferred tax liabilities	136,485	413,495	13,675	563,655
Deferred tax assets	-	(2,185)	-	(2,185)
	136,485	411,310	13,675	561,470

NOTES TO THE FINANCIAL STATEMENTS

14. DEFERRED TAXATION (CONTINUED)

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 assets 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 2014	14,615	(2,003)	128,520	141,132
Recognised in other comprehensive income	(10,170)	-	-	(10,170)
Recognised in income statement	59	(201)	5,665	5,523
At 31 December 2014	4,504	(2,204)	134,185	136,485
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
Life Insurance Fund				
	Fair value of investment properties RM'000	Fair value of investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Total RM'000
At 1 January 2014	13,137	426,726	7,752	447,615
Recognised in insurance contract liabilities	-	(75,953)	-	(75,953)
Recognised in income statement	882	42,529	(1,578)	41,833
At 31 December 2014	14,019	393,302	6,174	413,495
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	(2,617)	(142,541)	(2,322)	(147,480)
At 31 December 2013	13,137	426,726	7,752	447,615

NOTES TO THE FINANCIAL STATEMENTS

14. DEFERRED TAXATION (CONTINUED)

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

Deferred Tax Liabilities (continued)

	Fair value of investment assets RM'000	Total RM'000
Unit-linked		
At 1 January 2014	49,302	49,302
Recognised in income statement	(35,627)	(35,627)
At 31 December 2014	13,675	13,675
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

Deferred Tax Assets

	Provision for impairment of investments RM'000
Life Insurance Fund	
At 1 January 2014	(3,060)
Recognised in income statement	875
At 31 December 2014	(2,185)
At 1 January 2013	(5,754)
Recognised in income statement	2,694
At 31 December 2013	(3,060)

NOTES TO THE FINANCIAL STATEMENTS

15. OTHER FINANCIAL LIABILITIES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2014				
Deposits received from reinsurers	-	626	-	626
Outstanding purchases of investment securities	-	91,980	78,959	170,939
	-	92,606	78,959	171,565
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

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

16. INSURANCE PAYABLES

	2014 RM'000	2013 RM'000
Life Insurance Fund		
Due to reinsurers	24,520	25,435
Due to agents and intermediaries	179,955	151,393
	204,475	176,828

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

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

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
31 December 2014			
Premiums ceded	109,221	-	109,221
Commissions receivable	-	(16,576)	(16,576)
Claims recoveries	-	(68,125)	(68,125)
	109,221	(84,701)	24,520
31 December 2013			
Premiums ceded	96,274	-	96,274
Commissions receivable	-	(15,235)	(15,235)
Claims recoveries	-	(55,604)	(55,604)
	96,274	(70,839)	25,435

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER PAYABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2014				
<u>Non financial liabilities</u>				
Accrued expenses	267	88,149	38	88,454
Premium suspense	-	33,788	-	33,788
	267	121,937	38	122,242
<u>Financial liabilities</u>				
Deposits from tenants	-	17,535	-	17,535
Dividends payable	133,667	-	-	133,667
Advance premium	-	183,711	-	183,711
Amount due to ultimate holding company	1,075	-	-	1,075
Amount due to intermediate holding company	8,305	-	-	8,305
Amount due to holding company	353	-	-	353
Others	-	110,033	948	110,981
	143,400	311,279	948	455,627
Total payables	143,667	433,216	986	577,869

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER PAYABLES (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2013				
<u>Non financial liabilities</u>				
Accrued expenses	12	85,533	18	85,563
Premium suspense	-	34,036	-	34,036
	12	119,569	18	119,599
<u>Financial liabilities</u>				
Deposits from tenants	-	17,313	-	17,313
Dividends payable	133,654	-	-	133,654
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
	141,092	276,195	34,238	451,525
<u>Total payables</u>	141,104	395,764	34,256	571,124

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

	2014 RM'000	2013 RM'000
(a) Gross Premiums		
Life insurance contracts	6,779,362	6,495,615
(b) Premiums Ceded		
Life insurance contracts	(123,626)	(117,282)
Net Earned Premiums	6,655,736	6,378,333

NOTES TO THE FINANCIAL STATEMENTS

19. INVESTMENT INCOME

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2014			
Rental income from properties	-	66,366	66,366
Financial assets at FVTPL - held for trading purposes:			
Interest income	1,060	189,965	191,025
Dividend income:			
- equity securities quoted in Malaysia	-	78,429	78,429
- equity securities quoted outside Malaysia	-	653	653
- designated upon initial recognition:			
Interest income	-	1,407,514	1,407,514
Financial assets at AFS:			
Interest income	19,965	-	19,965
Dividend income:			
- equity securities quoted in Malaysia	2,817	383,519	386,336
- equity securities quoted outside Malaysia	1,252	82,339	83,591
- equity securities unquoted in Malaysia	20	5,759	5,779
LAR interest income	2,144	414,010	416,154
Cash and bank balances interest income	901	80,623	81,524
Gross investment income	28,159	2,709,177	2,737,336
Less: investment expenses	-	(35,876)	(35,876)
	28,159	2,673,301	2,701,460

NOTES TO THE FINANCIAL STATEMENTS

19. INVESTMENT INCOME (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2013			
Rental income from properties	-	65,658	65,658
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	387,367	389,351
Cash and bank balances interest income	2,070	55,688	57,758
Gross investment income	25,174	2,592,991	2,618,165
Less: investment expenses	-	(31,824)	(31,824)
	25,174	2,561,167	2,586,341

Included in rental income from investment properties is contingent rent for the year amounting to RM676,756 (2013:RM692,356). Contingent rental arrangements are computed based on sales or profit achieved by tenants.

20. REALISED GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2014			
Property and equipment			
Realised gains	-	48	48
AFS financial assets			
Realised gains/(losses):			
Equity securities:			
- quoted in Malaysia	9,103	224,087	233,190
- quoted outside Malaysia	(2,725)	(5,841)	(8,566)
Debt securities:			
- unquoted in Malaysia	816	-	816
Total realised gains for AFS financial assets	7,194	218,246	225,440

NOTES TO THE FINANCIAL STATEMENTS

20. REALISED GAINS AND LOSSES (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2014 (continued)			
FVTPL financial assets			
Realised gains/(losses):			
Debt securities:			
- unquoted in Malaysia	-	134,012	134,012
- unquoted outside Malaysia	-	(15)	(15)
Equity securities:			
- quoted in Malaysia	-	(119,753)	(119,753)
- quoted outside Malaysia	-	463	463
Realised losses:			
Embedded securities:			
- quoted in Malaysia	-	(4,054)	(4,054)
Total realised gains for FVTPL	-	10,653	10,653
	7,194	228,947	236,141
2013			
Property and equipment			
Realised gains	-	13	13
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 outside Malaysia	-	110	110
- unquoted in Malaysia	-	7,809	7,809
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

NOTES TO THE FINANCIAL STATEMENTS

21. FAIR VALUE GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2014			
Investment properties (Note 4)	-	14,444	14,444
Financial investments - FVTPL	237	192,082	192,319
	237	206,526	206,763
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)

22. FEES AND COMMISSION INCOME

Life Insurance Fund

	2014 RM'000	2013 RM'000
Reinsurance commission income	21,933	5,965

23. NET BENEFITS AND CLAIMS

Life Insurance Fund

	2014 RM'000	2013 RM'000
(a) Gross Benefits and Claims Paid		
Life insurance contracts:		
Death	(328,504)	(315,449)
Maturity	(595,338)	(768,116)
Surrender	(1,107,839)	(1,035,096)
Cash bonus	(1,549,956)	(1,364,304)
Others	(1,026,262)	(959,671)
	(4,607,899)	(4,442,636)
(b) Claims Ceded to Reinsurers		
Life insurance contracts	87,722	75,920
(c) Gross Change in Contract Liabilities		
Life insurance contracts	(2,931,916)	(1,582,826)
(d) Change in Contract Liabilities Ceded to Reinsurers		
Life insurance contracts	7,294	(5,945)

NOTES TO THE FINANCIAL STATEMENTS

24. MANAGEMENT EXPENSES

	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2014				
Employee benefits expense	24(a)	-	174,626	174,626
Non-executive directors' remuneration	24(b)	-	971	971
Auditors' remuneration:				
- statutory audits		11	418	429
- regulatory related fees		-	135	135
- other services		-	75	75
Depreciation of property and equipment	3	-	49,896	49,896
Property and equipment written off	3	-	639	639
Amortisation of prepaid land lease payments	5	-	138	138
Rental of properties		-	9,281	9,281
Operating lease payments		-	1,052	1,052
Advertising and promotion		-	30,666	30,666
Finance charges		6	45,482	45,488
Group service fees		-	31,739	31,739
IT and computer expenses		-	30,367	30,367
Policyholder expenses		-	6,419	6,419
Postal and telecommunication		-	12,774	12,774
Printing and stationery		-	2,984	2,984
Professional fees		1	3,081	3,082
Repairs and maintenance		-	3,012	3,012
Transport and travelling		-	2,091	2,091
Utilities		-	5,274	5,274
Others		9,435	1,998	11,433
		9,453	413,118	422,571

(a) Employee Benefits Expense

Wages and salaries	-	142,236	142,236
Short term accumulating compensated absences	-	(7)	(7)
Social security contributions	-	966	966
Defined contribution plans - EPF	-	22,799	22,799
Other employee benefits expense	-	8,632	8,632
	-	174,626	174,626

NOTES TO THE FINANCIAL STATEMENTS

24. MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' Remuneration

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

	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2014 (Cont'd)				
Executive:				
Salaries and other emoluments		-	1,788	1,788
Bonus		-	560	560
Estimated money value of benefits-in-kind		-	35	35
		-	2,383	2,383
Non-executive:				
Fees		-	971	971
Total directors' remuneration		-	3,354	3,354
Represented by:				
Directors' fees		-	971	971
Amount included in employee benefits expense		-	2,383	2,383
2013				
Employee benefits expense	24(a)	-	168,568	168,568
Non-executive directors' remuneration	24(b)	-	1,200	1,200
Auditor's remuneration:				
- statutory audits		11	418	429
- regulatory related fees		-	107	107
- other services		-	47	47
Depreciation of property and equipment	3	-	51,973	51,973
Property and equipment written off	3	-	156	156
Amortisation of prepaid land lease payments	5	-	138	138
Rental of properties		-	9,337	9,337
Operating lease payment		-	991	991
Advertising and promotion		-	32,859	32,859
Finance charges		5	42,840	42,845
Group service fees		-	24,601	24,601
IT and computer expenses		-	30,712	30,712
Policyholder expenses		-	7,597	7,597
Postal and telecommunication		-	11,933	11,933
Printing and stationery		-	3,170	3,170
Professional fees		1	3,457	3,458
Repairs and maintenance		-	3,090	3,090
Transport and travelling		-	2,014	2,014
Utilities		-	4,943	4,943
Others		607	12,639	13,246
		624	412,790	413,414

NOTES TO THE FINANCIAL STATEMENTS

24. MANAGEMENT EXPENSES (CONTINUED)

	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:

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
Total directors' remuneration	-	3,749	3,749
Represented by:			
Directors' fees	-	1,200	1,200
Amount included in employee benefits expense	-	2,549	2,549

The remuneration, including benefits-in-kind, attributable to the CEO, who is a Director of the Company amounted to RM2,383,000 (2013: RM2,549,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

24. MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' Remuneration (continued)

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	
	2014	2013
Executive Director		
RM2,000,001 - RM2,550,000	1	1
Non-Executive Directors		
Below RM50,000	1	1
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	1	1
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	1	2
RM300,000 - RM350,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

24. MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' Remuneration (continued)

Name	Status of directorship	2014				Total RM'000
		Salaries RM'000	Bonus RM'000	Benefits in kind RM'000	Fees RM'000	
Yg Bhg Dato Koh Yaw Hui	Executive	1,788	560	35	-	2,383
Total executive director's remuneration		1,788	560	35	-	2,383
Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman (Resigned on 16 April 2014)	Non - Executive	-	-	-	89	89
Mr Norman Ip Ka Cheung (Appointed on 8 August 2014)	Non - Executive	-	-	-	116	116
Yg Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	178	178
Yg Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	261	261
Mr Lee Kong Yip	Non - Executive	-	-	-	304	304
Mr Ng Hon Soon (Appointed on 1 November 2014)	Non - Executive	-	-	-	23	23
Total non-executive directors remuneration		-	-	-	971	971
Total directors' remuneration		1,788	560	35	971	3,354

NOTES TO THE FINANCIAL STATEMENTS

24. MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' Remuneration (continued)

Name	Status of directorship	2013				
		Salaries RM'000	Bonus RM'000	Benefits in kind RM'000	Fees RM'000	Total RM'000
Yg Bhg Dato Koh Yaw Hui	Executive	1,910	608	31	-	2,549
Total executive director's remuneration		1,910	608	31	-	2,549
Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman	Non - Executive	-	-	-	270	270
Yg Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	125	125
Yg Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	258	258
Mr Lee Kong Yip	Non - Executive	-	-	-	312	312
Yg Bhg Tan Sri Dato' Nasrudin bin Bahari (Retired on 25 March 2013)	Non - Executive	-	-	-	33	33
Yg Bhg Dato' Ooi Sang Kuang (Resigned on 31 December 2013)	Non - Executive	-	-	-	202	202
Total non-executive directors remuneration		-	-	-	1,200	1,200
Total directors' remuneration		1,910	608	31	1,200	3,749

NOTES TO THE FINANCIAL STATEMENTS

25. TAXATION

	Note	2014 RM'000	2013 RM'000
Taxation of life insurance business	(a)	210,621	107,561
Taxation of the Company	(b)	176,744	174,378
		387,365	281,940

(a) Taxation of life insurance business

Tax expense/(income)			
Current		203,540	234,233
Deferred			
- Life Insurance Fund	14	42,708	(144,786)
- Unit-linked	14	(35,627)	18,114
		210,621	107,561
Current income tax:			
Malaysian income tax		207,006	234,192
Overprovided in prior years		(3,510)	-
Tax on foreign dividend income		44	41
		203,540	234,233
Deferred tax:			
Relating to origination and reversal of temporary differences			
- Life Insurance Fund	14	42,708	(144,786)
- Unit-linked	14	(35,627)	18,114
		210,621	107,561

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% (2013: 8%) of the assessable investment income net of allowable deductions for the financial year.

(b) Taxation of the Company

Tax expense:			
Current		171,221	137,305
Deferred		5,523	37,073
		176,744	174,378

NOTES TO THE FINANCIAL STATEMENTS

25. TAXATION (CONTINUED)

(b) Taxation of the Company (continued)

	2014 RM'000	2013 RM'000
Current income tax:		
Malaysian income tax	203,409	171,541
Underprovided in prior years	2,515	-
Double taxation relief	(34,703)	(34,236)
	171,221	137,305
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	5,523	37,073
	176,744	174,378

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

The income tax for the Shareholder's Fund is calculated based on the tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year.

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:

	2014 RM'000	2013 RM'000
2014		
Profit before taxation	839,422	816,494
Taxation at Malaysian statutory tax rate of 25%	209,855	204,123
Income not subject to tax	(923)	(598)
Expenses not deductible for tax purposes	-	5,088
Underprovided in prior years	2,515	-
Double taxation relief	(34,703)	(34,235)
Tax expense for the year	176,744	174,378

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.

	2014	2013
Profit attributable to ordinary equity holder (RM'000)	662,678	642,116
Number of shares in issue (RM'000)	100,000	100,000
Basic earnings per share (sen)	663	642

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.

NOTES TO THE FINANCIAL STATEMENTS

27. DIVIDENDS

	2014 RM'000	2013 RM'000
Recognised during the financial year:		
Dividend on ordinary shares:		
- Interim single tier dividend for 2014: RM1.20 (2013: RM1.12) per share	120,000	112,000
- Final single tier dividend for 2013: RM3.699 (2012: RM4.07) per share	369,900	407,000
	489,900	519,000

28. CASH USED IN OPERATING ACTIVITIES

	Note	2014 RM'000	2013 RM'000
Profit before taxation		839,422	816,494
<i>Adjustment for:</i>			
Taxation of life insurance business	25(a)	210,621	107,561
Investment income	19	(2,737,336)	(2,618,165)
Realised gains recorded in the income statement	20	(236,141)	(275,873)
Fair value gains recorded in the income statement	21	(206,763)	1,073,647
Depreciation of property and equipment	3	49,896	51,973
Amortisation of prepaid land lease payments	5	138	138
Impairment of insurance and other receivables	8, 9	2,473	75
Provision for agents' retirement benefits	13	80,093	74,015
Property and equipment write-off	3	639	156
Realised foreign exchange gain on receipt of dividend		(5)	(1)
Realised foreign exchange gain on disposal of investments		(8,630)	(4,324)
Unrealised exchange loss on derivatives		22,722	27,740
Unrealised exchange gain on bond		(22,693)	(26,635)
Cash flow before working capital changes		(2,005,564)	(773,199)
<i>Changes in working capital:</i>			
Purchases of FVTPL financial investments		(15,202,679)	(20,027,724)
Proceeds from disposals/maturities of FVTPL financial investments		13,727,206	17,785,914
Purchases of AFS financial investments		(3,157,113)	(1,891,003)
Proceeds from disposals/maturities of AFS financial investments		2,012,252	1,359,330
Increase in LAR		(536,920)	(871,803)
Increase in reinsurance assets		(26,560)	(3,021)
(Increase)/Decrease in insurance receivables		(1,380)	2,712
(Increase)/Decrease in other receivables		(24,874)	2,953
Increase in insurance contract liabilities		3,982,295	2,610,266
Increase in other financial liabilities		49,547	105,348
Increase/(Decrease) in insurance payables		27,647	(12,942)
(Decrease)/Increase in other payables		(13,266)	43,593
Cash used in operating activities		(1,169,409)	(1,669,576)

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

NOTES TO THE FINANCIAL STATEMENTS

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 terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

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

	2014 RM'000	2013 RM'000
(a) The Company as lessee		
Not later than 1 year	157	157
Later than 1 year and not later than 5 years	1,506	1,709
	1,663	1,866
(b) The Company as lessor		
Not later than 1 year	11,479	20,224
Later than 1 year and not later than 5 years	83,556	49,490
	95,035	69,714

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

30. CAPITAL COMMITMENTS

	2014 RM'000	2013 RM'000
Capital expenditure		
Approved and contracted for:		
- Investment properties	1,082	238
- Property and equipment	56,637	53,336
Approved but not contracted for:		
Investment properties	593,042	93,042
	650,761	146,616

NOTES TO THE FINANCIAL STATEMENTS

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:

	2014 RM'000	2013 RM'000
Transactions with related parties during the year:		
Property rentals received (note i)		
- OCBC Bank (Malaysia) Berhad	786	768
- Overseas Assurance Corporation (Malaysia) Berhad	1,758	1,738
- Great Eastern Takaful Berhad	1,061	989
Service charges paid (note ii)		
- OCBC Bank (Malaysia) Berhad	39,646	36,904
- E2 Power Pte Ltd	5,715	4,996
- Pacific Mutual Fund Bhd	422	402
- Lion Global Investor Ltd	204	204
Service charges received		
- Overseas Assurance Corporation (Malaysia) Berhad	4,188	4,502
- Great Eastern Takaful Berhad	10,656	9,738
Premium paid (note iii)		
- Overseas Assurance Corporation (Malaysia) Berhad	2,493	2,435
Premium received (note iii)		
- Overseas Assurance Corporation (Malaysia) Berhad	220	160
- E2 Power Sdn Bhd	269	233
- OCBC Bank (Malaysia) Berhad	572	604
- OCBC Al-Amin Bank Berhad	49	53
Commission received		
- Overseas Assurance Corporation (Malaysia) Berhad	388	379
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	32,131	28,892
- OCBC Securities Private Limited	807	784
- PAC Lease Berhad	56	118
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	85,613	73,736
Dividend income from preference shares (note v)		
- OCBC Bank (Malaysia) Berhad	4,510	4,510
Bank charges		
- OCBC Bank (Malaysia) Berhad	1,591	1,882

NOTES TO THE FINANCIAL STATEMENTS

31. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2014 RM'000	2013 RM'000
Transactions with related parties during the year (Cont'd):		
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Ltd.	326	403
Employee Share Option Scheme paid		
- Oversea-Chinese Banking Corporation Ltd.	723	629
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Ltd.	454	347
Charges for group services (note vi)		
- The Great Eastern Life Assurance Company Limited	34,201	25,515
Disposal of investment to		
- Great Eastern Takaful Berhad	2,511	-
Purchase of investment from		
- Overseas Assurance Corporation (Malaysia) Berhad	95,055	60,431
- Great Eastern Takaful Berhad	76,143	80,274
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	197,887	198,992
- PAC Lease Berhad	179,723	199,593
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	7,990	13,313
Fixed deposits, structured deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	2,009,113	1,677,093
- OCBC Al-Amin Bank Berhad	184,724	92,042
Investment in cross currency swap (derivatives liabilities)		
- OCBC Bank (Malaysia) Berhad	40,369	34,959

NOTES TO THE FINANCIAL STATEMENTS

31. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2014 RM'000	2013 RM'000
Balances with related parties at year end (Cont'd):		
Amount due from related companies:		
- The Great Eastern General Insurance Company Sdn Bhd	35	29
- Overseas Assurance Corporation (Malaysia) Berhad	1,602	1,846
- Great Eastern Takaful Berhad	1,632	2,695
- Great Eastern Life (Vietnam) Company Limited	2	-
- P.T. Great Eastern Life Indonesia	5	-
Amount due to ultimate holding company:		
- Oversea-Chinese Banking Corporation Ltd	1,075	1,045
Amount due to intermediate holding company:		
- The Great Eastern Life Assurance Company Limited	8,305	6,012
Amount due from intermediate holding company:		
- Great Eastern Holdings Limited	43	131
Amount due to holding company:		
- Great Eastern Capital (M) Sdn Bhd	353	381

Related companies are companies within the OCBC group:

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

NOTES TO THE FINANCIAL STATEMENTS

31. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of Key Management Personnel

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

	2014 RM'000	2013 RM'000
Non-executive directors' fees	971	1,200
Short-term employee benefits	6,711	6,535
Post-employments benefits:		
Defined contribution plan - EPF	810	794
Share-based payment	494	496
	8,986	9,025
Share-based payment (in units)	227,798	301,826
Included in the total key management personnel remuneration are:		
Directors' remuneration (Note 24(b))	3,354	3,749

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS BY CATEGORY

		Assets not in scope of FVTPL	AFS	LAR	Sub-total	MFRS 139	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014							
Assets							
Property and equipment	3	-	-	-	-	446,998	446,998
Investment properties	4	-	-	-	-	546,616	546,616
Prepaid land lease payments	5	-	-	-	-	16,804	16,804
Investments	6	41,209,960	13,821,815	9,794,504	64,826,279	-	64,826,279
Reinsurance assets	7	-	-	-	-	108,941	108,941
Insurance receivables	8	-	-	265,040	265,040	-	265,040
Other receivables	9	-	-	618,399	618,399	9,127	627,526
Cash and bank balances		-	-	19,037	19,037	-	19,037
Total assets		41,209,960	13,821,815	10,696,980	65,728,755	1,128,486	66,857,241

			Other financial liabilities	Sub-total	Liabilities not in scope of MFRS 139	Total
	Note	FVTPL RM'000	RM'000	RM'000	RM'000	RM'000
2014 (continued)						
Liabilities						
Insurance contract liabilities	11	-	-	-	62,758,551	62,758,551
Derivatives	12	166,039	-	166,039	-	166,039
Agents' retirement benefits	13	-	-	-	714,036	714,036
Deferred tax liabilities	14	-	-	-	561,470	561,470
Other financial liabilities	15	-	171,565	171,565	-	171,565
Insurance payables	16	-	204,475	204,475	-	204,475
Provision for taxation		-	-	-	130,201	130,201
Other payables	17	-	455,627	455,627	122,242	577,869
Total liabilities		166,039	831,667	997,706	64,286,500	65,284,206

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	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	-	-	541,005	541,005	7,856	548,861
Cash and bank balances		-	-	38,283	38,283	-	38,283
Total assets		39,498,385	13,431,733	9,440,855	62,370,973	1,094,380	63,465,353

	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 (continued)						
Liabilities						
Insurance contract liabilities	11	-	-	-	59,648,004	59,648,004
Derivatives	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	-	451,525	451,525	119,599	571,124
Total liabilities		131,498	750,372	881,870	61,152,652	62,034,522

NOTES TO THE FINANCIAL STATEMENTS

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

The ALC is responsible for 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Regulatory Framework

Insurers have to comply with the Financial Services Act 2013 ("FSA") which came into force on 30 June 2013, and regulations, 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 ensure 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.

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 is commensurate with its risk profiles. The Capital Adequacy Ratios of the Company remained well above the minimum capital requirement of 130% under the RBC Framework regulated by Bank Negara Malaysia (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.

NOTES TO THE FINANCIAL STATEMENTS

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

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).

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 example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

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

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 and lapse rates.

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

Table 33(A): The table below shows the concentration of actuarial liabilities and net asset value attributable to unitholders by type of contract as at the balance sheet date:

	Gross			Reinsurance			Net Total RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
2014							
Whole life	29,733,618	5,008,433	34,742,051	-	-	-	34,742,051
Endowment	8,445,403	1,331,371	9,776,774	-	-	-	9,776,774
Term	(2,064)	370,949	368,885	-	(46,539)	(46,539)	322,346
Accident and health	8,488	131,571	140,059	-	-	-	140,059
Annuity	-	16,136	16,136	-	-	-	16,136
Others	1,615,657	124,370	1,740,027	-	-	-	1,740,027
Total	39,801,102	6,982,830	46,783,932	-	(46,539)	(46,539)	46,737,393
2013							
Whole life	28,516,540	4,688,104	33,204,644	-	-	-	33,204,644
Endowment	7,950,572	1,277,586	9,228,158	-	-	-	9,228,158
Term	(2,647)	336,220	333,573	-	(39,245)	(39,245)	294,328
Accident and health	8,910	125,253	134,163	-	-	-	134,163
Annuity	-	1,176	1,176	-	-	-	1,176
Others	1,452,579	79,264	1,531,843	-	-	-	1,531,843
Total	37,925,954	6,507,603	44,433,557	-	(39,245)	(39,245)	44,394,312

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

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

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

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

Table 33(B): The table below shows the insurance risk sensitivity analysis on the gross and net insurance contract liabilities, surplus of life insurance funds, profit before taxation and shareholder's equity.

	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Surplus RM'000	Impact on Profit Before Taxation RM'000	Impact on Equity RM'000
	Increase/(Decrease)				
2014					
Scenario 1 – Mortality and major illness	1,249,805	1,218,047	(1,218,047)	(201,326)	(150,994)
Scenario 2 – Mortality and major illness	(1,336,933)	(1,307,211)	1,307,211	187,633	140,725
Scenario 3 – Health and disability	172,207	167,667	(167,667)	(49,796)	(37,347)
Scenario 4 – Health and disability	(159,965)	(157,674)	157,674	39,072	29,304
Scenario 5 – Lapse and surrender rates	(726,409)	(723,838)	723,838	(15,153)	(11,365)
Scenario 6 – Lapse and surrender rates	877,304	871,926	(871,926)	21,262	15,947
Scenario 7 – Expenses	345,408	344,282	(344,282)	(29,105)	(21,829)
2013					
Scenario 1 – Mortality and major illness	1,216,103	1,187,576	(1,187,576)	(174,725)	(131,044)
Scenario 2 – Mortality and major illness	(1,302,415)	(1,276,541)	1,276,541	159,501	119,626
Scenario 3 – Health and disability	166,883	162,449	(162,449)	(45,218)	(33,914)
Scenario 4 – Health and disability	(157,478)	(155,868)	155,868	37,362	28,021
Scenario 5 – Lapse and surrender rates	(780,310)	(778,303)	778,303	(16,741)	(12,556)
Scenario 6 – Lapse and surrender rates	939,716	934,297	(934,297)	23,420	17,565
Scenario 7 – Expenses	332,397	330,984	(330,984)	(24,150)	(18,113)

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk *(continued)*

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

Market and Credit Risk

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

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

(b) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. Most of the foreign currency risk comes from the Company's 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 Life 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 pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk *(continued)*

(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 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.

(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 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) and (D2)).

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(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, issuers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information. (Refer to Table 33(E1) and (E2)).

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

Credit risk in respect of customer balances incurred on non-payment of premiums 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 secured by collateral with maximum loan to value ratio of 80% predominantly.

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
2014			
Mortgage loans	Properties	1,677,653	3,330,763
Secured loans			
- Vehicle loans	Vehicle	3,582	3,582
- Government guaranteed loans	Nil	1,581,870	-
Policy loans	Cash value of policies	3,918,699	7,839,514
		7,181,804	11,173,859

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(h) Credit risk

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			
- Vehicle loans	Vehicle	2,975	2,975
- Government guaranteed loans	Nil	1,582,189	-
Policy loans	Cash value of policies	3,763,428	7,431,129
		6,867,511	11,061,045

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.

(j) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables held 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 actuarial liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value reserves.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(j) Sensitivity analysis on financial risks (continued)

2014 RM (millions)	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit After Taxation	Impact on Equity*
	Increase/(Decrease)			
Change in variables				
a) <u>Equity</u>				
+/-20% - STI	0.0	0.0	0.0	+/-2.5
- KLCI	0.0	0.0	0.0	+/-27.0
b) <u>Alternative Investment</u>				
+/-10%	0.0	0.0	+/-5.0	+/-6.5
c) <u>Foreign Currency</u>				
+/-5%	0.0	0.0	0.0	+/-0.0
d) <u>Interest Rate</u>				
MGS Yield curve +100 bps	(457.9)	(455.0)	20.3	(26.9)
MGS Yield curve -100 bps	535.4	532.1	(34.4)	14.8
PAR Yield curve +100 bps	(3,860.6)	(3,860.6)	0.0	0.0
PAR Yield curve -100 bps	4,818.4	4,818.4	0.0	0.0
e) <u>Credit Spread</u>				
Spread +100 bps	0.0	0.0	(95.5)	(111.7)
Spread - 100 bps	0.0	0.0	108.3	126.5
2013				
RM (millions)				
Change in variables				
a) <u>Equity</u>				
+/-20% - STI	0.0	0.0	0.0	+/-2.3
- KLCI	0.0	0.0	0.0	+/-35.8
b) <u>Alternative Investment</u>				
+/-10%	0.0	0.0	+/-5.0	+/-6.2
c) <u>Foreign Currency</u>				
+/-5%	0.0	0.0	0.0	0.0
d) <u>Interest Rate</u>				
MGS Yield curve +100 bps	(421.1)	(418.7)	(11.9)	(50.3)
MGS Yield curve -100 bps	492.7	490.1	13.5	53.7
PAR Yield curve +100 bps	(3,922.7)	(3,922.7)	0.0	0.0
PAR Yield curve -100 bps	4,920.8	4,920.8	0.0	0.0
e) <u>Credit Spread</u>				
Spread +100 bps	0.0	0.0	(109.2)	(120.6)
Spread - 100 bps	0.0	0.0	123.5	136.4

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

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

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

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2014					
Assets					
Property and equipment	446,998	-	-	-	446,998
Investment properties	546,616	-	-	-	546,616
Prepaid land lease payments	16,804	-	-	-	16,804
Investments					
Malaysian government securities	6,834,339	-	-	-	6,834,339
Debt securities	28,569,124	640,855	149,404	-	29,359,383
Equity securities	13,596,850	1,222,009	6,604	641,788	15,467,251
Unit and property trust funds	483,162	155,843	32,746	4,522	676,273
Loans	7,181,882	-	-	-	7,181,882
Deposits with financial institutions	2,612,622	-	-	-	2,612,622
Financial instruments with embedded derivatives	2,694,529	-	-	-	2,694,529
Reinsurance assets	108,941	-	-	-	108,941
Insurance receivables	265,040	-	-	-	265,040
Other receivables	627,526	-	-	-	627,526
Cash and bank balances	14,915	2,806	275	1,041	19,037
Total assets	63,999,348	2,021,513	189,029	647,351	66,857,241
Liabilities					
Insurance contract liabilities	62,758,551	-	-	-	62,758,551
Derivatives	-	118,330	47,709	-	166,039
Agents' retirement benefits	714,036	-	-	-	714,036
Deferred tax liabilities	561,470	-	-	-	561,470
Other financial liabilities	171,565	-	-	-	171,565
Insurance payables	204,475	-	-	-	204,475
Provision for taxation	130,201	-	-	-	130,201
Other payables	577,869	-	-	-	577,869
Total liabilities	65,118,167	118,330	47,709	-	65,284,206

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

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

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2013					
Assets					
Property and equipment	455,101	-	-	-	455,101
Investment properties	532,100	-	-	-	532,100
Prepaid land lease payments	16,942	-	-	-	16,942
Investments					
Malaysian government securities	7,818,148	-	-	-	7,818,148
Debt securities	25,264,398	615,266	136,901	-	26,016,565
Equity securities	14,489,912	1,062,592	1,715	416,948	15,971,167
Unit and property trust funds	425,578	107,118	-	447	533,143
Loans	6,867,561	-	-	-	6,867,561
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	16,084	12,594	159	9,446	38,283
Total assets	61,102,167	1,797,570	138,775	426,841	63,465,353
Liabilities					
Insurance contract liabilities	59,648,004	-	-	-	59,648,004
Derivatives	-	102,118	29,380	-	131,498
Agents' retirement benefits	670,930	-	-	-	670,930
Deferred tax liabilities	634,989	-	-	-	634,989
Other financial liabilities	122,019	-	-	-	122,019
Insurance payables	176,828	-	-	-	176,828
Provision for taxation	79,130	-	-	-	79,130
Other payables	571,124	-	-	-	571,124
Total liabilities	61,903,024	102,118	29,380	-	62,034,522

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

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

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
2014						
Investments:						
LAR	9,794,504	2,851,248	2,797,069	963,922	3,918,699	10,530,938
AFS	13,821,815	32,917	252,830	338,926	13,415,750	14,040,423
FVTPL	41,209,960	3,708,925	16,342,920	30,883,305	2,727,773	53,662,923
Reinsurance assets	108,941	5,549	17,777	23,213	62,402	108,941
Insurance receivables	265,040	265,040	-	-	-	265,040
Other receivables	618,399	534,155	1,877	-	82,367	618,399
Cash and bank balances	19,037	19,037	-	-	-	19,037
Total undiscounted financial assets	65,837,696	7,416,871	19,412,473	32,209,366	20,206,991	79,245,701
Insurance contract liabilities:						
With DPF	55,554,827	900,069	4,465,711	34,435,323	15,753,724	55,554,827
Without DPF	7,203,724	792,899	208,993	1,326,126	4,875,706	7,203,724
Derivatives	166,039	-	166,039	-	-	166,039
Other financial liabilities	171,565	170,939	626	-	-	171,565
Insurance payables	204,475	204,475	-	-	-	204,475
Other payables	455,627	438,091	17,536	-	-	455,627
Total undiscounted financial liabilities	63,756,257	2,506,473	4,858,905	35,761,449	20,629,430	63,756,257
Total liquidity surplus	2,081,439	4,910,398	14,553,568	(3,552,083)	(422,439)	15,489,444

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

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

Table 33(D1) (continued)

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
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	13,439,448
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	541,005	458,057	1,851	-	81,097	541,005
Cash and bank balances	38,283	38,283	-	-	-	38,283
Total undiscounted financial assets	62,453,354	5,352,836	15,557,125	41,087,992	20,260,694	82,258,647
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	131,498	-	131,498	-	-	131,498
Other financial liabilities	122,019	121,261	758	-	-	122,019
Insurance payables	176,828	176,828	-	-	-	176,828
Other payables	451,525	434,212	17,313	-	-	451,525
Total undiscounted financial liabilities	60,529,874	2,419,911	4,222,525	34,351,103	19,536,335	60,529,874
Total liquidity surplus	1,923,480	2,932,925	11,334,600	6,736,889	724,359	21,728,773

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

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

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

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
2014				
Property and equipment	-	446,998	-	446,998
Investment properties	-	546,616	-	546,616
Prepaid lease payments	-	16,804	-	16,804
Investments:				
LAR	1,602,854	7,118,159	1,073,490	9,794,503
AFS	13,425,754	396,061	-	13,821,815
FVTPL	1,663,426	35,892,124	3,654,411	41,209,961
Reinsurance assets	67,951	40,990	-	108,941
Insurance receivables	265,040	-	-	265,040
Other receivables	479,162	87,164	61,200	627,526
Cash and bank balances	15,212	-	3,825	19,037
Total assets	17,519,399	44,544,916	4,792,926	66,857,241
Insurance contract liabilities:				
With DPF	16,653,793	38,901,034	-	55,554,827
Without DPF	1,013,794	1,535,119	4,654,811	7,203,724
Derivatives	-	166,039	-	166,039
Agents' retirement benefits	193,657	520,379	-	714,036
Deferred tax liabilities	547,795	-	13,675	561,470
Other financial liabilities	91,980	626	78,959	171,565
Insurance payables	204,475	-	-	204,475
Provision for taxation	92,483	-	37,718	130,201
Other payables	559,348	17,536	985	577,869
Total liabilities	19,357,325	41,140,733	4,786,148	65,284,206

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

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

Table 33(D2) (continued)

	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	441,055	85,869	21,937	548,861
Cash and bank balances	36,613	-	1,670	38,283
Total assets	20,092,354	38,856,039	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	131,498	-	-	131,498
Agents' retirement benefits	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.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the Balance Sheet which are subject to credit risk. 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
2014					
LAR:	6(a)				
Deposits with financial institutions		7,100	1,532,032	1,073,490	2,612,622
Policy loans		-	3,918,699	-	3,918,699
Mortgage loans		28,433	1,649,220	-	1,677,653
Secured loans		15,014	1,570,438	-	1,585,452
Unsecured loans		75	3	-	78
AFS financial investments:	6(b)				
Malaysian government securities		21,966	-	-	21,966
Debt securities		384,099	-	-	384,099
Financial investments at FVTPL:					
Financial instruments with embedded derivatives		18,050	2,608,289	27,844	2,654,183
Malaysian government securities		-	6,772,336	40,037	6,812,373
Debt securities		-	28,122,147	853,137	28,975,284
Reinsurance assets	7	-	108,941	-	108,941
Insurance receivables	8	-	265,040	-	265,040
Other receivables	9	9,731	547,468	61,200	618,399
		484,468	47,094,613	2,055,708	49,634,789
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)				
Malaysian government securities		19,444	-	-	19,444
Debt securities		223,627	-	-	223,627
Financial investments at FVTPL:					
Financial instruments with embedded derivatives		17,910	2,485,106	28,588	2,531,604
Malaysian government securities		-	7,745,889	52,815	7,798,704
Debt securities		-	25,123,121	669,816	25,792,937
Derivatives		-	-	-	-
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
		347,785	44,329,319	1,182,021	45,859,125

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

Table 33(E2): The table below provides information regarding the credit risk exposure of the Company by classifying assets which are subject to credit risk 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	Past-due** RM'000	Total RM'000
2014						
LAR:						
Deposits with financial institutions	1,369,132	-	170,000	1,073,490	-	2,612,622
Policy loans	-	-	3,918,699	-	-	3,918,699
Mortgage loans	-	-	1,677,653	-	-	1,677,653
Secured loans	1,581,870	-	3,582	-	-	1,585,452
Unsecured loans	-	-	78	-	-	78
AFS financial investments:						
Malaysian government securities	21,966	-	-	-	-	21,966
Debt securities	384,099	-	-	-	-	384,099
Financial investments at FVTPL:						
Financial instruments with embedded derivatives	2,626,339	-	-	27,844	-	2,654,183
Malaysian government securities	6,772,336	-	-	40,037	-	6,812,373
Debt securities	26,645,531	-	1,476,616	853,137	-	28,975,284
Reinsurance assets	107,735	-	1,206	-	-	108,941
Insurance receivables	-	-	253,950	-	11,090	265,040
Other receivables	384,047	-	173,114	61,200	38	618,399
Total credit risk exposure	39,893,055	-	7,674,898	2,055,708	11,128	49,634,789

* Based on public ratings assigned by external rating agencies including RAM and MARC.

** An aging analysis for financial assets past due is provided below.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

Table 33(E2) (continued)

	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	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	-	-	1,518,919	-	-	1,518,919
Secured loans	1,585,164	-	-	-	-	1,585,164
Unsecured loans	-	-	50	-	-	50
AFS financial investments:						
Malaysian government securities	19,444	-	-	-	-	19,444
Debt securities	223,627	-	-	-	-	223,627
Financial investments at FVTPL:						
Financial instruments with embedded derivatives	2,503,016	-	-	28,588	-	2,531,604
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
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
Total credit risk exposure	37,559,554	45,803	7,070,639	1,182,022	1,107	45,859,125

* Based on public ratings assigned by external rating agencies including RAM and MARC.

** An aging analysis for financial assets past due is provided below.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

	Past-due but not impaired			Total RM'000	Past-due and impaired RM'000	Total RM'000
	< 6 Months RM'000	6 Months to 12 Months RM'000	>12 Months RM'000			
2014						
Insurance receivables	10,502	463	125	11,090	7,855	18,945
Other receivables	11	4	23	38	158	196
	10,513	467	148	11,128	8,013	19,141
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

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 RM11,128,000 (31 December 2013: RM1,107,000) that are past due at reporting date but not impaired.

At reporting date, receivables amounting to RM10,502,000 (31 December 2013: RM1,009,000) have been arranged to be settled. The remaining balances of receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

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

Operational and Compliance Risk

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

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 risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors 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 and compliance risks.

Technology Risk

Technology risk is any event or action that may potentially impact partly or completely the achievement of the Company objectives resulting from inadequate or failed technology controls, processes or human behavior.

The Company adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by the Internal Audit team on the adequacy and effectiveness of the processes to manage technology risks.

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUES OF ASSETS AND LIABILITIES

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

	Carrying Amount		Fair Value	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Financial assets:				
<u>AFS financial assets (Note 6(b)):</u>				
Equity securities:				
Quoted in Malaysia	10,848,660	11,147,157	10,848,660	11,147,157
Quoted outside Malaysia	1,846,896	1,462,705	1,846,896	1,462,705
Malaysian government securities	21,966	19,444	21,966	19,444
Debt securities:				
Unquoted in Malaysia	384,099	223,627	384,099	223,627
Unit and property trust funds:				
Quoted in Malaysia	419,933	357,274	419,933	357,274
Quoted outside Malaysia	191,795	106,660	191,795	106,660
<u>FVTPL - Held for trading (Note 6(c)):</u>				
Equity securities:				
Quoted in Malaysia	2,639,726	3,227,889	2,639,726	3,227,889
Quoted outside Malaysia	23,505	18,550	23,505	18,550
Financial instruments				
with embedded derivatives	2,694,529	2,591,096	2,694,529	2,591,096
Malaysian government securities	40,037	52,815	40,037	52,815
Debt securities:				
Unquoted in Malaysia	853,137	669,816	853,137	669,816
Unit and property trust funds:				
Quoted in Malaysia	63,227	68,304	63,227	68,304
Quoted outside Malaysia	1,316	905	1,316	905
<u>FVTPL - Designated Upon Initial Recognition (Note 6(c)):</u>				
Malaysian government securities	6,772,336	7,745,889	6,772,336	7,745,889
Debt securities:				
Quoted outside Malaysia	640,855	615,266	640,855	615,266
Unquoted in Malaysia	27,331,888	24,370,954	27,331,888	24,370,954
Unquoted outside Malaysia	149,404	136,901	149,404	136,901

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

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

	Carrying Amount		Fair Value	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Non financial assets:				
<u>Investment properties (Note 4):</u>				
Commercial	314,716	301,450	314,716	301,450
Residential	231,900	230,650	231,900	230,650
<u>Loans and receivables (Note 6(a)):</u>				
Mortgage loans	1,677,653	1,518,919	1,706,306	1,545,472
	57,147,578	54,866,271	57,176,231	54,892,824
Financial liabilities:				
<u>Derivatives (Note 12):</u>				
Currency swaps	166,039	131,498	166,039	131,498
	166,039	131,498	166,039	131,498

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

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

- For mortgage loans, the fair value is derived by using the AA2 yield by tenures as an approximate proxy for fair value valuation. The AA2 yields are sourced from BPAM.
- If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

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

		Level 1	Level 2	Level 3	
		Valuation Techniques -			
		Quoted	Observable	Unobservable	Total Fair
		Market Price	Market	Valuation	Value
			Inputs	Techniques -	
				Inputs	

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

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

		Level 1	Level 2	Level 3	Total Fair Value RM'000
		Quoted Market Price RM'000	Valuation Techniques - Market Observable Inputs RM'000	Valuation Techniques - Unobservable Inputs RM'000	
Date of valuation					
2014 (continued)					
(a) Assets measured at fair value: (continued)					
Financial assets (continued):					
<u>FVTPL - Designated upon initial recognition (Note 6(c)):</u>					
Malaysian government securities	31 December 2014	-	6,772,336	-	6,772,336
Debt securities:					
Quoted outside Malaysia	31 December 2014	640,855	-	-	640,855
Unquoted in Malaysia	31 December 2014	-	27,331,888	-	27,331,888
Unquoted outside Malaysia	31 December 2014	-	149,404	-	149,404
Financial assets		16,717,429	38,205,880	-	54,923,309
Non financial assets:					
<u>Investment Properties (Note 4):</u>					
Commercial	31 December 2014	-	314,716	-	314,716
Residential	31 December 2014	-	231,900	-	231,900
Non financial assets		-	546,616	-	546,616
(b) Assets for which fair values are disclosed:					
<u>LAR (Note 6(a)):</u>					
Mortgage loans	31 December 2014	-	1,706,306	-	1,706,306
(c) Liabilities measured at fair value:					
Financial liabilities					
<u>Derivatives (Note 12):</u>					
Currency swaps	31 December 2014	-	166,039	-	166,039

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

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

		Level 1	Level 2	Level 3	
			Valuation Techniques - Market Observable Inputs	Valuation Techniques - Unobservable Inputs	Total Fair Value
	Date of valuation	Quoted Market Price RM'000	RM'000	RM'000	RM'000
2013					
(a) <u>Assets measured at fair value</u>					
<u>Financial assets:</u>					
AFS financial assets (Note 6(b)):					
Equity securities:	31 December 2013	11,147,157	-	-	11,147,157
Quoted in Malaysia	31 December 2013	1,462,705	-	-	1,462,705
Quoted outside Malaysia	31 December 2013	-	19,444	-	19,444
Malaysian government securities					
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					
Malaysian government securities	31 December 2013	62,135	2,528,961	-	2,591,096
Debt securities:					
Unquoted in Malaysia	31 December 2013	-	52,815	-	52,815
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

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

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

		Level 1	Level 2	Level 3	Total Fair Value
		Quoted Market Price	Valuation Techniques - Market Observable Inputs	Valuation Techniques - Unobservable Inputs	RM'000
		RM'000	RM'000	RM'000	RM'000
2013 (continued)					
(a) <u>Assets measured at fair value:(continued)</u>					
<u>Financial assets (continued):</u>					
<u>FVTPL - Designated upon initial recognition (Note 6(c)):</u>					
Malaysian government securities	31 December 2013	-	7,745,889	-	7,745,889
<u>Debt securities:</u>					
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
<u>Non financial assets:</u>					
<u>Investment Properties (Note 4):</u>					
Commercial	31 December 2013	-	301,450	-	301,450
Residential	31 December 2013	-	230,650	-	230,650
Non financial assets		-	532,100	-	532,100
(b) <u>Assets for which fair values are disclosed:</u>					
<u>LAR (Note 6(a)):</u>					
Mortgage loans	31 December 2013	-	1,545,472	-	1,545,472
(c) <u>Liabilities measured at fair value:</u>					
<u>Financial liabilities</u>					
<u>Derivatives (Note 12):</u>					
Currency swaps	31 December 2013	-	131,498	-	131,498

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

Fair value Hierarchy

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

Level 1 assets/liabilities are those of which market values are determined in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those process represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 assets/liabilities are those of which market values are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These type of assets/liabilities includes assets/liabilities of which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets/financial liabilities with fair values based on broker quotes, investments in private equity funds with fair values obtained from counterparties and assets/liabilities that are valued using the Company's own model whereby the majority of assumptions are market observable.

Level 3 assets/liabilities are those of which market values are measured using a valuation technique based on assumptions formed from unobservable inputs. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given the prevailing market conditions.

There have been no transfers of assets between Level 1 and Level 2 of the fair value hierarchy during the financial years ended 31 December 2014 and 31 December 2013.

35. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2014, as prescribed under the RBC is provided below:

	2014 RM'000	2013 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	17,949,771	17,076,689
	18,049,771	17,176,689
Tier 2 Capital		
Eligible reserves	4,174,497	5,083,277
Deductions: Deferred Tax Asset	1,192	-
Total Capital Available	22,224,268	22,259,966

NOTES TO THE FINANCIAL STATEMENTS

36. INSURANCE FUNDS

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

Balance Sheet by Funds As at 31 December 2014

	Shareholder's Fund		Life Insurance Fund		Elimination*		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Financial investments	578,890	493,601	64,268,754	61,054,423	(21,365)	(22,455)	64,826,279	61,525,569
Reinsurance assets	-	-	108,941	82,381	-	-	108,941	82,381
Insurance receivables	-	-	265,040	266,116	-	-	265,040	266,116
Other assets	1,202,378	1,163,864	1,663,721	1,619,510	(1,209,118)	(1,192,087)	1,656,981	1,591,287
	1,781,268	1,657,465	66,306,456	63,022,430	(1,230,483)	(1,214,542)	66,857,241	63,465,353
Equity, Policyholders' Fund and Liabilities								
Total Equity	1,571,256	1,429,868	-	-	1,779	963	1,573,035	1,430,831
Insurance contract liabilities	-	-	62,782,289	59,671,742	(23,738)	(23,738)	62,758,551	59,648,004
Other liabilities	210,012	227,597	3,524,167	3,350,688	(1,208,524)	(1,191,767)	2,525,655	2,386,518
Total policyholders' fund and liabilities	210,012	227,597	66,306,456	63,022,430	(1,232,262)	(1,215,505)	65,284,206	62,034,522
	1,781,268	1,657,465	66,306,456	63,022,430	(1,230,483)	(1,214,542)	66,857,241	63,465,353

* Refers to elimination of interfund transactions.

NOTES TO THE FINANCIAL STATEMENTS

36. INSURANCE FUNDS (CONTINUED)

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

Income Statement by Funds For the year ended 31 December 2014

	Shareholder's Fund		Life Insurance Fund		Elimination*		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	-	6,779,362	6,495,615	-	-	6,779,362	6,495,615
Premiums ceded to reinsurers	-	-	(123,626)	(117,282)	-	-	(123,626)	(117,282)
Net earned premiums	-	-	6,655,736	6,378,333	-	-	6,655,736	6,378,333
Investment income	29,860	25,172	2,673,301	2,561,169	(1,701)	-	2,701,460	2,586,341
Fee and commission income	-	-	21,933	5,965	-	-	21,933	5,965
Gains and losses and other operating revenue	8,302	10,621	442,878	(803,376)	-	-	451,180	(792,755)
Other revenue	38,162	35,793	3,138,112	1,763,758	(1,701)	-	3,174,573	1,799,551
Gross benefits and claims paid	-	-	(4,609,600)	(4,442,636)	1,701	-	(4,607,899)	(4,442,636)
Claims ceded to reinsurers	-	-	87,722	75,920	-	-	87,722	75,920
Gross change in contract liabilities	-	-	(2,931,916)	(1,582,826)	-	-	(2,931,916)	(1,582,826)
Change in contract liabilities ceded to reinsurers	-	-	7,294	(5,945)	-	-	7,294	(5,945)
Net benefits and claims	-	-	(7,446,500)	(5,955,487)	1,701	-	(7,444,799)	(5,955,487)
Depreciation and amortisation	-	-	(50,034)	(52,112)	-	-	(50,034)	(52,112)
Other operating and management expenses	(9,453)	(622)	(1,275,980)	(1,245,608)	-	-	(1,285,433)	(1,246,230)
Taxation of life insurance business	-	-	(210,621)	(107,561)	-	-	(210,621)	(107,561)
Other expenses	(9,453)	(622)	(1,536,635)	(1,405,281)	-	-	(1,546,088)	(1,405,903)

NOTES TO THE FINANCIAL STATEMENTS

36. INSURANCE FUNDS (CONTINUED)

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

Income Statement by Funds

For the year ended 31 December 2014 (continued)

	Shareholder's Fund		Life Insurance Fund		Elimination*		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit from operations	28,709	35,171	810,713	781,323	-	-	839,422	816,494
Reversal of excess transfer in the prior years	-	(20,000)	-	20,000	-	-	-	-
Transfer from Life Insurance Fund*	810,713	801,323	(810,713)	(801,323)	-	-	-	-
Profit/Surplus before taxation	839,422	816,494	-	-	-	-	839,422	816,494
Taxation (Note 25)	(176,744)	(174,378)	-	-	-	-	(176,744)	(174,378)
Net profit/surplus for the year	662,678	642,116	-	-	-	-	662,678	642,116

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

** Refers to elimination of interfund transactions.

NOTES TO THE FINANCIAL STATEMENTS

36. INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds For the year ended 31 December 2014

	Shareholder's Fund		Life Insurance Fund		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flow from:						
Operating activities	457,478	547,934	717,750	(65,838)	1,175,228	482,096
Investing activities	-	-	(42,456)	(38,843)	(42,456)	(38,843)
Financing activities	(489,886)	(518,794)	-	-	(489,886)	(518,794)
Increase/(Decrease) in cash and cash equivalents	(32,408)	29,140	675,294	(104,681)	642,886	(75,541)
Cash and cash equivalents:						
At beginning of year	39,998	10,858	1,618,775	1,723,456	1,658,773	1,734,314
At end of year	7,590	39,998	2,294,069	1,618,775	2,301,659	1,658,773

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