

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

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

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 2015.

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	<u>688,997</u>
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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 2014 were as follows:

RM'000

In respect of financial year ended 31 December 2014:

Final single tier dividend of RM5.12 per ordinary share on 100,000,005 ordinary shares declared on 25 March 2015 and paid on 28 April 2015	<u>512,000</u>
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At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2015 on 100,000,005 ordinary shares amounting to a total dividend of RM450,000,023 (RM4.50 per share) will be proposed for shareholder's approval.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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DIVIDENDS (CONT'D.)

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 December 2016.

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 (Chairman)
Mr Khor Hock Seng (Appointed on 1 March 2016)
Y Bhg Datuk Kamaruddin bin Taib
Y Bhg Dato' Yeoh Beow Tit
Y Bhg Dato Koh Yaw Hui
Mr Lee Kong Yip (Stepped down on 31 December 2015)
Mr Ng Hon Soon

In accordance with Article 66 of the Company's Articles of Association, Mr Norman Ip Ka Cheung and Y Bhg Dato Koh Yaw Hui would retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of 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.

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

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:

	<u>Shareholdings in which Directors</u> <u>have a direct interest</u>				
	<u>1.1.2015</u>	<u>Acquired</u>	<u>Disposed</u>	<u>31.12.2015</u>	
(a) Ordinary shares in the capital of OCBC Bank					
Mr Norman Ip Ka Cheung	3,950	159	-	4,109	
Yg Bhg Dato' Yeoh Beow Tit	364,232	14,534	-	378,766	
Yg Bhg Dato Koh Yaw Hui	120,000	61,391	(6,000)	175,391	
	<u>Shareholdings in which Directors</u> <u>are deemed to have an interest</u>				
	<u>1.1.2015</u>	<u>Adjustment</u>	<u>Granted</u>	<u>Vested</u>	<u>31.12.2015</u>
Yg Bhg Dato' Yeoh Beow Tit	29,961	-	-	-	29,961 ⁽¹⁾
Yg Bhg Dato Koh Yaw Hui	38,486	(119)	19,693	(18,015)	40,045 ⁽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 33,086 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over 6,959 ordinary shares granted under the OCBC Employee Share Purchase Plan.*

	<u>Shareholdings in which Directors</u> <u>have a direct interest</u>			
	<u>1.1.2015</u>	<u>Acquired</u>	<u>Disposed</u>	<u>31.12.2015</u>
(b) 4.2% non cumulative non convertible Class G Preference Shares in OCBC Bank				
Mr Norman Ip Ka Cheung	2,000	-	(2,000)	-

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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DIRECTORS' INTERESTS (CONT'D.)

			<u>Options held by Directors in their own name</u>			
	Expiry	Exercise	<u>1.1.2015</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.2015</u>
	<u>Date</u>	<u>S\$</u>				
(c) Options to subscribe for ordinary shares in the capital of OCBC Bank						
Yg Bhg						
Dato' Yeoh	13.3.2017	8.59	51,415	-	-	51,415
Beow Tit	13.3.2018	7.52	51,415	-	-	51,415
Yg Bhg	7.4.2015	5.63	20,566	-	(20,566)	-
Dato Koh	22.5.2016	6.40	20,566	-	(10,566)	10,000
Yaw Hui	13.3.2017	8.35	20,566	-	-	20,566
	13.3.2018	7.31	25,707	-	-	25,707
	15.3.2019	4.02	20,566	-	-	20,566
	14.3.2020	8.52	41,132	-	-	41,132
	13.3.2021	9.09	37,813	-	-	37,813
	13.3.2022	8.56	86,387	-	-	86,387
	13.3.2023	10.02	191,161	-	-	191,161
	13.3.2024	9.17	123,277	-	-	123,277
	13.3.2025	10.38	-	29,608	-	29,608

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.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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OTHER STATUTORY INFORMATION

- (a) Before the balance sheet, income statement and statement of comprehensive income of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) it necessary to write-off any bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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OTHER STATUTORY INFORMATION (CONT'D.)

(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.

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 March 2016.

Yeoh Beow Tit
Kuala Lumpur

Koh Yaw Hui

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

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

We, Yeoh Beow Tit and Koh Yaw Hui, being two of the Directors of Great Eastern Life Assurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 10 to 140 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 2015 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 March 2016.

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 10 to 140 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 March 2016

Ong Eng Siew Raymond

Before me,

93745-A

**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 2015, 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 10 to 140.

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.

93745-A

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 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 March 2016

Brandon Bruce Sta Maria
No. 2937/09/17(J)
Chartered Accountant

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

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Assets			
Property and equipment	3	449,940	446,998
Investment properties	4	601,810	546,616
Prepaid land lease payments	5	16,666	16,804
Investments	6	67,630,872	64,826,279
Reinsurance assets	7	100,985	108,941
Insurance receivables	8	268,250	265,040
Other receivables	9	807,197	627,526
Cash and bank balances		186,861	19,037
Total assets		70,062,581	66,857,241
Equity			
Share capital	10	100,000	100,000
Retained earnings		1,644,771	1,467,774
Available-for-sale fair value reserves		21,843	5,261
Total equity		1,766,614	1,573,035
Liabilities			
Insurance contract liabilities	11	65,462,222	62,758,551
Derivatives	12	413,626	166,039
Agents' retirement benefits	13	760,436	714,036
Deferred tax liabilities	14	526,076	561,470
Other financial liabilities	15	207,063	171,565
Insurance payables	16	224,667	204,475
Provision for taxation		79,729	130,201
Other payables	17	622,148	577,869
Total liabilities		68,295,967	65,284,206
Total equity and liabilities		70,062,581	66,857,241

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

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Gross earned premiums	18(a)	7,017,546	6,779,362
Earned premiums ceded to reinsurers	18(b)	(142,724)	(123,626)
Net earned premiums		6,874,822	6,655,736
Investment income	19	2,808,796	2,701,460
Realised gains and losses	20	28,341	236,141
Fair value gains and losses	21	16,968	206,763
Decrease/(increase) in provision for impairment of:			
Insurance receivables	8	2,393	(2,456)
Other receivables	9	(271)	(17)
Quoted investments	6	(265,256)	-
Fees and commission income	22	16,616	21,933
Other operating revenue		113,714	10,749
Other revenue		2,721,301	3,174,573
Gross benefits and claims paid	23(a)	(4,924,767)	(4,607,899)
Claims ceded to reinsurers	23(b)	68,160	87,722
Gross change in contract liabilities	23(c)	(2,299,654)	(2,931,916)
Change in contract liabilities ceded to reinsurers	23(d)	(2,936)	7,294
Net benefits and claims		(7,159,197)	(7,444,799)
Fees and commission expense		(949,151)	(912,857)
Management expenses	24	(493,824)	(422,571)
Other operating expenses		(241)	(39)
Taxation of life insurance business	25(a)	(144,680)	(210,621)
Other expenses		(1,587,896)	(1,546,088)
Profit before taxation		849,030	839,422
Taxation	25(b)	(160,033)	(176,744)
Net profit for the year		688,997	662,678
Earnings per share (sen)			
Basic and diluted	26	689	663

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	RM'000	RM'000
Net profit for the year	688,997	662,678
Other comprehensive income:		
Other comprehensive income/(loss) to be reclassified to income statement in subsequent periods:		
Available-for-sale fair value reserves:		
Net gain/(loss) arising during the year	6,068	(15,415)
Net realised loss/(gain) transferred to Income Statement	1,096	(25,329)
Cumulative loss transferred to the Income Statement	14,495	-
	<u>21,659</u>	<u>(40,744)</u>
Tax effects thereon (Note 14)	(5,077)	10,170
	<u>16,582</u>	<u>(30,574)</u>
Total comprehensive income for the year	<u>705,579</u>	<u>632,104</u>

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital RM'000	Non-Distributable			Distributable			Total Equity RM'000
		Available-for-sale Fair Value Reserves			Retained Earnings			
		Non- participating Funds RM'000	Shareholder's Funds RM'000	Sub-total RM'000	Non- participating Funds RM'000	Shareholder's Funds RM'000	Sub-total RM'000	
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
At 1 January 2015	100,000	8,698	(3,437)	5,261	402,554	1,065,220	1,467,774	1,573,035
Net profit for the year	-	-	-	-	486,903	202,094	688,997	688,997
Other comprehensive income for the year	-	10,613	5,969	16,582	-	-	-	16,582
Total comprehensive income for the year	-	10,613	5,969	16,582	486,903	202,094	688,997	705,579
Transfer from non-participating surplus as recommended by Appointed Actuary (net of tax)	-	-	-	-	(447,750)	447,750	-	-
Dividends paid during the year (Note 27)	-	-	-	-	-	(512,000)	(512,000)	(512,000)
At 31 December 2015	100,000	19,311	2,532	21,843	441,707	1,203,064	1,644,771	1,766,614

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Operating Activities			
Cash used in operating activities	28	(1,848,885)	(1,169,409)
Dividend/distribution income received		568,011	546,123
Interest/profit income received		2,201,864	2,091,531
Rental income on investment properties received		62,796	65,573
Agents' retirement benefits paid	13	(35,878)	(36,987)
Income tax paid		(368,181)	(321,603)
Net cash flow generated from operating activities		579,727	1,175,228
Investing Activities			
Proceeds from disposal of property and equipment		4	167
Purchase of property and equipment	3	(54,028)	(42,551)
Purchase of investment properties	4	(320)	(72)
Net cash flows used in investing activities		(54,344)	(42,456)
Financing Activity			
Dividends paid to equity holders		(512,000)	(489,886)
Net cash flows used in financing activity		(512,000)	(489,886)
Net increase in cash and cash equivalents		13,383	642,886
Cash and cash equivalents at beginning of year		2,301,659	1,658,773
Cash and cash equivalents at end of year		2,315,042	2,301,659
Cash and cash equivalents comprise of:			
Cash and bank balances		186,861	19,037
Short term deposits with maturity periods of less than 3 months	6(a)	2,128,181	2,282,622
		2,315,042	2,301,659

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

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 March 2016.

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 amended MFRSs as described fully in Note 2.3.

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

The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the balance sheet date.

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

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and Equipment and Depreciation

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

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

Depreciation of property and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for freehold land 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.

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

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

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.

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

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

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Leases (Cont'd.)

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

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

(iv) Operating Leases - the Company as Lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) FVTPL (Cont'd.)

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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Financial liabilities at FVTPL (Cont'd.)

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

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
- 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

Assets Carried at Amortised Cost (Cont'd.)

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.

Impairment for equity instrument is provided immediately upon meeting the significant or prolonged criteria in compliance with MFRS 139.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Derecognition of Financial Assets and Liabilities (Cont'd.)

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

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 considering whether upon the insured event the Company is required to pay additional benefits.

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Insurance Contract (Cont'd.)

(i) Product Classification (Cont'd.)

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Insurance Contract (Cont'd.)

(i) Product Classification (Cont'd.)

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

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

(ii) Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

(a) Life Assurance fund contract liabilities comprising:

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

(b) Reinsurance contracts

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Insurance Contract (Cont'd.)

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(I) Insurance Contract (Cont'd.)

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

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Insurance Contract (Cont'd.)

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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Reinsurance Contracts (Cont'd.)

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(iv) Commission and Agency Expenses

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

(v) Claims and Policy Benefits

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Agents' Retirement Benefits

The deferred benefit/retirement benefit accumulated as at the end of each year shall continue to accrue interest calculated at Participating fund rate of return for the year/dividend rate as announced by the Employees' Provident Fund for that year.

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

	2015	2014
	RM	RM
Singapore Dollar	3.04	2.65
United States Dollar	4.29	3.50
British Pound	6.32	5.44
Australian Dollar	3.13	2.84
Hong Kong Dollar	0.55	0.45

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

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

(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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Employee Benefits (Cont'd)

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Employee Benefits (Cont'd.)

(iv) Deferred Share Plan (Cont'd)

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(w) Offsetting of Financial Assets and Financial Liabilities

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.

(x) Goods and Service Tax ("GST")

GST, a multistage consumption tax on domestic consumption was implemented nationwide on 1 April 2015.

For the Company, revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case GST is recognised as part of the expense item as applicable. Receivable and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the tax authority is included as part of the receivables and payables in the balance sheet.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

On 1 January 2015, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2015.

- Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Company.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are standards and annual improvements to standards issued by Malaysian Accounting Standard Board (“MASB”), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intend to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Effective for financial periods beginning on or after 1 January 2016

- Annual Improvements to MFRSs 2012-2014 Cycle: Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- Annual Improvements to MFRSs 2012-2014 Cycle: Amendments to MFRS 7 *Financial Instruments: Disclosures*
- Annual Improvements to MFRSs 2012-2014 Cycle: Amendments to MFRS 119 *Employee Benefits*
- Annual Improvements to MFRSs 2012-2014 Cycle: Amendments to MFRS 134 *Interim Financial Reporting*
- 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*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
- Amendments to MFRS 101 *Disclosure Initiatives*
- Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*
- MFRS 14 *Regulatory Deferral Accounts*

Effective for financial periods beginning on or after 1 January 2018

- MFRS 15 *Revenue from Contracts with Customers*
- MFRS 9 *Financial Instruments*

Deferred

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

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

(a) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The held-to-maturity (“HTM”) and available-for-sale (“AFS”) asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income (“FVOCI”) is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in ‘own credit risk’ for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, and may have no impact on the classification and measurement of the Company's financial liabilities.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Impairment

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

(c) Hedge accounting

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

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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Classification Between Investment Properties and Property and Equipment (Notes 3 and 4) (Cont'd.)

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

(ii) Impairment of AFS Financial Assets (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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(iv) Impairment of Receivables (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/STD 032-5). 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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Valuation of Life Insurance Contract Liabilities (Note 11) (Cont'd.)

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 participating fund rate of return is known or when the dividend rate is declared by the Employees' Provident Fund ("EPF"). Additional provision is made to cover estimated liability for future benefits payable in the event of death or total and permanent disablement of the eligible agents and the estimates are made for future deaths, disabilities, investment returns and benefits payable. The agents' retirement benefits shall become vested and payable upon fulfilment of the stipulated conditions.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Agents' Retirement Benefits (Note 13) (Cont'd.)

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.

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.

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3. PROPERTY AND EQUIPMENT

	Freehold Land RM'000	Properties Buildings on Freehold Land RM'000	Buildings on Leasehold Land RM'000	Capital Work-in-Progress RM'000	Motor Vehicles RM'000	Office Machinery RM'000	Office Furniture and Fittings RM'000	Computer Equipment RM'000	Total RM'000
Cost									
At 1 January 2015	13,861	338,615	65,687	8,164	2,475	84,945	61,458	431,785	1,006,990
Additions	-	2,675	340	130	-	1,441	1,394	48,048	54,028
Disposal	-	-	-	-	-	-	-	(502)	(502)
Reclassification	-	18	-	(18)	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	(173)	(173)
At 31 December 2015	13,861	341,308	66,027	8,276	2,475	86,386	62,852	479,158	1,060,343
Accumulated Depreciation and Impairment									
At 1 January 2015	-	106,581	20,769	-	1,772	70,455	47,137	313,278	559,992
Disposal	-	-	-	-	-	-	-	(502)	(502)
Depreciation charge for the year	-	7,638	1,320	-	247	5,529	4,083	32,096	50,913
At 31 December 2015	-	114,219	22,089	-	2,019	75,984	51,220	344,872	610,403
Net Book Value									
At 31 December 2015	13,861	227,089	43,938	8,276	456	10,402	11,632	134,286	449,940

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3. PROPERTY AND EQUIPMENT (CONT'D.)

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

Included in property and equipment are the cost of fully depreciated assets which are still in use amounting to RM239,629,837 (2014: RM205,350,997).

Included in property and equipment are properties with a total net book value amounting to RM8,182,575 (2014: RM18,989,089) for which title deeds are still in the process of being transferred to the Life Insurance Fund.

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4. INVESTMENT PROPERTIES

	2015	2014
	RM'000	RM'000
At 1 January	546,616	532,100
Additions	320	72
Fair value gains (Note 21)	54,874	14,444
At 31 December	601,810	546,616

The Company's investment properties consist of commercial and residential properties in Malaysia – based on the nature, characteristics and risks of each property.

As at 31 December 2015, the fair values of the properties are based on valuations performed by Messrs. Savills (Malaysia) Sdn. Bhd. (2014: Messrs. CH Williams Talhar & Wong), accredited independent firm of property valuers. The property valuers are specialists in valuing these types of investment properties. The valuation models applied are in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13 *Fair Value Measurements*.

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

	2015	2014
	RM'000	RM'000
Rental income derived from investment properties	30,846	34,957
Direct operating expenses (including repairs and maintenance) generating rental income	(10,676)	(11,261)
	20,170	23,696

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.

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5. PREPAID LAND LEASE PAYMENTS

	2015	2014
	RM'000	RM'000
Long term leasehold land		
At 1 January	16,804	16,942
Amortisation for the year	(138)	(138)
At 31 December	<u>16,666</u>	<u>16,804</u>

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6. INVESTMENTS

	2015				2014			
	Shareholder's	Life			Shareholder's	Life		
	Fund	Insurance	Unit-linked	Total	Fund	Insurance	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian government securities	42,314	6,487,719	9,980	6,540,013	21,966	6,772,336	40,037	6,834,339
Debt securities	455,705	32,143,533	965,272	33,564,510	402,149	30,730,436	880,981	32,013,566
Equity securities	92,290	13,580,347	3,469,470	17,142,107	73,682	12,765,068	2,668,849	15,507,599
Unit and property trust funds	10,125	594,253	77,538	681,916	9,106	602,622	64,543	676,271
Loans	42,643	7,445,552	-	7,488,195	43,522	7,138,360	-	7,181,882
Deposits with financial institutions	17,400	1,365,571	831,160	2,214,131	7,100	1,532,032	1,073,490	2,612,622
	<u>660,477</u>	<u>61,616,975</u>	<u>5,353,420</u>	<u>67,630,872</u>	<u>557,525</u>	<u>59,540,854</u>	<u>4,727,900</u>	<u>64,826,279</u>

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

LAR	60,043	8,811,123	831,160	9,702,326	50,622	8,670,392	1,073,490	9,794,504
AFS	576,804	14,162,659	-	14,739,463	488,646	13,333,169	-	13,821,815
FVTPL	23,630	38,643,193	4,522,260	43,189,083	18,257	37,537,293	3,654,410	41,209,960
	<u>660,477</u>	<u>61,616,975</u>	<u>5,353,420</u>	<u>67,630,872</u>	<u>557,525</u>	<u>59,540,854</u>	<u>4,727,900</u>	<u>64,826,279</u>

The following investments mature after 12 months:

LAR	37,643	3,067,139	-	3,104,782	43,522	3,155,938	-	3,199,460
AFS	474,445	-	-	474,445	396,061	-	-	396,061
FVTPL	23,630	35,819,530	829,829	36,672,989	18,257	35,873,868	756,819	36,648,944
	<u>535,718</u>	<u>38,886,669</u>	<u>829,829</u>	<u>40,252,216</u>	<u>457,840</u>	<u>39,029,806</u>	<u>756,819</u>	<u>40,244,465</u>

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6. INVESTMENTS (CONT'D.)

(a) LAR

	2015				2014			
	Shareholder's	Life Insurance	Unit-linked	Total	Shareholder's	Life Insurance	Unit-linked	Total
	Fund	Fund			Fund	Fund		
	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	17,400	1,335,571	831,160	2,184,131	7,100	1,502,032	1,073,490	2,582,622
Others	-	30,000	-	30,000	-	30,000	-	30,000
Policy loans	-	4,083,316	-	4,083,316	-	3,918,699	-	3,918,699
Mortgage loans	27,380	1,791,803	-	1,819,183	28,433	1,649,220	-	1,677,653
Secured loans	15,012	1,570,424	-	1,585,436	15,014	1,570,438	-	1,585,452
Unsecured loans	251	9	-	260	75	3	-	78
	<u>60,043</u>	<u>8,811,123</u>	<u>831,160</u>	<u>9,702,326</u>	<u>50,622</u>	<u>8,670,392</u>	<u>1,073,490</u>	<u>9,794,504</u>
At Fair Value:								
Deposits with financial institutions:								
Licensed banks	17,400	1,335,571	831,160	2,184,131	7,100	1,502,032	1,073,490	2,582,622
Others	-	30,000	-	30,000	-	30,000	-	30,000
Policy loans	-	4,083,316	-	4,083,316	-	3,918,699	-	3,918,699
Mortgage loans	27,952	1,818,734	-	1,846,686	29,199	1,677,107	-	1,706,306
Secured loans	15,012	1,570,424	-	1,585,436	15,014	1,570,438	-	1,585,452
Unsecured loans	251	9	-	260	75	3	-	78
	<u>60,615</u>	<u>8,838,054</u>	<u>831,160</u>	<u>9,729,829</u>	<u>51,388</u>	<u>8,698,279</u>	<u>1,073,490</u>	<u>9,823,157</u>

Included in deposits with financial institutions of the Company are short term deposits with maturity periods of less than 3 months amounting to RM2,128,181,000 (2014: RM2,282,622,000), 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.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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6. INVESTMENTS (CONT'D.)

(b) AFS

	2015				2014			
	Shareholder's	Life	Unit-linked	Total	Shareholder's	Life	Unit-linked	Total
	Fund	Insurance			Fund	Insurance		
	RM'000	Fund	RM'000	RM'000	RM'000	Fund	RM'000	RM'000
		RM'000				RM'000		
At Fair Value:								
Equity securities:								
Quoted in Malaysia	70,438	10,793,046	-	10,863,484	68,157	10,780,503	-	10,848,660
Quoted outside Malaysia	21,504	2,767,186	-	2,788,690	5,026	1,841,870	-	1,846,896
Malaysian government securities	42,314	-	-	42,314	21,966	-	-	21,966
Debt securities:								
Unquoted in Malaysia	406,989	-	-	406,989	384,099	-	-	384,099
Quoted outside Malaysia	25,142	-	-	25,142	-	-	-	-
Unit and property trust funds:								
Quoted in Malaysia	8,694	425,105	-	433,799	7,241	412,692	-	419,933
Quoted outside Malaysia	1,431	169,148	-	170,579	1,865	189,930	-	191,795
	<u>576,512</u>	<u>14,154,485</u>	<u>-</u>	<u>14,730,997</u>	<u>488,354</u>	<u>13,224,995</u>	<u>-</u>	<u>13,713,349</u>
At Cost:								
Equity securities:								
Unquoted in Malaysia	292	8,174	-	8,466	292	108,174	-	108,466
	<u>576,804</u>	<u>14,162,659</u>	<u>-</u>	<u>14,739,463</u>	<u>488,646</u>	<u>13,333,169</u>	<u>-</u>	<u>13,821,815</u>
Movement in allowance accounts:								
Provision for impairment:								
At 1 January							27,311	28,745
Charge for the year							265,256	-
Transfer to realised gain upon disposal							(38,460)	(1,434)
At 31 December							<u>254,107</u>	<u>27,311</u>

The current year impairment losses arose on equity securities for which there have been significant or prolonged decline in fair value as at 31 December 2015.

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6. INVESTMENTS (CONT'D.)

(c) FVTPL

	2015				2014			
	Shareholder's	Life			Shareholder's	Life		
	Fund	Insurance	Unit-linked	Total	Fund	Insurance	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Fair Value:								
Held-for-Trading:								
Equity securities:								
Quoted in Malaysia	56	11,941	3,419,428	3,431,425	207	34,521	2,645,344	2,680,072
Quoted outside Malaysia	-	-	50,042	50,042	-	-	23,505	23,505
Malaysian government securities	-	-	9,980	9,980	-	-	40,037	40,037
Debt securities:								
Quoted in Malaysia	-	-	-	-	-	-	1,171	1,171
Unquoted in Malaysia	23,574	2,707,649	965,272	3,696,495	18,050	2,608,289	879,810	3,506,149
Unit and property trust funds:								
Quoted in Malaysia	-	-	75,662	75,662	-	-	63,227	63,227
Quoted outside Malaysia	-	-	1,876	1,876	-	-	1,316	1,316
	23,630	2,719,590	4,522,260	7,265,480	18,257	2,642,810	3,654,410	6,315,477
Designated upon initial recognition:								
Malaysian government securities	-	6,487,719	-	6,487,719	-	6,772,336	-	6,772,336
Debt securities:								
Quoted outside Malaysia	-	964,575	-	964,575	-	640,855	-	640,855
Unquoted in Malaysia	-	28,251,652	-	28,251,652	-	27,331,888	-	27,331,888
Unquoted outside Malaysia	-	219,657	-	219,657	-	149,404	-	149,404
	-	35,923,603	-	35,923,603	-	34,894,483	-	34,894,483
	23,630	38,643,193	4,522,260	43,189,083	18,257	37,537,293	3,654,410	41,209,960

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

Life Insurance Fund

	2015 RM'000	2014 RM'000
Reinsurance of insurance contracts (Note 11)	<u>100,985</u>	<u>108,941</u>

8. INSURANCE RECEIVABLES

Life Insurance Fund

	2015 RM'000	2014 RM'000
Due premiums including agents/brokers and co-insurers balances	273,432	272,895
Due from reinsurers and cedants	<u>280</u>	<u>-</u>
	273,712	272,895
Allowance for impairment	<u>(5,462)</u>	<u>(7,855)</u>
	<u>268,250</u>	<u>265,040</u>
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	7,855	5,399
(Reversal)/charge for the year	<u>(2,393)</u>	<u>2,456</u>
At 31 December	<u>5,462</u>	<u>7,855</u>

There were no collectively impaired insurance receivables for the years ended 31 December 2015 and 2014.

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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9. OTHER RECEIVABLES

	Shareholder's Life Insurance		Unit-linked	Total
	Fund	Fund		
	RM'000	RM'000	RM'000	RM'000
At 31 December 2015				
<u>Non-financial asset</u>				
Prepayments	-	10,461	-	10,461
	-	10,461	-	10,461
<u>Financial asset</u>				
Income due and accrued	7,208	659,737	13,585	680,530
Progress payment for property under development	-	108,815	-	108,815
Other receivables	58	1,884	-	1,942
Amount due from related companies	5,983	-	-	5,983
	13,249	770,436	13,585	797,270
Allowance for impairment	-	(534)	-	(534)
	13,249	769,902	13,585	796,736
Total other receivables	13,249	780,363	13,585	807,197
Receivable after 12 months	48	5,023	-	5,071
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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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9. OTHER RECEIVABLES (CONT'D.)

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.

	2015	2014
	RM'000	RM'000
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	263	246
Charge for the year	271	17
At 31 December	<u>534</u>	<u>263</u>

There were no collectively impaired other receivables for years ended 31 December 2015 and 2014.

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

10. SHARE CAPITAL

	2015		2014	
	No. of shares		No. of shares	
	('000)	RM'000	('000)	RM'000
Authorised:				
Ordinary shares of RM1 each				
At beginning and end of year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and Paid-up:				
Ordinary shares of RM1 each				
At beginning and end of year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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11. INSURANCE CONTRACT LIABILITIES

Life Insurance Fund

	2015			2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for outstanding claims	7,507,144	(57,382)	7,449,762	6,812,755	(62,402)	6,750,353
Actuarial liabilities	44,224,688	(43,603)	44,181,085	42,129,121	(46,539)	42,082,582
Unallocated surplus	4,528,585	-	4,528,585	4,990,093	-	4,990,093
Available-for-sale fair value reserves	3,881,400	-	3,881,400	4,171,771	-	4,171,771
Net asset value attributable to unitholders	5,320,405	-	5,320,405	4,654,811	-	4,654,811
	<u>65,462,222</u>	<u>(100,985)</u>	<u>65,361,237</u>	<u>62,758,551</u>	<u>(108,941)</u>	<u>62,649,610</u>

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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11. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	55,554,823	7,203,728	62,758,551	(16,096)	(92,845)	(108,941)	62,649,610
Premiums received	3,996,513	870,005	4,866,518	(30,047)	(34,552)	(64,599)	4,801,919
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,696,671)	(372,194)	(4,068,865)	12,376	23,094	35,470	(4,033,395)
Policy movements	1,965,822	107,589	2,073,411	-	111	111	2,073,522
Interest rate	(2,428)	(16,058)	(18,486)	-	94	94	(18,392)
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(246,056)	(35,794)	(281,850)	-	10,199	10,199	(271,651)
<i>Expenses</i>	20,153	5,875	26,028	-	-	-	26,028
<i>Lapse</i>	6,705	(394)	6,311	-	(100)	(100)	6,211
<i>Others</i>	(72,553)	20,015	(52,538)	-	(4,623)	(4,623)	(57,161)
Model change*	356,816	(14,125)	342,691	-	(2,744)	(2,744)	339,947
Claims benefit experience variation	689,754	4,638	694,392	22,696	11,452	34,148	728,540
Net asset value attributable to unitholders	-	167,784	167,784	-	-	-	167,784
Available-for-sale fair value reserves	(315,570)	-	(315,570)	-	-	-	(315,570)
Unallocated surplus	(761,350)	-	(761,350)	-	-	-	(761,350)
Deferred tax effects:							
Available-for-sale fair value reserves	25,195	-	25,195	-	-	-	25,195
At 31 December 2015	57,521,153	7,941,069	65,462,222	(11,071)	(89,914)	(100,985)	65,361,237

Policy benefits bear interest at 5% per annum.

* The amount of RM356.8 million under Model change (gross with DPF) include the impact of changes in cash bonus rate of approximately RM362 million.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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11. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 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
Model change	(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.

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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12. DERIVATIVES

Life Insurance Fund

	Notional Principal RM'000	Fair Value RM'000
31 December 2015		
Derivatives held for trading:		
Currency swaps	709,254	413,626
31 December 2014		
Derivatives held for trading:		
Currency swaps	709,254	166,039

13. AGENTS' RETIREMENT BENEFITS

Life Insurance Fund

	2015 RM'000	2014 RM'000
At 1 January	714,036	670,930
Provision for the year	82,278	80,093
Utilised during the year	(35,878)	(36,987)
At 31 December	760,436	714,036
Payable after 12 months	547,065	520,379

14. DEFERRED TAXATION

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 1 January 2015	136,485	411,310	13,675	561,470
Recognised in:				
Income statement (Note 25)	10,950	(32,868)	6,642	(15,276)
Other comprehensive income	5,077	-	-	5,077
Insurance contract liabilities	-	(25,195)	-	(25,195)
At 31 December 2015	152,512	353,247	20,317	526,076

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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14. DEFERRED TAXATION (CONT'D.)

	Shareholder's Life Insurance		Unit-linked	Total
	Fund	Fund		
	RM'000	RM'000	RM'000	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 Life Insurance		Unit-linked	Total
	Fund	Fund		
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
At 31 December 2015				
Deferred tax liabilities	156,945	372,638	20,317	549,900
Deferred tax assets	(4,433)	(19,391)	-	(23,824)
	152,512	353,247	20,317	526,076
At 31 December 2014				
Deferred tax liabilities	138,689	413,495	13,675	565,859
Deferred tax assets	(2,204)	(2,185)	-	(4,389)
	136,485	411,310	13,675	561,470

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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14. DEFERRED TAXATION (CONT'D.)

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

Deferred Tax Liabilities

	Fair value of investment assets RM'000	Unallocated Surplus of Non- Participating Funds RM'000	Total RM'000
Shareholder's Fund			
At 1 January 2015	4,504	134,185	138,689
Recognised in other comprehensive income	5,077	-	5,077
Recognised in income statement	129	13,050	13,179
At 31 December 2015	<u>9,710</u>	<u>147,235</u>	<u>156,945</u>
At 1 January 2014	14,615	128,520	143,135
Recognised in other comprehensive income	(10,170)	-	(10,170)
Recognised in income statement	59	5,665	5,724
At 31 December 2014	<u>4,504</u>	<u>134,185</u>	<u>138,689</u>

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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14. DEFERRED TAXATION (CONT'D.)

Deferred Tax Liabilities (Cont'd.)

	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
Life Insurance Fund				
At 1 January 2015	14,019	393,302	6,174	413,495
Recognised in insurance contract liabilities	-	(25,195)	-	(25,195)
Recognised in income statement	4,640	(19,159)	(1,143)	(15,662)
At 31 December 2015	18,659	348,948	5,031	372,638
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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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14. DEFERRED TAXATION (CONT'D.)

Deferred Tax Liabilities (Cont'd.)

	Fair value of investment assets RM'000	Total RM'000
Unit-linked		
At 1 January 2015	13,675	13,675
Recognised in income statement	6,642	6,642
At 31 December 2015	<u>20,317</u>	<u>20,317</u>
Unit-linked		
At 1 January 2014	49,302	49,302
Recognised in income statement	<u>(35,627)</u>	<u>(35,627)</u>
At 31 December 2014	<u>13,675</u>	<u>13,675</u>

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14. DEFERRED TAXATION (CONT'D.)

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

Deferred Tax Assets

	Accretion of discounts on investments RM'000	Provision for impairment of investments RM'000	Total RM'000
Shareholder's Fund			
At 1 January 2015	(2,204)	-	(2,204)
Recognised in income statement	242	(2,471)	(2,229)
At 31 December 2015	<u>(1,962)</u>	<u>(2,471)</u>	<u>(4,433)</u>
At 1 January 2014	(2,003)	-	(2,003)
Recognised in income statement	(201)	-	(201)
At 31 December 2014	<u>(2,204)</u>	<u>-</u>	<u>(2,204)</u>
		Provision for impairment of investments RM'000	
Life Insurance Fund			
At 1 January 2015			(2,185)
Recognised in income statement			(17,206)
At 31 December 2015			<u>(19,391)</u>
At 1 January 2014			(3,060)
Recognised in income statement			875
At 31 December 2014			<u>(2,185)</u>

15. OTHER FINANCIAL LIABILITIES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2015				
Deposits received from reinsurers	-	578	-	578
Outstanding purchases of investment securities	819	193,705	11,961	206,485
	<u>819</u>	<u>194,283</u>	<u>11,961</u>	<u>207,063</u>

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15. OTHER FINANCIAL LIABILITIES (CONT'D.)

	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

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

16. INSURANCE PAYABLES

	2015 RM'000	2014 RM'000
Life Insurance Fund		
Due to reinsurers	29,641	24,520
Due to agents and intermediaries	195,026	179,955
	224,667	204,475

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 2015			
Premiums ceded	110,597	-	110,597
Commissions receivable	-	(16,857)	(16,857)
Claims recoveries	-	(64,099)	(64,099)
	110,597	(80,956)	29,641
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

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17. OTHER PAYABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2015				
<u>Non financial liabilities</u>				
Accrued expenses	13	101,845	50	101,908
Premium suspense	-	22,769	-	22,769
	13	124,614	50	124,677
<u>Financial liabilities</u>				
Deposits from tenants	-	17,308	-	17,308
Dividends payable	133,674	-	-	133,674
Advance premium	-	183,916	-	183,916
Amount due to ultimate holding company	648	-	-	648
Amount due to intermediate holding company	16,197	-	-	16,197
Amount due to holding company	1,841	-	-	1,841
Others	15	142,819	1,053	143,887
	152,375	344,043	1,053	497,471
Total payables	152,388	468,657	1,103	622,148
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

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17. OTHER PAYABLES (CONT'D.)

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	2015 RM'000	2014 RM'000
(a) Gross Premiums		
Life insurance contracts	7,017,546	6,779,362
(b) Premiums Ceded		
Life insurance contracts	(142,724)	(123,626)
Net Earned Premiums	6,874,822	6,655,736

19. INVESTMENT INCOME

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2015			
Rental income from properties	-	63,386	63,386
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	598	172,626	173,224
Dividend income:			
- equity securities quoted in Malaysia	-	89,091	89,091
- equity securities quoted outside Malaysia	-	1,393	1,393
- designated upon initial recognition:			
Interest income	-	1,500,910	1,500,910
Financial assets at AFS:			
Interest income	22,991	-	22,991
Dividend income:			
- equity securities quoted in Malaysia	2,771	377,154	379,925
- equity securities quoted outside Malaysia	355	87,960	88,315
- equity securities unquoted in Malaysia	30	7,291	7,321
LAR interest income	2,157	436,072	438,229
Cash and bank balances interest income	1,512	86,585	88,097
Gross investment income	30,414	2,822,468	2,852,882
Less: investment expenses	-	(44,086)	(44,086)
	30,414	2,778,382	2,808,796

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19. INVESTMENT INCOME (CONT'D.)

2014	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
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

Included in rental income from properties is contingent rent for the year amounting to RM475,062 (2014: RM676,756). Contingent rental arrangements are computed based on sales or profit achieved by tenants.

20. REALISED GAINS AND LOSSES

2015	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Property and equipment			
Realised gains	-	4	4

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2015 (Cont'd.)			
AFS financial assets			
Realised (losses)/gains:			
Equity securities:			
- quoted in Malaysia	(1,041)	88,223	87,182
- quoted outside Malaysia	28	(37,279)	(37,251)
Debt securities:			
- unquoted in Malaysia	997	-	997
Total realised (losses)/gains for AFS financial assets	(16)	50,944	50,928
FVTPL financial assets			
Realised (losses)/gains:			
Debt securities:			
- unquoted in Malaysia	-	12,154	12,154
- unquoted outside Malaysia	-	673	673
- quoted outside Malaysia	-	583	583
Equity securities:			
- quoted in Malaysia	(10)	(37,824)	(37,834)
- quoted outside Malaysia	-	1,833	1,833
Total realised (losses)/gains for FVTPL	(10)	(22,581)	(22,591)
	(26)	28,367	28,341
2014			
Property and equipment			
Realised gains	-	48	48
AFS financial assets			
Realised gains:			
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

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2014 (Cont'd.)			
FVTPL financial assets			
Realised gains/(losses):			
Debt securities:			
- quoted outside Malaysia	-	134,012	134,012
- unquoted in 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

21. FAIR VALUE GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2015			
Investment properties (Note 4)	-	54,874	54,874
Financial investments - FVTPL	656	(38,562)	(37,906)
	656	16,312	16,968
2014			
Investment properties (Note 4)	-	14,444	14,444
Financial investments - FVTPL	237	192,082	192,319
	237	206,526	206,763

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22. FEES AND COMMISSION INCOME

Life Insurance Fund

	2015	2014
	RM'000	RM'000
Reinsurance commission income	<u>16,616</u>	<u>21,933</u>

23. NET BENEFITS AND CLAIMS

Life Insurance Fund

	2015	2014
	RM'000	RM'000
(a) Gross Benefits and Claims Paid		
Life insurance contracts:		
Death	(353,587)	(328,504)
Maturity	(746,075)	(595,338)
Surrender	(1,391,042)	(1,107,839)
Cash bonus	(1,263,094)	(1,549,956)
Others	(1,170,969)	(1,026,262)
	<u>(4,924,767)</u>	<u>(4,607,899)</u>
(b) Claims Ceded to Reinsurers		
Life insurance contracts	<u>68,160</u>	<u>87,722</u>
(c) Gross Change in Contract Liabilities		
Life insurance contracts	<u>(2,299,654)</u>	<u>(2,931,916)</u>
(d) Change in Contract Liabilities Ceded to Reinsurers		
Life insurance contracts	<u>(2,936)</u>	<u>7,294</u>

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24. MANAGEMENT EXPENSES

		Shareholder's	Life Insurance	
	Note	Fund	Fund	Total
		RM'000	RM'000	RM'000
2015				
Employee benefits expense	24(a)	-	184,819	184,819
Non-executive directors' remuneration	24(b)	-	1,168	1,168
Auditors' remuneration:				
- statutory audits		11	478	489
- regulatory related fees		-	144	144
- other services		-	50	50
Depreciation of property and equipment	3	-	50,913	50,913
Property and equipment written off	3	-	173	173
Amortisation of prepaid land lease payments	5	-	138	138
Rental of properties		-	425	425
Operating lease payments		-	1,187	1,187
Advertising and promotion		457	31,877	32,334
Finance charges		2	47,964	47,966
Group service fees		-	39,049	39,049
IT and computer expenses		-	32,520	32,520
Policyholder expenses		-	8,193	8,193
Postal and telecommunication		-	13,018	13,018
Printing and stationery		-	3,129	3,129
Professional fees		1	2,453	2,454
Repairs and maintenance		-	3,675	3,675
Transport and travelling		-	2,195	2,195
Utilities		-	5,601	5,601
GST expense		6	44,741	44,747
Others		11,303	8,134	19,437
		<u>11,780</u>	<u>482,044</u>	<u>493,824</u>

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24. MANAGEMENT EXPENSES (CONT'D.)

2015 (Cont'd.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
(a) Employee Benefits Expense			
Wages and salaries	-	149,764	149,764
Short term accumulating compensated absences	-	496	496
Social security contributions	-	977	977
Defined contribution plans - EPF	-	24,190	24,190
Other employee benefits expense	-	9,392	9,392
	<u>-</u>	<u>184,819</u>	<u>184,819</u>

(b) Directors' Remuneration

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Executive:			
Salaries and other emoluments	-	2,246	2,246
Bonus	-	640	640
Estimated money value of benefits-in-kind	-	35	35
	<u>-</u>	<u>2,921</u>	<u>2,921</u>
Non-executive:			
Fees	-	1,168	1,168
Total directors' remuneration	<u>-</u>	<u>4,089</u>	<u>4,089</u>
Represented by:			
Directors' fees	-	1,168	1,168
Amount included in employee benefits expense	-	2,921	2,921
	<u>-</u>	<u>4,089</u>	<u>4,089</u>

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24. MANAGEMENT EXPENSES (CONT'D.)

		Shareholder's	Life Insurance	
	Note	Fund	Fund	Total
		RM'000	RM'000	RM'000
2014				
Employee benefits expense	24(a)	-	174,626	174,626
Non-executive directors' remuneration	24(b)	-	971	971
Auditor's remuneration:				
- statutory audits		11	418	429
- regulatory related fees		-	135	135
- non-audit fee		-	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 payment		-	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
		<u>9,453</u>	<u>413,118</u>	<u>422,571</u>

(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
	-	<u>174,626</u>	<u>174,626</u>

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24. MANAGEMENT EXPENSES (CONT'D.)

2014 (Cont'd.)

(b) Directors' Remuneration

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

	Shareholder's Fund	Life Insurance Fund	Total
	RM'000	RM'000	RM'000
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
	-	3,354	3,354

The remuneration, including benefits-in-kind, attributable to the CEO, who is a Director of the Company amounted to RM2,921,000 (2014: RM2,383,000).

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

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

	Number of Directors	
	2015	2014
Executive Director		
RM2,000,001 - RM2,550,000	-	1
RM2,550,001 - RM3,000,000	1	-

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24. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' Remuneration (Cont'd.)

	Number of Directors	
	2015	2014
Non-Executive Directors		
Below RM50,000	-	1
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	1	1
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	2	-
RM250,001 - RM300,000	1	1
RM300,000 - RM350,000	1	1

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24. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' Remuneration (Cont'd.)

Name	Status of directorship	2015				
		Salaries RM'000	Bonus RM'000	Benefits in kind RM'000	Fees RM'000	Total RM'000
Yg Bhg Dato Koh Yaw Hui	Executive	2,246	640	35	-	2,921
Total executive director's remuneration		2,246	640	35	-	2,921
Mr Norman Ip Ka Cheung	Non - Executive	-	-	-	211	211
Yg Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	226	226
Yg Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	270	270
Mr Lee Kong Yip	Non - Executive	-	-	-	324	324
Mr Ng Hon Soon	Non - Executive	-	-	-	137	137
Total non-executive directors remuneration		-	-	-	1,168	1,168
Total directors' remuneration		2,246	640	35	1,168	4,089
Name	Status of directorship	2014				
		Salaries RM'000	Bonus RM'000	Benefits in kind RM'000	Fees RM'000	Total RM'000
Yg Bhg Dato Koh Yaw Hui	Executive	1,788	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

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25. TAXATION

	Note	2015 RM'000	2014 RM'000
Taxation of life insurance business	(a)	144,680	210,621
Taxation of the Company	(b)	160,033	176,744
		<u>304,713</u>	<u>387,365</u>

(a) Taxation of life insurance business

Tax expense/(income):			
Current		170,906	203,540
Deferred:			
- Life Insurance Fund	14	(32,868)	42,708
- Unit-linked	14	6,642	(35,627)
		<u>144,680</u>	<u>210,621</u>
Current income tax:			
Malaysian income tax		210,351	207,006
Overprovided in prior years		(39,516)	(3,510)
Tax on foreign dividend income		71	44
		<u>170,906</u>	<u>203,540</u>
Deferred tax:			
Relating to origination and reversal of temporary differences			
- Life Insurance Fund	14	(32,868)	42,708
- Unit-linked	14	6,642	(35,627)
		<u>144,680</u>	<u>210,621</u>

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

The income tax for the life fund is calculated based on tax rate of 8% (2014: 8%) of the assessable investment income net of allowable deductions for the financial year.

(b) Taxation of the Company

	2015 RM'000	2014 RM'000
Tax expense:		
Current	149,083	171,221
Deferred	10,950	5,523
	<u>160,033</u>	<u>176,744</u>

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25. TAXATION (CONT'D.)

(b) Taxation of the Company (Cont'd.)

	2015	2014
	RM'000	RM'000
Current income tax:		
Malaysian income tax	201,428	203,409
(Over)/underprovided in prior years	(17,673)	2,515
Double taxation relief	(34,672)	(34,703)
	<u>149,083</u>	<u>171,221</u>
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	10,950	5,523
	<u>160,033</u>	<u>176,744</u>

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

The deferred tax for the Shareholder's Fund is calculated based on the tax rate of 24% (2014: 25%). The statutory tax rate will be reduced to 24% for the year of assessment 2016 onwards.

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:

	2015	2014
	RM'000	RM'000
Profit before taxation	<u>849,030</u>	<u>839,422</u>
Taxation at Malaysian statutory tax rate of 25%	212,257	209,855
Income not subject to tax	(698)	(923)
Effect due to change in tax rate	198	-
Expenses not deductible for tax purposes	621	-
(Over)/underprovided in prior years	(17,673)	2,515
Double taxation relief	(34,672)	(34,703)
Tax expense for the year	<u>160,033</u>	<u>176,744</u>

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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 number of ordinary shares in issue during the year.

	2015	2014
Profit attributable to ordinary equity holder (RM'000)	688,997	662,678
Number of shares in issue (RM'000)	100,000	100,000
Basic earnings per share (sen)	<u>689</u>	<u>663</u>

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

27. DIVIDENDS

	2015	2014
	RM'000	RM'000
Recognised during the financial year:		
Dividend on ordinary shares:		
- Interim single tier dividend for 2014 of RM1.20 per share	-	120,000
- Final single tier dividend for 2014 of RM5.12 (2013: RM3.699) per share	<u>512,000</u>	<u>369,900</u>
	<u>512,000</u>	<u>489,900</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2015 on 100,000,005 ordinary shares amounting to a total dividend of RM450,000,023 (RM4.50 per share) will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 December 2016.

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28. CASH USED IN OPERATING ACTIVITIES

	Note	2015 RM'000	2014 RM'000
Profit before taxation		849,030	839,422
<i>Adjustments for:</i>			
Taxation of life insurance business	25(a)	144,680	210,621
Investment income	19	(2,852,882)	(2,737,336)
Realised gains recorded in the income statement	20	(28,341)	(236,141)
Fair value gains recorded in the income statement	21	(16,968)	(206,763)
Depreciation of property and equipment	3, 24	50,913	49,896
Amortisation of prepaid land lease payments	5, 24	138	138
Impairment of:			
Insurance and other receivables	8, 9	(2,122)	2,473
Quoted investments	6(b)	265,256	-
Reversal of impairment of quoted investments	6(b)	(38,460)	-
Provision for agents' retirement benefits	13	82,278	80,093
Property and equipment written-off	3, 24	173	639
Realised foreign exchange gain on receipt of dividend		(6)	(5)
Realised foreign exchange gain on disposal of investments		(69,471)	(8,630)
Unrealised exchange loss on derivatives		126,524	22,722
Unrealised exchange gain on bonds		(133,759)	(22,693)
Cash flow before working capital changes		(1,623,017)	(2,005,564)
<i>Changes in working capital:</i>			
Purchases of FVTPL financial investments		(19,438,673)	(15,202,679)
Proceeds from disposals/maturities of FVTPL financial investments		17,653,658	13,727,206
Purchases of AFS financial investments		(3,644,487)	(3,157,113)
Proceeds from disposals/maturities of AFS financial investments		2,327,192	2,012,252
Increase in LAR		(62,262)	(536,920)
Decrease/(increase) in reinsurance assets		7,956	(26,560)
Increase in insurance receivables		(817)	(1,380)
Increase in other receivables		(162,446)	(24,874)
Increase in insurance contract liabilities		2,994,042	3,982,295
Increase in other financial liabilities		35,498	49,547
Increase in insurance payables		20,192	27,647
Increase/(decrease) in other payables		44,279	(13,266)
Cash used in operating activities		(1,848,885)	(1,169,409)

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28. CASH USED IN OPERATING ACTIVITIES (CONT'D.)

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

29. OPERATING LEASE ARRANGEMENTS

The Company (as lessor) has entered into operating lease agreements on its investment properties portfolio, certain self-occupied properties and office equipment. 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 (payable)/receivable under operating leases contracted for as at the balance sheet date but not recognised as (payables)/receivables, are as follows:

	2015	2014
	RM'000	RM'000
(a) The Company as lessee		
Not later than 1 year	(274)	(157)
Later than 1 year and not later than 5 years	(1,338)	(1,506)
	<u>(1,612)</u>	<u>(1,663)</u>
(b) The Company as lessor		
Not later than 1 year	9,099	11,479
Later than 1 year and not later than 5 years	85,849	83,556
	<u>94,948</u>	<u>95,035</u>

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.

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30. CAPITAL COMMITMENTS

	2015	2014
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
- Investment properties	432,332*	1,082
- Property and equipment	68,843	56,637
Approved but not contracted for:		
Investment properties	92,376	593,042*
	<u>593,551</u>	<u>650,761</u>

*Included in the above disclosure is a total commitment of RM431 million (2014: RM500 million) to a third-party in accordance with Sales and Purchase Agreement (“SPA”) signed on 12 February 2015 for the purchase of an investment property. As stipulated in the SPA, this amount is to be paid to the third-party upon completion of the construction of the property. The total purchase consideration for the said property was RM540 million, of which RM109 million has been paid as deposit during the current year and disclosed in Note 9.

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:

	2015	2014
	RM'000	RM'000
Transactions with related parties during the year:		
Income/(expense):		
Property rentals received (note i)		
- OCBC Bank (Malaysia) Berhad	803	786
- Overseas Assurance Corporation (Malaysia) Berhad	1,773	1,758
- Great Eastern Takaful Berhad	1,269	1,061
Service charges paid (note ii)		
- OCBC Bank (Malaysia) Berhad	(41,893)	(39,646)
- E2 Power Sdn Bhd	(3,886)	(4,192)
- E2 Power Pte Ltd	(1,422)	(1,523)
- Pacific Mutual Fund Bhd	(481)	(422)
- Lion Global Investor Ltd	(212)	(204)

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31. RELATED PARTY DISCLOSURES (CONT'D.)

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

	2015	2014
	RM'000	RM'000
Transactions with related parties during the year (Cont'd.):		
Income/(expense):		
Service charges received		
- Overseas Assurance Corporation (Malaysia) Berhad	5,043	4,188
- Great Eastern Takaful Berhad	11,446	10,656
Premium paid (note iii)		
- Overseas Assurance Corporation (Malaysia) Berhad	(2,568)	(2,493)
Premium received (note iii)		
- Overseas Assurance Corporation (Malaysia) Berhad	228	220
- E2 Power Sdn Bhd	41	269
- OCBC Bank (Malaysia) Berhad	585	572
- OCBC Al-Amin Bank Berhad	-	49
- PAC Lease Berhad	85	79
- OCBC Capital (Malaysia) Sdn Bhd	1	-
- Pacific Mutual Fund Bhd	51	-
- Key Management Personnel	302	273
Claims paid		
- Key Management Personnel	-	5
Commission received		
- Overseas Assurance Corporation (Malaysia) Berhad	398	388
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	(35,440)	(32,131)
- OCBC Securities Private Limited	(759)	(807)
- PAC Lease Berhad	(36)	(56)
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	99,108	96,143
- PAC Lease Berhad	106	-
Dividend income from preference shares (note v)		
- OCBC Bank (Malaysia) Berhad	4,505	4,510
Bank charges		
- OCBC Bank (Malaysia) Berhad	(1,897)	(1,591)

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31. RELATED PARTY DISCLOSURES (CONT'D.)

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

	2015	2014
	RM'000	RM'000
Transactions with related parties during the year (Cont'd.):		
Income/(expense):		
Other services		
- OCBC Bank (Malaysia) Berhad	(64)	(298)
Policy payments		
- OCBC Bank (Malaysia) Berhad	(281)	(1,053)
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Ltd.	(310)	(326)
Employee Share Option Scheme paid		
- Oversea-Chinese Banking Corporation Ltd.	(463)	(723)
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Ltd.	(538)	(454)
Charges for group services (note vi)		
- The Great Eastern Life Assurance Company Limited	(41,594)	(34,201)
Disposal of investment to		
- Great Eastern Takaful Berhad	8,601	2,511
Purchase of investment from		
- Overseas Assurance Corporation (Malaysia) Berhad	190,744	95,055
- Great Eastern Takaful Berhad	132,333	76,143
Balances with related parties at year end:		
Due from/(due to):		
Investment in preference shares (note v)		
- OCBC Bank (Malaysia) Berhad	-	100,000
Investment in redeemable subordinated bonds		
- OCBC Bank (Malaysia) Berhad	105,436	197,887
- PAC Lease Berhad	10,008	179,723

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31. RELATED PARTY DISCLOSURES (CONT'D.)

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

	2015	2014
	RM'000	RM'000
Balances with related parties at year end (Cont'd.):		
Due from/(due to):		
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	9,066	7,990
Fixed deposits, structured deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	1,834,746	2,009,113
- OCBC Al-Amin Bank Berhad	158,300	184,724
Investment in cross currency swap (derivatives liabilities)		
- OCBC Bank (Malaysia) Berhad	100,277	40,369
Amount due from related companies:		
- Far Island Bay Sdn Bhd (formerly known as The Great Eastern General Insurance Company Sdn Bhd)	47	35
- Overseas Assurance Corporation (Malaysia) Berhad	973	1,602
- Great Eastern Takaful Berhad	5,041	1,632
- Great Eastern Life (Vietnam) Company Limited	46	2
- P.T. Great Eastern Life Indonesia	52	5
Amount due to ultimate holding company:		
- Oversea-Chinese Banking Corporation Ltd	(648)	(1,075)
Amount due to intermediate holding company:		
- The Great Eastern Life Assurance Company Limited	(16,197)	(8,305)
Amount due (to)/from intermediate holding company:		
- Great Eastern Holdings Limited	(175)	43
Amount due to holding company:		
- Great Eastern Capital (M) Sdn Bhd	(1,841)	(353)

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31. RELATED PARTY DISCLOSURES (CONT'D.)

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, repurchase agreements and redeemable subordinated bonds 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. The investment in OCBC preference shares was fully redeemed in September
- (vi) With effect from June 2010, Great Eastern Holdings Limited had allocated its Group function cost to all its subsidiaries including to the Company based on allocation rates approved by Group function heads.

(b) Compensation of Key Management Personnel

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

	2015	2014
	RM'000	RM'000
Non-executive directors' fees	1,168	971
Short-term employee benefits	11,434	10,782
Post-employments benefits:		
Defined contribution plan - EPF	1,492	1,394
Share-based payment	1,259	648
	<u>15,353</u>	<u>13,795</u>
Share-based payment (in units)	<u>115,902</u>	<u>270,613</u>
Included in the total key management personnel remuneration are:		
Directors' remuneration (Note 24(b))	<u>4,089</u>	<u>3,354</u>

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32. FINANCIAL INSTRUMENTS BY CATEGORY

					Assets not in scope of MFRS 139	Total
	Note	FVTPL RM'000	AFS RM'000	LAR RM'000	RM'000	RM'000
2015						
Assets						
Property and equipment	3	-	-	-	449,940	449,940
Investment properties	4	-	-	-	601,810	601,810
Prepaid land lease payments	5	-	-	-	16,666	16,666
Investments	6	43,189,083	14,739,463	9,702,326	-	67,630,872
Reinsurance assets	7	-	-	-	100,985	100,985
Insurance receivables	8	-	-	268,250	-	268,250
Other receivables	9	-	-	796,736	10,461	807,197
Cash and bank balances		-	-	186,861	-	186,861
Total assets		43,189,083	14,739,463	10,954,173	1,179,862	70,062,581

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

			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
2015 (Cont'd.)						
Liabilities						
Insurance contract liabilities	11	-	-	-	65,462,222	65,462,222
Derivatives	12	413,626	-	413,626	-	413,626
Agents' retirement benefits	13	-	-	-	760,436	760,436
Deferred tax liabilities	14	-	-	-	526,076	526,076
Other financial liabilities	15	-	207,063	207,063	-	207,063
Insurance payables	16	-	224,667	224,667	-	224,667
Provision for taxation		-	-	-	79,729	79,729
Other payables	17	-	497,471	497,471	124,677	622,148
Total liabilities		413,626	929,201	1,342,827	66,953,140	68,295,967

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

						Assets not in scope of	
	Note	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	MFRS 139 RM'000	Total 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

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

			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 (Cont'd.)						
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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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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 and Compliance 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.

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

Governance Framework (Cont'd.)

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

Regulatory Framework

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

Notwithstanding the impact of FSA on the Company’s overall operations and business conduct, the Company is in full compliance with the applicable provisions of the FSA.

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 obligations to policyholders 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.

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

Capital Management Framework (Cont'd.)

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.

Insurance Risk

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

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification 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

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

Insurance Risk (Cont'd.)

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 SMT 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-", or its equivalent, including internal credit rating, are considered when deciding on which reinsurers to reinsure the Company's risk. The Company limits its risk to any one reinsurer by ceding different 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.

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

Insurance Risk (Cont'd.)

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

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

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

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015							
Whole life	31,551,283	5,629,247	37,180,530	-	-	-	37,180,530
Endowment	8,770,037	1,412,362	10,182,399	-	-	-	10,182,399
Term	(1,711)	365,401	363,690	-	(43,603)	(43,603)	320,087
Accident and health	6,202	120,788	126,990	-	-	-	126,990
Annuity	-	25,938	25,938	-	-	-	25,938
Others	1,503,750	161,796	1,665,546	-	-	-	1,665,546
Total	41,829,561	7,715,532	49,545,093	-	(43,603)	(43,603)	49,501,490

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

Insurance Risk (Cont'd.)

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

Life Insurance Fund

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

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

Insurance Risk (Cont'd.)

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

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

Insurance Risk (Cont'd.)

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

	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Surplus RM'000	Impact on Profit Before Taxation RM'000	Impact on Equity* RM'000
	← Increase/(Decrease) →		← (Decrease)/Increase →		
2015					
Scenario 1 – Mortality and major illness	1,324,284	1,291,147	(1,291,147)	(236,902)	(177,676)
Scenario 2 – Mortality and major illness	(1,384,170)	(1,351,588)	1,351,588	205,890	154,418
Scenario 3 – Health and disability	176,464	172,809	(172,809)	(51,405)	(38,554)
Scenario 4 – Health and disability	(167,034)	(163,386)	163,386	40,862	30,647
Scenario 5 – Lapse and surrender rates	(687,793)	(684,908)	684,908	(22,408)	(16,806)
Scenario 6 – Lapse and surrender rates	836,004	832,701	(832,701)	26,799	20,099
Scenario 7 – Expenses	344,490	344,490	(344,490)	(37,731)	(28,298)
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)

* Impact on equity is stated after tax of 25%.

The above analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net insurance contract liabilities, surplus of life insurance fund, profit before taxation and shareholder's equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions 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.

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

Market and Credit Risk

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

The Company is exposed to market risk in the Shareholder's Fund as well as mismatch risk between the assets and liabilities of the Life Insurance Funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement as well as approving hedging strategies. In the case of the investment linked funds, investment risks are borne by the policyholders and the Company does not assume any liability in the event of occurrence of loss or write-down in market valuation. Nevertheless, the revenues of the insurance operations are linked to the value of the underlying funds since this has an impact on the level of fees earned.

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. For the Life Insurance Funds, given the long duration of contract liabilities and the uncertainty of cash flows, it is difficult to source assets that will perfectly match the insurance contract liabilities. This results in a net interest rate risk or asset liability mismatch risk, which is managed and monitored by the ALC. On the other hand, the Life Insurance Fund 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.

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

Market and Credit Risk (Cont'd.)

(b) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. Most of the foreign currency risk comes from 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.

(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 a deterioration in the creditworthiness of 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.

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

Market and Credit Risk (Cont'd.)

(f) 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)).

(g) 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.

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

Market and Credit Risk (Cont'd.)

(g) Credit risk (Cont'd.)

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 predominantly persists during the grace period specified in the policy document, when the policy is either paid up or terminated. Credit risk in respect of group insurance outstanding premium is being actively monitored.

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:

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

Market and Credit Risk (Cont'd.)

(g) Credit risk (Cont'd.)

RM'000	Type of Collateral	Carrying Amount of Loans	Fair Value of Collateral
2015			
Mortgage loans	Properties	1,819,183	4,472,102
Secured loans			
- Vehicle loans	Vehicle	3,902	3,902
- Government guaranteed loans	Nil	1,581,534	-
Policy loans	Cash value of policies	4,083,316	8,394,958
		<u>7,487,935</u>	<u>12,870,962</u>
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
		<u>7,181,804</u>	<u>11,173,859</u>

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

(h) Concentration risk

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

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

Market and Credit Risks (Cont'd.)

(i) 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 insurance contract liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value reserves.

2015 RM (millions)	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit After Taxation	Impact on Equity*
Change in variables				
<u>a) Equity</u>				
+/-20% - STI	0.0	0.0	0.0	+/-5.4
- KLCI	0.0	0.0	0.0	+/-25.8
<u>b) Alternative Investment</u>				
+/-10%	0.0	0.0	+/-5.5	+/-7.2
<u>c) Foreign Currency</u>				
+/-5%	0.0	0.0	0.0	+/-0.0
<u>d) Interest Rate</u>				
	(Decrease)/Increase			
MGS Yield curve +100 bps	(513.3)	(511.1)	(14.7)	(65.3)
MGS Yield curve -100 bps	592.0	589.6	7.2	60.9
PAR Yield curve +100 bps	(3,885.3)	(3,885.3)	0.0	0.0
PAR Yield curve -100 bps	4,843.3	4,843.3	0.0	0.0
<u>e) Credit Spread</u>				
Spread +100 bps	0.0	0.0	(111.3)	(132.4)
Spread - 100 bps	0.0	0.0	125.7	149.3

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

Market and Credit Risks (Cont'd.)

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

2014 RM (millions)	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit After Taxation	Impact on Equity*
Change in variables				
<u>a) Equity</u>				
+/-20% - STI	0.0	0.0	0.0	+/-2.5
- KLCI	0.0	0.0	0.0	+/-27.0
<u>b) Alternative Investment</u>				
+/-10%	0.0	0.0	+/-5.0	+/-6.5
<u>c) Foreign Currency</u>				
+/-5%	0.0	0.0	0.0	+/-0.0
<u>d) Interest Rate</u>				
	(Decrease)/Increase			
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
<u>e) 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

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

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

Market and Credit Risks (Cont'd.)

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

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2015					
Assets					
Property and equipment	449,940	-	-	-	449,940
Investment properties	601,810	-	-	-	601,810
Prepaid land lease payments	16,666	-	-	-	16,666
Investments					
Malaysian government securities	6,540,013	-	-	-	6,540,013
Debt securities	32,355,136	729,030	480,344	-	33,564,510
Equity securities	14,303,375	1,481,276	9,490	1,347,966	17,142,107
Unit and property trust funds	509,461	140,845	31,610	-	681,916
Loans	7,488,195	-	-	-	7,488,195
Deposits with financial institutions	2,214,131	-	-	-	2,214,131
Reinsurance assets	100,985	-	-	-	100,985
Insurance receivables	268,250	-	-	-	268,250
Other receivables	807,197	-	-	-	807,197
Cash and bank balances	12,830	70,664	6,658	96,709	186,861
Total assets	65,667,989	2,421,815	528,102	1,444,675	70,062,581
Liabilities					
Insurance contract liabilities	65,462,222	-	-	-	65,462,222
Derivatives	-	301,029	112,597	-	413,626
Agents' retirement benefits	760,436	-	-	-	760,436
Deferred tax liabilities	526,076	-	-	-	526,076
Other financial liabilities	207,063	-	-	-	207,063
Insurance payables	224,667	-	-	-	224,667
Provision for taxation	79,729	-	-	-	79,729
Other payables	622,148	-	-	-	622,148
Total liabilities	67,882,341	301,029	112,597	-	68,295,967

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

Market and Credit Risks (Cont'd.)

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

	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	31,223,307	640,855	149,404	-	32,013,566
Equity securities	13,637,196	1,222,009	6,604	641,788	15,507,599
Unit and property trust funds	483,162	155,843	32,746	4,522	676,271
Loans	7,181,882	-	-	-	7,181,882
Deposits with financial institutions	2,612,622	-	-	-	2,612,622
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

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

Market and Credit Risks (Cont'd.)

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 flows.

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

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

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
2015						
Investments:						
LAR	9,702,326	2,692,446	2,968,992	609,404	4,083,316	10,354,158
AFS	14,739,463	27,987	227,096	425,129	14,242,965	14,923,178
FVTPL	43,189,083	4,801,247	17,740,530	33,905,620	3,539,183	59,986,580
Reinsurance assets	100,985	4,873	16,711	22,019	57,382	100,985
Insurance receivables	268,250	268,250	-	-	-	268,250
Other receivables	796,736	706,727	1,918	2,920	85,171	796,736
Cash and bank balances	186,861	186,861	-	-	-	186,861
Total undiscounted financial/insurance assets	68,983,704	8,688,391	20,955,247	34,965,092	22,008,018	86,616,749

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

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

Market and Credit Risks (Cont'd.)

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 flows. (Cont'd.)

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
2015 (Cont'd.)						
Insurance contract liabilities:						
With DPF	57,521,153	924,517	5,264,736	35,640,308	15,691,592	57,521,153
Without DPF	7,941,069	800,755	240,767	1,353,605	5,545,942	7,941,069
Derivatives	413,626	176,070	237,556	-	-	413,626
Other financial liabilities	207,063	206,485	578	-	-	207,063
Insurance payables	224,667	191,220	33,447	-	-	224,667
Other payables	497,471	480,163	17,308	-	-	497,471
Total undiscounted financial/insurance liabilities	66,805,049	2,779,210	5,794,392	36,993,913	21,237,534	66,805,049
Total liquidity surplus/(gap)	2,178,655	5,909,181	15,160,856	(2,028,820)	770,483	19,811,699

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

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

Market and Credit Risks (Cont'd.)

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 flows. (Cont'd.)

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
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/insurance assets	65,837,696	7,416,871	19,412,473	32,209,366	20,206,991	79,245,701

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

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

Market and Credit Risks (Cont'd.)

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 flows. (Cont'd.)

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
2014 (Cont'd.)						
Insurance contract liabilities:						
With DPF	55,554,823	900,069	4,465,711	34,435,323	15,753,720	55,554,823
Without DPF	7,203,728	792,899	208,993	1,326,126	4,875,710	7,203,728
Derivatives	166,039	-	166,039	-	-	166,039
Other financial liabilities	171,565	170,939	626	-	-	171,566
Insurance payables	204,475	204,475	-	-	-	204,475
Other payables	455,627	438,091	17,536	-	-	455,627
Total undiscounted financial/insurance liabilities	63,756,257	2,506,473	4,858,905	35,761,449	20,629,430	63,756,258
Total liquidity surplus/(gap)	2,081,439	4,910,398	14,553,568	(3,552,083)	(422,439)	15,489,443

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

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

Market and Credit Risks (Cont'd.)

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
2015				
Property and equipment	-	449,940	-	449,940
Investment properties	-	601,810	-	601,810
Prepaid lease payments	-	16,666	-	16,666
Investments:				
LAR	5,471,384	3,399,782	831,160	9,702,326
AFS	14,265,018	474,445	-	14,739,463
FVTPL	2,823,662	35,843,161	4,522,260	43,189,083
Reinsurance assets	62,255	38,730	-	100,985
Insurance receivables	268,250	-	-	268,250
Other receivables	703,602	90,010	13,585	807,197
Cash and bank balances	185,207	-	1,654	186,861
Total assets	23,779,379	40,914,544	5,368,659	70,062,581
Insurance contract liabilities:				
With DPF	16,616,109	40,905,044	-	57,521,153
Without DPF	1,026,292	1,594,372	5,320,405	7,941,069
Derivatives	176,070	237,556	-	413,626
Agents' retirement benefits	213,371	547,065	-	760,436
Deferred tax liabilities	505,759	-	20,317	526,076
Other financial liabilities	194,524	578	11,961	207,063
Insurance payables	191,220	33,447	-	224,667
Provision for taxation	70,041	-	9,688	79,729
Other payables	603,737	17,308	1,103	622,148
Total liabilities	19,597,123	43,335,370	5,363,474	68,295,967

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

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

Market and Credit Risks (Cont'd.)

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

	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	7,118,160	1,073,490	9,794,504
AFS	13,425,754	396,061	-	13,821,815
FVTPL	1,663,426	35,892,124	3,654,410	41,209,960
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	44,544,917	4,792,925	66,857,241
Insurance contract liabilities:				
With DPF	16,653,789	38,901,030	-	55,554,819
Without DPF	1,013,798	1,535,123	4,654,811	7,203,732
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.

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

Market and Credit Risks (Cont'd.)

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.

		Shareholder's Life Insurance		Unit-linked	Total
	Note	Fund	Fund	RM'000	RM'000
		RM'000	RM'000		
2015					
LAR:	6(a)				
Deposits with financial institutions		17,400	1,365,571	831,160	2,214,131
Policy loans		-	4,083,316	-	4,083,316
Mortgage loans		27,380	1,791,803	-	1,819,183
Secured loans		15,012	1,570,424	-	1,585,436
Unsecured loans		251	9	-	260
AFS financial investments:	6(b)				
Malaysian government securities		42,314	-	-	42,314
Debt securities		432,131	-	-	432,131
Financial investments at FVTPL:	6(c)				
Malaysian government securities		-	6,487,719	9,980	6,497,699
Debt securities		23,574	32,143,533	965,272	33,132,379
Reinsurance assets	7	-	100,985	-	100,985
Insurance receivables	8	-	268,250	-	268,250
Other receivables	9	13,249	769,902	13,585	796,736
		<u>571,311</u>	<u>48,581,512</u>	<u>1,819,997</u>	<u>50,972,820</u>

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

Market and Credit Risks (Cont'd.)

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. (Cont'd.)

		Shareholder's Fund	Life Insurance Fund	Unit-linked	Total
	Note	RM'000	RM'000	RM'000	RM'000
2014					
LAR:					
Deposits with financial institutions	6(a)	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:	6(c)				
Malaysian government securities		-	6,772,336	40,037	6,812,373
Debt securities		18,050	30,730,436	880,981	31,629,467
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
		<u>484,468</u>	<u>47,094,613</u>	<u>2,055,708</u>	<u>49,634,789</u>

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risks (Cont'd.)

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			Not rated RM'000	Unit-linked RM'000	Past-due** RM'000	Total RM'000
	Government guaranteed and Low risk bonds RM'000	Investment grade* (BBB to AAA) RM'000	Non- Investment grade* (C to BB) RM'000				
2015							
LAR:							
Deposits with financial institutions	-	1,172,971	-	210,000	831,160	-	2,214,131
Policy loans	-	-	-	4,083,316	-	-	4,083,316
Mortgage loans	-	-	-	1,819,183	-	-	1,819,183
Secured loans	1,581,534	-	-	3,902	-	-	1,585,436
Unsecured loans	-	-	-	260	-	-	260
AFS financial investments:							
Malaysian government securities	42,314	-	-	-	-	-	42,314
Debt securities	97,154	314,938	-	20,039	-	-	432,131

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D.)

Market and Credit Risks (Cont'd.)

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. (Cont'd.)

	Neither past-due nor impaired			Not rated RM'000	Unit-linked RM'000	Past-due** RM'000	Total RM'000
	Government guaranteed and Low risk bonds RM'000	Investment grade* (BBB to AAA) RM'000	Non- Investment grade* (C to BB) RM'000				
2015 (Cont'd.)							
Financial investments at FVTPL:							
Malaysian government securities	6,487,719	-	-	-	9,980	-	6,497,699
Debt securities	10,565,413	19,915,264	-	1,686,430	965,272	-	33,132,379
Reinsurance assets	-	100,985	-	-	-	-	100,985
Insurance receivables	-	-	-	256,162	-	12,088	268,250
Other receivables	-	399,506	-	381,178	13,585	2,467	796,736
Total credit risk exposure	18,774,134	21,903,665	-	8,460,470	1,819,997	14,555	50,972,820

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

** An aging analysis for financial assets past due but not impaired is provided below.

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

Market and Credit Risks (Cont'd.)

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. (Cont'd.)

	Neither past-due nor impaired			Not rated RM'000	Unit-linked RM'000	Past-due** RM'000	Total RM'000
	Government guaranteed and Low risk bonds RM'000	Investment grade* (BBB to AAA) RM'000	Non- Investment grade* (C to BB) RM'000				
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	179,265	204,834	-	-	-	-	384,099

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

Market and Credit Risks (Cont'd.)

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. (Cont'd.)

	Neither past-due nor impaired			Not rated	Unit-linked	Past-due**	Total
	Government guaranteed and Low risk bonds RM'000	Investment grade* (BBB to AAA) RM'000	Investment grade* (C to BB) RM'000				
2014 (Cont'd.)							
Financial investments at FVTPL:							
Malaysian government securities	6,772,336	-	-	-	40,037	-	6,812,373
Debt securities	10,322,049	18,949,821	-	1,476,616	880,981	-	31,629,467
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	18,877,485	21,015,570	-	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 but not impaired is provided below.

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

Market and Credit Risks (Cont'd.)

Aging Analysis of financial assets past due:

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

	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			
<u>2015</u>						
Insurance receivables	6,523	4,701	864	12,088	5,462	17,550
Other receivables	2,369	63	35	2,467	534	3,001
	<u>8,892</u>	<u>4,764</u>	<u>899</u>	<u>14,555</u>	<u>5,996</u>	<u>20,551</u>
<u>2014</u>						
Insurance receivables	10,502	463	125	11,090	7,855	18,945
Other receivables	11	4	23	38	263	301
	<u>10,513</u>	<u>467</u>	<u>148</u>	<u>11,128</u>	<u>8,118</u>	<u>19,246</u>

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 RM12,284,000 (31 December 2014: RM11,128,000) that are past due at reporting date but not impaired.

At reporting date, receivables amounting to RM6,523,000 (31 December 2014: RM10,502,000) have been arranged to be settled. The remaining balances of receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

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

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

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 behaviour.

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

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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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets:</u>				
<u>AFS financial assets (Note 6(b)):</u>				
Equity securities:				
Quoted in Malaysia	10,863,484	10,848,660	10,863,484	10,848,660
Quoted outside Malaysia	2,788,690	1,846,896	2,788,690	1,846,896
Malaysian government securities	42,314	21,966	42,314	21,966
Debt securities:				
Unquoted in Malaysia	406,989	384,099	406,989	384,099
Quoted outside Malaysia	25,142	-	25,142	-
Unit and property trust funds:				
Quoted in Malaysia	433,799	419,933	433,799	419,933
Quoted outside Malaysia	170,579	191,795	170,579	191,795
<u>FVTPL - Held for trading (Note 6(c)):</u>				
Equity securities:				
Quoted in Malaysia	3,431,425	2,680,072	3,431,425	2,680,072
Quoted outside Malaysia	50,042	23,505	50,042	23,505
Malaysian government securities	9,980	40,037	9,980	40,037
Debt securities:				
Quoted in Malaysia	-	1,171	-	1,171
Unquoted in Malaysia	3,696,495	3,506,149	3,696,495	3,506,149
Unit and property trust funds:				
Quoted in Malaysia	75,662	63,227	75,662	63,227
Quoted outside Malaysia	1,876	1,316	1,876	1,316

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

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

	Carrying Amount		Fair Value	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets (cont'd):</u>				
<u>FVTPL - Designated upon</u>				
<u>initial recognition (Note 6(c)):</u>				
Malaysian government securities	6,487,719	6,772,336	6,487,719	6,772,336
Debt securities:				
Quoted outside Malaysia	964,575	640,855	964,575	640,855
Unquoted in Malaysia	28,251,652	27,331,888	28,251,652	27,331,888
Unquoted outside Malaysia	219,657	149,404	219,657	149,404
<u>Non financial assets (Note 4):</u>				
Investment properties:				
Commercial	366,910	318,116	366,910	318,116
Residential	234,900	228,500	234,900	228,500
<u>Loans and receivables (Note 6(a)):</u>				
Mortgage loans	1,819,183	1,677,653	1,846,686	1,706,306
	<u>60,341,073</u>	<u>57,147,578</u>	<u>60,368,576</u>	<u>57,176,231</u>
<u>Financial liabilities:</u>				
Derivatives (Note 12):				
Currency swaps	413,626	166,039	413,626	166,039
	<u>413,626</u>	<u>166,039</u>	<u>413,626</u>	<u>166,039</u>

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

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

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

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

	Date of valuation	Level 1	Level 2	Level 3	Total Fair Value RM'000
		Quoted Market Price RM'000	Valuation Techniques - Market Observable Inputs RM'000	Valuation Techniques - Unobservable Inputs RM'000	
2015					
<u>(a) Assets measured at fair value:</u>					
<u>Financial assets:</u>					
<u>AFS financial assets (Note 6(b)):</u>					
Equity securities:					
Quoted in Malaysia	31 December 2015	10,863,484	-	-	10,863,484
Quoted outside Malaysia	31 December 2015	2,788,690	-	-	2,788,690
Malaysian government securities	31 December 2015	-	42,314	-	42,314
Debt securities:					
Unquoted in Malaysia	31 December 2015	-	406,989	-	406,989
Quoted outside Malaysia	31 December 2015	25,142	-	-	25,142
Unit and property trust funds:					
Quoted in Malaysia	31 December 2015	433,799	-	-	433,799
Quoted outside Malaysia	31 December 2015	170,579	-	-	170,579
<u>FVTPL - Held for trading (Note 6(c)):</u>					
Equity securities:					
Quoted in Malaysia	31 December 2015	3,431,425	-	-	3,431,425
Quoted outside Malaysia	31 December 2015	50,042	-	-	50,042
Malaysian government securities	31 December 2015	-	9,980	-	9,980
Debt securities:					
Unquoted in Malaysia	31 December 2015	-	3,696,495	-	3,696,495
Unit and property trust funds:					
Quoted in Malaysia	31 December 2015	75,662	-	-	75,662
Quoted outside Malaysia	31 December 2015	1,876	-	-	1,876

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

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

		Level 1	Level 2	Level 3	
		Valuation			
		Techniques -		Valuation	
		Market		Techniques -	
		Observable		Unobservable	
		Inputs		Inputs	
	Date of	Quoted	Market	Techniques -	Total Fair
	valuation	Market	Observable	Unobservable	Value
		Price	Inputs	Inputs	
		RM'000	RM'000	RM'000	RM'000

2015 (cont'd.)

(a) Assets measured at fair value (cont'd.):

Financial assets (Cont'd.):

FVTPL - Designated upon
initial recognition (Note 6(c)):

Malaysian government securities	31 December 2015	-	6,487,719	-	6,487,719
Debt securities:					
Quoted outside Malaysia	31 December 2015	964,575	-	-	964,575
Unquoted in Malaysia	31 December 2015	-	28,251,652	-	28,251,652
Unquoted outside Malaysia	31 December 2015	-	219,657	-	219,657
Financial assets		<u>18,805,274</u>	<u>39,114,806</u>	<u>-</u>	<u>57,920,080</u>

Non financial assets:

Investment Properties (Note 4):

Commercial	31 December 2015	-	-	366,910	366,910
Residential	31 December 2015	-	-	234,900	234,900
Non financial assets		<u>-</u>	<u>-</u>	<u>601,810</u>	<u>601,810</u>

(b) Assets for which
fair values are disclosed:

LAR (Note 6(a)):

Mortgage loans	31 December 2015	<u>-</u>	<u>1,846,686</u>	<u>-</u>	<u>1,846,686</u>
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(c) Liabilities measured at fair value:

Financial liabilities

Derivatives (Note 12):

Currency swaps	31 December 2015	<u>-</u>	<u>413,626</u>	<u>-</u>	<u>413,626</u>
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34. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D.)

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

			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	
2014	Date of valuation					
(a) Assets measured at fair value:						
<u>Financial assets:</u>						
<u>AFS financial assets (Note 6(b)):</u>						
Equity securities:						
Quoted in Malaysia	31 December 2014	10,848,660		-	-	10,848,660
Quoted outside Malaysia	31 December 2014	1,846,896		-	-	1,846,896
Malaysian government securities	31 December 2014	-		21,966	-	21,966
Debt securities:						
Unquoted in Malaysia	31 December 2014	-		384,099	-	384,099
Unit and property trust funds:						
Quoted in Malaysia	31 December 2014	419,933		-	-	419,933
Quoted outside Malaysia	31 December 2014	191,795		-	-	191,795
<u>FVTPL - Held for trading (Note 6(c)):</u>						
Equity securities:						
Quoted in Malaysia	31 December 2014	2,680,072		-	-	2,680,072
Quoted outside Malaysia	31 December 2014	23,505		-	-	23,505
Malaysian government securities	31 December 2014	-		40,037	-	40,037
Debt securities:						
Quoted in Malaysia	31 December 2014	1,171		-	-	1,171
Unquoted in Malaysia	31 December 2014	-		3,506,149	-	3,506,149
Unit and property trust funds:						
Quoted in Malaysia	31 December 2014	63,227		-	-	63,227
Quoted outside Malaysia	31 December 2014	1,316		-	-	1,316

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

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

	Date of valuation	Level 1	Level 2	Level 3	Total Fair Value RM'000
		Quoted Market Price RM'000	Valuation Techniques - Market Observable Inputs RM'000	Valuation Techniques - Unobservable Inputs RM'000	

(a) Assets measured at fair value (cont'd.):

FVTPL - Designated upon initial recognition (Note 6(c)):

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		<u>16,717,430</u>	<u>38,205,879</u>	<u>-</u>	<u>54,923,309</u>

Non financial assets:

Investment Properties (Note 4):					
Commercial	31 December 2014	-	-	318,116	318,116
Residential	31 December 2014	-	-	228,500	228,500
Non financial assets		<u>-</u>	<u>-</u>	<u>546,616</u>	<u>546,616</u>

(b) Assets for which fair values are disclosed:

LAR (Note 6(a)):

Mortgage loans	31 December 2014	<u>-</u>	<u>1,706,306</u>	<u>-</u>	<u>1,706,306</u>
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(c) Liabilities measured at fair value:

Financial liabilities

Derivatives (Note 12):					
Currency swaps	31 December 2014	<u>-</u>	<u>166,039</u>	<u>-</u>	<u>166,039</u>

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

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

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

Description	Fair value as at 31 December 2015 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u>				
Commercial properties	283,000	Income approach	Rental per square foot ("p.s.f.") per month Rental growth rate (upon Revisionary) Long-term vacancy rate Discount rate	RM3.15 - RM5.50 12.50% 5% 6.0% - 6.5%
Commercial properties	83,910	Comparison approach	Estimated Value p.s.f	RM91 - RM1,000
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM885
Description	Fair value as at 31 December 2014 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u>				
Office properties	245,000	Income approach	Rental per square foot per month Rental growth rate (upon Revisionary) Long-term vacancy rate Discount rate	RM3.15 - RM5.50 5.00% 5% 6.0% - 6.25%
Commercial properties	73,116	Comparison approach	Estimated Value p.s.f	RM93 - RM935
Residential properties	228,500	Comparison approach	Estimated Value p.s.f	RM20 - RM730

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

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

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

	Investment Properties	
	Fair value measurements using significant unobservable inputs (Level 3)	
	2015	2014
	RM'000	RM'000
Opening balance	546,616	532,100
Total gain for the year:		
Included in income statement	54,874	14,444
Addition for the year	320	72
Closing balance	<u>601,810</u>	<u>546,616</u>

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

	Investment Properties	
	Fair value measurements using significant unobservable inputs (Level 3)	
	2015	2014
	RM'000	RM'000
Total gain for the year included in:		
Income Statement		
- Gain on changes in fair value	<u>54,874</u>	<u>14,444</u>

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

Fair value Hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the 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 2015 and 31 December 2014.

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35. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2015, as prescribed under the RBC is provided below:

	2015 RM'000	2014 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	<u>18,319,579</u>	<u>17,949,771</u>
	<u>18,419,579</u>	<u>18,049,771</u>
Tier 2 Capital		
Eligible reserves	<u>3,903,311</u>	<u>4,174,497</u>
Deductions: Deferred Tax Asset	<u>23,824</u>	<u>1,192</u>
Total Capital Available	<u>22,299,066</u>	<u>22,223,076</u>

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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 2015

	Shareholder's Fund		Life Insurance Fund		Elimination*		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Financial investments	682,529	578,890	66,970,395	64,268,754	(22,052)	(21,365)	67,630,872	64,826,279
Reinsurance assets	-	-	100,985	108,941	-	-	100,985	108,941
Insurance receivables	-	-	268,250	265,040	-	-	268,250	265,040
Other assets	1,267,060	1,202,378	2,066,469	1,663,721	(1,271,055)	(1,209,118)	2,062,474	1,656,981
	<u>1,949,589</u>	<u>1,781,268</u>	<u>69,406,099</u>	<u>66,306,456</u>	<u>(1,293,107)</u>	<u>(1,230,483)</u>	<u>70,062,581</u>	<u>66,857,241</u>
Equity, Policyholders' Fund and Liabilities								
Total Equity	<u>1,765,333</u>	<u>1,571,256</u>	<u>-</u>	<u>-</u>	<u>1,281</u>	<u>1,779</u>	<u>1,766,614</u>	<u>1,573,035</u>
Insurance contract liabilities	-	-	65,485,960	62,782,289	(23,738)	(23,738)	65,462,222	62,758,551
Other liabilities	184,256	210,012	3,920,139	3,524,167	(1,270,650)	(1,208,524)	2,833,745	2,525,655
Total policyholders' fund and liabilities	<u>184,256</u>	<u>210,012</u>	<u>69,406,099</u>	<u>66,306,456</u>	<u>(1,294,388)</u>	<u>(1,232,262)</u>	<u>68,295,967</u>	<u>65,284,206</u>
	<u>1,949,589</u>	<u>1,781,268</u>	<u>69,406,099</u>	<u>66,306,456</u>	<u>(1,293,107)</u>	<u>(1,230,483)</u>	<u>70,062,581</u>	<u>66,857,241</u>

* Refers to elimination of Interfund balances.

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36. INSURANCE FUNDS (CONT'D.)

Income Statement by Funds

For the year ended 31 December 2015

	Shareholder's Funds		Life Insurance Fund		Elimination**		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	-	7,017,546	6,779,362	-	-	7,017,546	6,779,362
Premiums ceded to reinsurers	-	-	(142,724)	(123,626)	-	-	(142,724)	(123,626)
Net earned premiums	-	-	6,874,822	6,655,736	-	-	6,874,822	6,655,736
Investment income	30,414	29,860	2,781,950	2,673,301	(3,568)	(1,701)	2,808,796	2,701,460
Fee and commission income	-	-	16,616	21,933	-	-	16,616	21,933
Gains and losses and other operating revenue	(3,900)	8,302	(99,995)	442,878	(216)	-	(104,111)	451,180
Other revenue	26,514	38,162	2,698,571	3,138,112	(3,784)	(1,701)	2,721,301	3,174,573
Gross benefits and claims paid	-	-	(4,920,949)	(4,609,600)	(3,818)	1,701	(4,924,767)	(4,607,899)
Claims ceded to reinsurers	-	-	68,160	87,722	-	-	68,160	87,722
Gross change in contract liabilities	-	-	(2,299,654)	(2,931,916)	-	-	(2,299,654)	(2,931,916)
Change in contract liabilities ceded to reinsurers	-	-	(2,936)	7,294	-	-	(2,936)	7,294
Net benefits and claims	-	-	(7,155,379)	(7,446,500)	(3,818)	1,701	(7,159,197)	(7,444,799)
Depreciation and amortisation	-	-	(51,051)	(50,034)	-	-	(51,051)	(50,034)
Other operating and management expenses	(15,814)	(9,453)	(1,383,953)	(1,275,980)	7,602	-	(1,392,165)	(1,285,433)
Taxation of life insurance business	-	-	(144,680)	(210,621)	-	-	(144,680)	(210,621)
Other expenses	(15,814)	(9,453)	(1,579,684)	(1,536,635)	7,602	-	(1,587,896)	(1,546,088)
Profit from operations	10,700	28,709	838,330	810,713	-	-	849,030	839,422
Transfer from Life Insurance Fund*	838,330	810,713	(838,330)	(810,713)	-	-	-	-
Profit before taxation	849,030	839,422	-	-	-	-	849,030	839,422
Taxation (Note 25(b))	(160,033)	(176,744)	-	-	-	-	(160,033)	(176,744)
Net profit for the year	688,997	662,678	-	-	-	-	688,997	662,678

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

** Refers to elimination of interfund transactions.

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36. INSURANCE FUNDS (CONT'D.)

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

	Shareholder's Fund		Life Insurance Fund		Total	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flow from:						
Operating activities	523,076	457,478	56,651	717,750	579,727	1,175,228
Investing activities	-	-	(54,344)	(42,456)	(54,344)	(42,456)
Financing activities	(512,000)	(489,886)	-	-	(512,000)	(489,886)
Increase/(Decrease) in cash and cash equivalents	11,076	(32,408)	2,307	675,294	13,383	642,886
Cash and cash equivalents:						
At beginning of year	7,590	39,998	2,294,069	1,618,775	2,301,659	1,658,773
At end of year	18,666	7,590	2,296,376	2,294,069	2,315,042	2,301,659