

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

Interim condensed financial statements for the six months ended 30 June 2018

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Statement by Directors

We, Kamaruddin bin Taib and Ng Hon Soon, being two of the directors of Great Eastern Life Assurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying interim condensed financial statements set out on pages 4 to 59 are drawn up in accordance with Malaysian Financial Reporting Standard 134: Interim Financial Reporting ("MFRS 134") and International Accounting Standard 34: Interim Financial Reporting ("IAS 34"), and Bank Negara Malaysia's policy document on Financial Reporting [BNM/RH/PD 032-13] dated 2 February 2018 so as to give a true and fair view of the financial position of the Company as at 30 June 2018 and of the results and cash flows of the Company for the period then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 July 2018.

Kamaruddin bin Taib

Ng Hon Soon

Kuala Lumpur
24 July 2018

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

We have reviewed the accompanying condensed balance sheet of Great Eastern Life Assurance (Malaysia) Berhad as of 30 June 2018 and the related condensed income statement, condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the period from 1 January 2018 to 30 June 2018 and other explanatory information as set out on pages 4 to 59. The Directors of the Company are responsible for the preparation and presentation of these interim condensed financial statements in accordance with Malaysian Financial Reporting Standard 134: *Interim Financial Reporting ("MFRS 134")* and International Accounting Standard 34: *Interim Financial Reporting ("IAS 34")*. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

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

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

Other matters

This report has been prepared solely for the Directors of the Company for the purpose of compliance with Bank Negara Malaysia's policy document on Financial Reporting [BNM/RH/PD 032-13] dated 2 February 2018 in relation to the Company's application for declaration of interim dividend and should not be used for any other purpose.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
24 July 2018

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

CONDENSED BALANCE SHEET
AS AT 30 JUNE 2018

	Note	30.06.2018 RM'000	31.12.2017 RM'000
Assets			
Property and equipment		456,758	463,258
Investment properties		605,020	601,421
Prepaid land lease payments		16,322	16,390
Investments	10	76,506,446	77,060,341
Derivatives	14	9,690	13,063
Reinsurance assets	11	58,178	52,892
Insurance receivables	12	281,015	260,740
Other receivables		970,867	911,336
Cash and bank balances		340,109	197,888
Total assets		<u>79,244,405</u>	<u>79,577,329</u>
Equity			
Share capital		100,000	100,000
Retained earnings		1,926,895	2,020,146
Other comprehensive income fair value reserves		(33,358)	9,069
Total equity		<u>1,993,537</u>	<u>2,129,215</u>
Liabilities			
Insurance contract liabilities	13	74,939,248	74,723,658
Derivatives	14	23,184	47,131
Agents' retirement benefits		833,188	829,311
Deferred tax liabilities		692,116	771,729
Other financial liabilities		22,103	89,304
Insurance payables	15	267,133	262,887
Provision for taxation		48,248	97,382
Other payables		425,648	626,712
Total liabilities		<u>77,250,868</u>	<u>77,448,114</u>
Total equity and liabilities		<u>79,244,405</u>	<u>79,577,329</u>

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		01.01.2018	01.01.2017
		to	to
		30.06.2018	30.06.2017
		RM'000	RM'000
Gross earned premiums	16(a)	3,776,531	3,558,580
Earned premiums ceded to reinsurers	16(b)	(90,510)	(75,369)
Net earned premiums		<u>3,686,021</u>	<u>3,483,211</u>
Investment income	17	1,632,354	1,550,760
Realised gains and losses		(154,054)	134,629
Fair value gains and losses		(1,227,676)	862,593
(Increase)/decrease in provision for impairment of:			
Insurance receivables		(1,436)	427
Other receivables		(50)	(65)
Investments		9,461	(24,627)
Fees and commission income		4,045	1,568
Other operating revenue		5,639	68,560
Other revenue		<u>268,283</u>	<u>2,593,845</u>
Gross benefits and claims paid	18(a)	(2,778,965)	(2,585,378)
Claims ceded to reinsurers	18(b)	44,230	39,513
Gross change in contract liabilities	18(c)	66,774	(2,238,826)
Change in contract liabilities ceded to reinsurers	18(d)	9,810	(13,809)
Net benefits and claims		<u>(2,658,151)</u>	<u>(4,798,500)</u>
Fees and commission expenses		(542,938)	(531,229)
Management expenses	19	(266,080)	(281,065)
Other operating expenses		(67,438)	(388)
Taxation of life insurance business	21(a)	13,360	(178,089)
Other expenses		<u>(863,096)</u>	<u>(990,771)</u>
Profit before taxation		433,057	287,785
Taxation	21(b)	(98,651)	(68,214)
Net profit for the period		<u>334,406</u>	<u>219,571</u>
Earnings per share (sen)			
Basic and diluted		<u>334</u>	<u>220</u>

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
Net profit for the period	334,406	219,571
Other comprehensive (loss)/income:		
Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:		
Other comprehensive income fair value reserves:		
Net (loss)/gain arising during the period	(55,353)	38,184
Net realised gain transferred to Income Statement	(2,391)	(14,306)
(Reversal of impairment losses)/impairment losses transferred to the Income Statement	(1,136)	2,380
	<u>(58,880)</u>	<u>26,258</u>
Tax effects thereon	14,131	(6,327)
	<u>(44,749)</u>	<u>19,931</u>
Total comprehensive income for the period	<u>289,657</u>	<u>239,502</u>

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share Capital RM'000	Non-Distributable			Distributable			Total Equity RM'000
		Fair Value Reserves			Retained Earnings			
		Non- participating Fund RM'000	Shareholder's Fund RM'000	Sub-total RM'000	Non- participating Fund* RM'000	Shareholder's Fund RM'000	Sub-total RM'000	
At 1 January 2017	100,000	6,559	3,248	9,807	533,494	1,159,088	1,692,582	1,802,389
Net profit for the period	-	-	-	-	204,880	14,691	219,571	219,571
Other comprehensive income for the period	-	12,809	7,122	19,931	-	-	-	19,931
Total comprehensive income for the period	-	12,809	7,122	19,931	204,880	14,691	219,571	239,502
Dividends paid during the period (Note 6)	-	-	-	-	-	(340,000)	(340,000)	(340,000)
At 30 June 2017	100,000	19,368	10,370	29,738	738,374	833,779	1,572,153	1,701,891
At 1 January 2018	100,000	95	8,974	9,069	642,424	1,377,722	2,020,146	2,129,215
Effects due to adoption of MFRS 9	-	7,236	(4,914)	2,322	(9,229)	6,572	(2,657)	(335)
At 1 January 2018 (Restated)	100,000	7,331	4,060	11,391	633,195	1,384,294	2,017,489	2,128,880
Net profit for the period	-	-	-	-	328,157	6,249	334,406	334,406
Other comprehensive loss for the period	-	(30,339)	(14,410)	(44,749)	-	-	-	(44,749)
Total comprehensive (loss)/income for the period	-	(30,339)	(14,410)	(44,749)	328,157	6,249	334,406	289,657
Dividends paid during the period (Note 6)	-	-	-	-	-	(425,000)	(425,000)	(425,000)
At 30 June 2018	100,000	(23,008)	(10,350)	(33,358)	961,352	965,543	1,926,895	1,993,537

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

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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CONDENSED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
Operating activities			
Cash used in operating activities	22	(149,472)	(1,077,177)
Dividend/distribution income received		427,364	385,909
Interest/profit income received		1,140,383	1,144,107
Rental income on investment properties received		29,602	30,733
Agents' retirement benefit paid		(45,203)	(59,297)
Income tax paid		(193,242)	(166,539)
Net cash flows generated from operating activities		<u>1,209,432</u>	<u>257,736</u>
Investing activity			
Purchase of property and equipment		(19,190)	(28,148)
Net cash flows used in investing activity		<u>(19,190)</u>	<u>(28,148)</u>
Financing activity			
Dividends paid to equity holder		(425,000)	(340,000)
Net cash flows used in financing activity		<u>(425,000)</u>	<u>(340,000)</u>
Net increase/(decrease) in cash and cash equivalents		765,242	(110,412)
Cash and cash equivalents at beginning of period		2,305,372	2,264,032
Cash and cash equivalents at end of period		<u>3,070,614</u>	<u>2,153,620</u>
Cash and cash equivalents comprise:			
Cash and bank balances		340,109	209,390
Short term deposits with original maturity periods of less than 3 months		2,730,505	1,944,230
		<u>3,070,614</u>	<u>2,153,620</u>

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

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

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

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

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2017.

The notes attached to the interim condensed financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2017.

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

The interim condensed financial statements were approved for issue by the Board of Directors on 24 July 2018.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards and interpretations

The significant accounting policies in these interim condensed financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2017, except for the adoption of the following standards, amendments to standards and interpretation of standards:

Standards effective for financial periods beginning on or after 1 January 2018

- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016)*
- Amendments to MFRS 2 *Share-based payment - Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- MFRS 9 *Financial Instruments*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140 *Transfers of Investment property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- MFRS 15 *Revenue from Contracts with Customers*

The Company applies, for the first time, MFRS 9 *Financial Instruments*. As required by MFRS 134, the nature and effect of adopting MFRS 9 are disclosed in Table A.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim financial statements of the Company.

MFRS 9 *Financial Instruments*

The Company has adopted MFRS 9 *Financial Instruments* effective 1 January 2018. The requirements of MFRS 9 represent a significant change from MFRS 139 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(a) New and amended standards and interpretations (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

The key changes to the Company's accounting policies resulting from its adoption of MFRS 9 are summarised below. MFRS 9 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Classification under MFRS 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVTPL is the residual category – financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The gains or losses of debt instruments initially classified as FVOCI are recycled to profit or loss on derecognition.

MFRS 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income, with no recycling of gains or losses in profit or loss on derecognition.

Derivatives and hybrid contracts with financial asset hosts where contractual cash flows are not solely payments of principal and interest are required to be classified at fair value through profit or loss.

Impairment

MFRS 9 requires the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Transition

The changes in accounting policies have been applied retrospectively and the Company has elected to apply the limited exemption in MFRS 9 and has not restated comparative periods in the year of initial application. The impact arising from MFRS 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(a) New and amended standards and interpretations (Cont'd.)

MFRS 9 *Financial Instruments* (Cont'd.)

The following table shows the material reclassifications arising from adoption of MFRS 9 as well as the impact, net of tax, in fair value reserves and retained earnings. There is no impact on other components of equity.

Table A

	Before MFRS9 adjustments RM'000	Classification and Measurement RM'000	Expected Credit Loss ("ECL") Impairment RM'000	After MFRS9 adjustments RM'000
Assets				
Investments	77,060,341	-	(26,627)	77,033,714
LAR	9,298,595	-	(26,627)	9,271,968
AFS	22,801,295	(22,801,295)	-	-
- Quoted equities	19,835,223	(19,835,223)	-	-
- Unquoted equities	8,466	(8,466)	-	-
- Debt securities	147,070	(147,070)	-	-
- Collective investment schemes	2,810,536	(2,810,536)	-	-
FVTPL	44,960,451	21,273,342	-	66,233,793
- Quoted equities	4,957,763	19,408,149	-	24,365,912
- Unquoted equities	-	5,185	-	5,185
- Debt securities	39,851,807	(950,528)	-	38,901,279
- Collective investment schemes	150,881	2,810,536	-	2,961,417
FVOCI	-	1,527,953	-	1,527,953
- Quoted equities	-	427,074	-	427,074
- Unquoted equities	-	3,281	-	3,281
- Debt securities	-	1,097,598	-	1,097,598
Insurance receivables	260,740	-	(624)	260,116
Equity				
Retained earnings	2,020,146	6,186	(8,843)	2,017,489
AFS reserves	9,069	(9,069)	-	-
FVOCI reserves	-	6,177	5,214	11,391
Liabilities				
Insurance contract liabilities	74,723,658	-	(21,438)	74,702,220
Deferred tax liabilities	771,729	(3,294)	(2,184)	766,251

Other than the effects described above, the adoption of the new standard have no material impact on the financial statements in the year of initial application.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(b) Standards issued but not yet effective

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

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Joint Arrangement (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 112 *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 119 *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 cycle)*

Effective for financial periods beginning on or after 1 January 2020

- Amendments to MFRS 2 *Shared-based Payment*
- Amendments to MFRS 3 *Business Combination*
- Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134 *Interim Financial Reporting*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 *Intangible Assets*
- Amendments to IC Interpretation 12 *Service Concession Arrangements*
- Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(b) Standards issued but not yet effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2020 (Cont'd.)

- Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*

Effective for financial periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

Deferred

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

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

MFRS 16 Leases

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

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

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

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(b) Standards issued but not yet effective (Cont'd.)

MFRS 16 Leases (Cont'd.)

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

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

2. SEASONALITY OF OPERATIONS

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

3. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2018.

4. CHANGE IN ESTIMATES

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

5. DEBT AND EQUITY SECURITIES

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

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6. DIVIDENDS

A final single tier dividend of RM4.25 (2016: RM3.40) per ordinary share on 100,000,005 ordinary shares amounting to RM425,000,021 (2016: RM340,000,017) for the financial year ended 31 December 2017 was approved at the last Annual General Meeting held on 17 April 2018 and this dividend was paid in full on 25 April 2018.

7. MATERIAL EVENTS SUBSEQUENT TO THE END OF INTERIM PERIOD

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

8. CHANGES IN THE COMPOSITION OF THE COMPANY

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

9. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2018, the Company acquired assets with a cost of RM19,190,000 (the six months ended 30 June 2017: RM28,148,000).

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10. INVESTMENTS

	30.06.2018				31.12.2017			
	Shareholder's	Life Insurance		Total	Shareholder's	Life Insurance		Total
	Fund	Fund	Unit-linked		Fund	Fund	Unit-linked	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Malaysian government securities	7,418	6,892,619	95,621	6,995,658	-	6,403,918	53,240	6,457,158
Debt securities	284,458	32,735,313	1,672,588	34,692,359	182,143	31,796,994	1,562,582	33,541,719
Equity securities	255,672	18,188,018	3,973,638	22,417,328	192,245	19,676,540	4,932,667	24,801,452
Unit and property trust funds	-	2,124,523	128,206	2,252,729	-	2,402,746	150,881	2,553,627
Loans	2,349	6,871,015	-	6,873,364	36,555	7,064,556	-	7,101,111
Deposits with financial institutions	35,000	1,470,085	1,355,420	2,860,505	20,950	1,504,134	672,400	2,197,484
Investment in subsidiary:								
Collective investment schemes	10(e) 414,503	-	-	414,503	407,790	-	-	407,790
	<u>999,400</u>	<u>68,281,573</u>	<u>7,225,473</u>	<u>76,506,446</u>	<u>839,683</u>	<u>68,848,888</u>	<u>7,371,770</u>	<u>77,060,341</u>

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

LAR	37,349	8,341,100	1,355,420	9,733,869	57,505	8,568,690	672,400	9,298,595
FVOCI	481,599	1,411,455	-	1,893,054	747,103	22,054,192	-	22,801,295
FVTPL	480,452	58,529,018	5,870,053	64,879,523	35,075	38,226,006	6,699,370	44,960,451
	<u>999,400</u>	<u>68,281,573</u>	<u>7,225,473</u>	<u>76,506,446</u>	<u>839,683</u>	<u>68,848,888</u>	<u>7,371,770</u>	<u>77,060,341</u>

The following investments mature after 12 months:

LAR	2,349	1,679,401	-	1,681,750	36,555	2,630,623	-	2,667,178
FVOCI	190,957	978,967	-	1,169,924	147,070	-	-	147,070
FVTPL	65,949	37,083,122	1,705,528	38,854,599	35,075	36,806,835	1,586,672	38,428,582
	<u>259,255</u>	<u>39,741,490</u>	<u>1,705,528</u>	<u>41,706,273</u>	<u>218,700</u>	<u>39,437,458</u>	<u>1,586,672</u>	<u>41,242,830</u>

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10. INVESTMENTS (CONT'D.)

(a) LAR

	30.06.2018				31.12.2017			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At Amortised Cost/Cost:								
Deposits with financial institutions:								
Licensed banks	35,000	1,470,085	1,355,420	2,860,505	20,950	1,504,134	672,400	2,197,484
Policy loans	-	4,392,147	-	4,392,147	-	4,316,851	-	4,316,851
Mortgage loans	-	518,609	-	518,609	11,640	1,008,849	-	1,020,489
Secured loans	-	1,283,355	-	1,283,355	10,007	1,274,007	-	1,284,014
Unsecured loans	2,349	695,207	-	697,556	14,908	464,849	-	479,757
	<u>37,349</u>	<u>8,359,403</u>	<u>1,355,420</u>	<u>9,752,172</u>	<u>57,505</u>	<u>8,568,690</u>	<u>672,400</u>	<u>9,298,595</u>
Provision for expected credit loss ("ECL") 10(d)	-	(18,303)	-	(18,303)	-	-	-	-
	<u>37,349</u>	<u>8,341,100</u>	<u>1,355,420</u>	<u>9,733,869</u>	<u>57,505</u>	<u>8,568,690</u>	<u>672,400</u>	<u>9,298,595</u>

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10. INVESTMENTS (CONT'D.)

(a) LAR (Cont'd.)

	30.06.2018				31.12.2017			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At Fair Value:								
Deposits with financial institutions:								
Licensed banks	35,000	1,470,085	1,355,420	2,860,505	20,950	1,504,134	672,400	2,197,484
Policy loans	-	4,392,147	-	4,392,147	-	4,316,851	-	4,316,851
Mortgage loans	-	522,697	-	522,697	11,825	1,027,991	-	1,039,816
Secured loans	-	1,283,354	-	1,283,354	10,007	1,274,007	-	1,284,014
Unsecured loans	2,349	725,530	-	727,879	15,615	486,931	-	502,546
	<u>37,349</u>	<u>8,393,813</u>	<u>1,355,420</u>	<u>9,786,582</u>	<u>58,397</u>	<u>8,609,914</u>	<u>672,400</u>	<u>9,340,711</u>

Included in deposits with financial institutions of the Company are short term deposits with original maturity periods of less than 3 months amounting to RM2,730,505,000 (2017: RM2,107,484,000), which have been classified as cash and cash equivalents for the purpose of the cash flow statement.

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

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

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10. INVESTMENTS (CONT'D.)

(b) FVOCI

	30.06.2018 (based on MFRS 9)				31.12.2017 (based on MFRS 139)				
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	
At Fair Value:									
Equity securities:									
Quoted in Malaysia	162,844	204,383	-	367,227	112,191	16,473,152	-	16,585,343	
Quoted outside Malaysia	92,534	216,603	-	309,137	79,760	3,170,120	-	3,249,880	
Unquoted in Malaysia	292	2,988	-	3,280	-	-	-	-	
Malaysian government securities	7,418	195,082	-	202,500	-	-	-	-	
Debt securities:									
Unquoted in Malaysia	218,511	792,399	-	1,010,910	147,070	-	-	147,070	
Unit and property trust funds:									
Quoted in Malaysia	-	-	-	-	-	602,606	-	602,606	
Quoted outside Malaysia	-	-	-	-	-	1,800,140	-	1,800,140	
Collective investment schemes - subsidiary									
Quoted in Malaysia	-	-	-	-	407,790	-	-	407,790	
	<u>481,599</u>	<u>1,411,455</u>	<u>-</u>	<u>1,893,054</u>	<u>746,811</u>	<u>22,046,018</u>	<u>-</u>	<u>22,792,829</u>	
At Cost:									
Equity securities:									
Unquoted in Malaysia	-	-	-	-	292	8,174	-	8,466	
	<u>481,599</u>	<u>1,411,455</u>	<u>-</u>	<u>1,893,054</u>	<u>747,103</u>	<u>22,054,192</u>	<u>-</u>	<u>22,801,295</u>	
								30.06.2018	31.12.2017
								RM'000	RM'000
Movement in impairment allowance accounts:									
Provision for impairment:									
At 1 January								-	407,621
Charge for the period/year								-	185,900
Transfer to realised gain upon disposal								-	(65,374)
At 30 June/31 December								<u>-</u>	<u>528,147</u>

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

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10. INVESTMENTS (CONT'D.)

(c) FVTPL

	30.06.2018 (based on MFRS 9)				31.12.2017 (based on MFRS 139)			
	Shareholder's	Life Insurance			Shareholder's	Life Insurance		
	Fund	Fund	Unit-linked	Total	Fund	Fund	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Fair Value:								
Equity securities:								
Quoted in Malaysia	-	14,953,242	3,791,606	18,744,848	-	24,739	4,844,512	4,869,251
Quoted outside Malaysia	2	2,805,616	182,032	2,987,650	2	355	88,155	88,512
Unquoted in Malaysia	-	5,186	-	5,186	-	-	-	-
Malaysian government securities	-	6,697,537	95,621	6,793,158	-	6,403,918	53,240	6,457,158
Debt securities:								
Quoted outside Malaysia	-	197,236	20,237	217,473	-	185,608	20,623	206,231
Unquoted in Malaysia	65,947	31,662,094	1,652,351	33,380,392	35,073	31,524,691	1,541,959	33,101,723
Unquoted outside Malaysia	-	83,584	-	83,584	-	86,695	-	86,695
Unit and property trust funds:								
Quoted in Malaysia	-	498,685	95,847	594,532	-	-	117,418	117,418
Quoted outside Malaysia	-	1,625,838	32,359	1,658,197	-	-	33,463	33,463
Collective investment schemes - subsidiary								
Quoted in Malaysia	414,503	-	-	414,503	-	-	-	-
	<u>480,452</u>	<u>58,529,018</u>	<u>5,870,053</u>	<u>64,879,523</u>	<u>35,075</u>	<u>38,226,006</u>	<u>6,699,370</u>	<u>44,960,451</u>

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10. INVESTMENTS (CONT'D.)

(d) Provision for ECL

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent allowance amount for credit losses and reflect measurement basis under MFRS 139.

	30.06.2018			31.12.2017	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	Total
	RM'000	not credit impaired	credit impaired	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
Loans at amortised cost					
Opening balance	487	26,140	-	26,627	-
Transfer to 12-month ECL	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(119)	119	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-
Additional loss allowance due to transfer	-	348	-	348	-
Net remeasurement of loss allowance	326	(2,987)	-	(2,661)	-
New financial assets purchased	71	1,775	-	1,846	-
Financial assets that have been derecognised	(21)	(7,836)	-	(7,857)	-
Closing balance	744	17,559	-	18,303	-

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10. INVESTMENTS (CONT'D.)

(d) Provision for ECL (Cont'd.)

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent allowance amount for credit losses and reflect measurement basis under MFRS 139. (Cont'd.)

	30.06.2018			31.12.2017	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000	Total RM'000
Debt investment securities at FVOCI					
Opening balance	341	5,414	-	5,755	-
Transfer to 12-month ECL	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-
Additional loss allowance due to transfer	-	-	-	-	-
Net remeasurement of loss allowance	536	(3,706)	-	(3,170)	-
New financial assets purchased	800	4,457	-	5,257	-
Financial assets that have been derecognised	(197)	(3,026)	-	(3,223)	-
Closing balance	1,480	3,139	-	4,619	-

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10. INVESTMENTS (CONT'D.)

(e) Investment in subsidiary - collective investment scheme

	30.06.2018	31.12.2017
	RM'000	RM'000
At fair value:		
FVTPL (Note 10(c))/FVOCI (Note 10(b))	414,503	407,790

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

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company	
		30.06.2018	31.12.2017
Affin Hwang Wholesale Income Fund	Investment in debt securities and money market	88.89%	88.89%

11. REINSURANCE ASSETS

Life Insurance Fund

	30.06.2018	31.12.2017
	RM'000	RM'000
Reinsurance of insurance contracts (Note 13)	58,178	52,892

12. INSURANCE RECEIVABLES

Life Insurance Fund

	30.06.2018	31.12.2017
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	284,264	256,153
Due from reinsurers	327	6,727
	284,591	262,880
Allowance for impairment	(3,576)	(2,140)
	281,015	260,740

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12. INSURANCE RECEIVABLES (CONT'D.)

	30.06.2018	31.12.2017
	RM'000	RM'000
Movement in impairment allowance accounts:		
At 1 January	2,140	2,604
Impairment/(reversal) for the period/year	1,436	(464)
At 30 June /31 December	<u>3,576</u>	<u>2,140</u>

There were no collectively impaired insurance receivables for the year ended 31 December

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

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

	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
	RM'000	RM'000	RM'000
30 June 2018			
Premiums ceded	(24,642)	-	(24,642)
Commissions receivable	-	5,345	5,345
Claims recoveries	-	19,624	19,624
	<u>(24,642)</u>	<u>24,969</u>	<u>327</u>
31 December 2017			
Premiums ceded	(20,651)	-	(20,651)
Commissions receivable	-	1,761	1,761
Claims recoveries	-	25,617	25,617
	<u>(20,651)</u>	<u>27,378</u>	<u>6,727</u>

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13. INSURANCE CONTRACT LIABILITIES

Life Insurance Fund

	30.06.2018			31.12.2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for outstanding claims	9,235,545	(18,766)	9,216,779	8,931,744	(23,290)	8,908,454
Actuarial liabilities	50,021,872	(39,412)	49,982,460	49,578,048	(29,602)	49,548,446
Unallocated surplus	8,411,397	-	8,411,397	3,505,344	-	3,505,344
Available-for-sale fair value reserves	-	-	-	5,369,996	-	5,369,996
Net asset value attributable to unitholders	7,270,434	-	7,270,434	7,338,526	-	7,338,526
	74,939,248	(58,178)	74,881,070	74,723,658	(52,892)	74,670,766

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13. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Gross			Reinsurance			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2018	64,394,225	10,329,433	74,723,658	(5,540)	(47,352)	(52,892)	74,670,766
Effects from adoption of MFRS 9	(21,438)	-	(21,438)	-	-	-	(21,438)
	64,372,787	10,329,433	74,702,220	(5,540)	(47,352)	(52,892)	74,649,328
Premiums received	1,538,932	573,457	2,112,389	(28,245)	(47,124)	(75,369)	2,037,020
Liabilities paid for death, maturities, surrenders, benefits and claims	(1,929,263)	(247,832)	(2,177,095)	15,818	23,695	39,513	(2,137,582)
Policy movements	324,672	233,392	558,064	-	(10,126)	(10,126)	547,938
Interest rate	(1,313)	(71,330)	(72,643)	-	316	316	(72,327)
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	-	-	-	-	-	-	-
<i>Expenses</i>	(30,600)	(10,998)	(41,598)	-	-	-	(41,598)
<i>Lapse</i>	-	-	-	-	-	-	-
<i>Others</i>	-	-	-	-	-	-	-
Model change	-	1	1	-	-	-	1
Claims benefit experience variation	293,470	10,329	303,799	13,736	26,644	40,380	344,179
Net asset value attributable to unitholders	-	(393,716)	(393,716)	-	-	-	(393,716)
Unallocated surplus	(52,173)	-	(52,173)	-	-	-	(52,173)
At 30 June 2018	64,516,512	10,422,736	74,939,248	(4,231)	(53,947)	(58,178)	74,881,070

Policy benefits bear interest at 5% per annum.

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13 INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Gross			Reinsurance			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2017	59,993,215	8,562,644	68,555,859	(10,825)	(72,858)	(83,683)	68,472,176
Premiums received	3,556,456	1,121,282	4,677,738	(71,132)	(113,974)	(185,106)	4,492,632
Liabilities paid for death, maturities, surrenders, benefits and claims	(4,009,484)	(464,024)	(4,473,508)	26,377	61,151	87,528	(4,385,980)
Policy movements	2,140,824	233,939	2,374,763	-	14,976	14,976	2,389,739
Interest rate	697	74,868	75,565	-	(309)	(309)	75,256
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(38,142)	(30,030)	(68,172)	-	10,217	10,217	(57,955)
<i>Expenses</i>	(39,562)	(23,683)	(63,245)	-	22	22	(63,223)
<i>Lapse</i>	(58)	3,681	3,623	-	-	-	3,623
<i>Others</i>	(1,777,207)	(8,292)	(1,785,499)	-	-	-	(1,785,499)
Model change	(6,817)	(2,952)	(9,769)	-	-	-	(9,769)
Claims benefit experience variation	700,875	14,201	715,076	50,040	53,423	103,463	818,539
Net asset value attributable to unitholders	-	847,799	847,799	-	-	-	847,799
Available-for-sale fair value reserves	1,943,130	-	1,943,130	-	-	-	1,943,130
Unallocated surplus	2,085,842	-	2,085,842	-	-	-	2,085,842
Deferred tax effects:							
Available-for-sale fair value reserves	(155,544)	-	(155,544)	-	-	-	(155,544)
At 31 December 2017	64,394,225	10,329,433	74,723,658	(5,540)	(47,352)	(52,892)	74,670,766

Policy benefits bear interest at 5% per annum.

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14. DERIVATIVES

	Asset		Liability	
	Notional Principal RM'000	Fair Value RM'000	Notional Principal RM'000	Fair Value RM'000
30 June 2018				
Life Insurance Fund				
Derivatives held for trading:				
Currency swaps	105,800	9,634	60,220	22,714
Forward currency	44,363	39	52,369	470
	<u>150,163</u>	<u>9,673</u>	<u>112,589</u>	<u>23,184</u>
Unit-linked				
Derivatives held for trading:				
Forward currency	20,165	17	-	-
	<u>170,328</u>	<u>9,690</u>	<u>112,589</u>	<u>23,184</u>
31 December 2017				
Life Insurance Fund				
Derivatives held for trading:				
Currency swaps	105,800	8,520	60,220	47,131
Forward currency	84,812	3,634	-	-
	<u>190,612</u>	<u>12,154</u>	<u>60,220</u>	<u>47,131</u>
Shareholder's Fund				
Derivatives held for trading:				
Forward currency	21,203	909	-	-
	<u>211,815</u>	<u>13,063</u>	<u>60,220</u>	<u>47,131</u>

15. INSURANCE PAYABLES

Life Insurance Fund	30.06.2018	31.12.2017
	RM'000	RM'000
Due to reinsurers	58,878	34,912
Due to agents and intermediaries	208,255	227,975
	<u>267,133</u>	<u>262,887</u>

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

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15. INSURANCE PAYABLES (CONT'D.)

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

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
30 June 2018			
Premiums ceded	169,362	-	169,362
Commissions receivable	-	(24,989)	(24,989)
Claims recoveries	-	(85,495)	(85,495)
	<u>169,362</u>	<u>(110,484)</u>	<u>58,878</u>
31 December 2017			
Premiums ceded	121,696	-	121,696
Commissions receivable	-	(21,908)	(21,908)
Claims recoveries	-	(64,876)	(64,876)
	<u>121,696</u>	<u>(86,784)</u>	<u>34,912</u>

16. NET EARNED PREMIUMS

Life Insurance Fund

	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
(a) Gross earned premiums		
Life insurance contracts	<u>3,776,531</u>	<u>3,558,580</u>
(b) Earned premiums ceded to reinsurers		
Life insurance contracts	<u>(90,510)</u>	<u>(75,369)</u>
Net earned premiums	<u>3,686,021</u>	<u>3,483,211</u>

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17. INVESTMENT INCOME

01.01.2018 to 30.06.2018	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Rental income from:			
- investment properties	-	12,797	12,797
- owner occupied properties	-	15,355	15,355
Financial assets at FVTPL			
Interest income	2,118	871,281	873,399
Dividend income:			
- equity securities quoted in Malaysia	9,710	356,766	366,476
- equity securities quoted outside Malaysia	-	68,662	68,662
- equity securities unquoted in Malaysia	-	84	84
Financial assets at FVOCI:			
Interest income	2,501	47,926	50,427
Dividend income:			
- equity securities quoted in Malaysia	3,116	5,355	8,471
- equity securities quoted outside Malaysia	2,524	5,684	8,208
- equity securities unquoted in Malaysia	-	140	140
LAR interest income	112	212,344	212,456
Cash and bank balances interest income	1,172	44,708	45,880
Gross investment income	<u>21,253</u>	<u>1,641,102</u>	<u>1,662,355</u>
Less: investment expenses	-	(30,001)	(30,001)
	<u>21,253</u>	<u>1,611,101</u>	<u>1,632,354</u>

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17. INVESTMENT INCOME (CONT'D.)

01.01.2017 to 30.06.2017	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Rental income from:			
- investment properties	-	15,975	15,975
- owner occupied properties	-	15,797	15,797
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	987	97,792	98,779
Dividend income:			
- equity securities quoted in Malaysia	-	70,330	70,330
- equity securities quoted outside Malaysia	-	1,452	1,452
- designated upon initial recognition:			
Interest income	-	774,784	774,784
Financial assets at AFS:			
Interest income	12,285	-	12,285
Dividend income:			
- equity securities quoted in Malaysia	2,080	248,422	250,502
- equity securities quoted outside Malaysia	784	64,426	65,210
- equity securities unquoted in Malaysia	-	1,488	1,488
LAR interest income	1,178	222,820	223,998
Cash and bank balances interest income	2,680	40,538	43,218
Gross investment income	<u>19,994</u>	<u>1,553,824</u>	<u>1,573,818</u>
Less: investment expenses	(31)	(23,027)	(23,058)
	<u>19,963</u>	<u>1,530,797</u>	<u>1,550,760</u>

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18. NET BENEFITS AND CLAIMS

Life Insurance Fund

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
(a) Gross benefits and claims paid		
Life insurance contracts:		
Death	(208,940)	(216,145)
Maturity	(253,027)	(236,801)
Surrender	(933,429)	(871,945)
Cash bonus	(633,978)	(578,247)
Others	(749,591)	(682,240)
	<u>(2,778,965)</u>	<u>(2,585,378)</u>
(b) Claims ceded to reinsurers		
Life insurance contracts	<u>44,230</u>	<u>39,513</u>
(c) Gross change in contract liabilities		
Life insurance contracts	<u>66,774</u>	<u>(2,238,826)</u>
(d) Change in contract liabilities ceded to reinsurers		
Life insurance contracts	<u>9,810</u>	<u>(13,809)</u>

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19. MANAGEMENT EXPENSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
01.01.2018 to 30.06.2018			
Employee benefits expense (Note (a))	-	96,473	96,473
Non-executive directors' remuneration (Note (b))	-	696	696
Auditor's remuneration:			
- statutory audits	5	285	290
- regulatory related fees	-	112	112
- other services	-	58	58
Depreciation of property and equipment	-	23,541	23,541
Amortisation of prepaid land lease payments	-	69	69
Rental of properties	-	127	127
Operating lease payments	-	332	332
Advertising and promotion	331	9,096	9,427
Finance charges	3	26,971	26,974
Group service fees	-	13,036	13,036
IT and computer expenses	-	15,859	15,859
Policyholder expenses	-	4,272	4,272
Postal and telecommunication	-	6,090	6,090
Printing and stationery	-	1,201	1,201
Professional fees	1	3,901	3,902
Repairs and maintenance	-	1,479	1,479
Transport and travelling	-	1,180	1,180
Utilities	-	2,992	2,992
GST expense	6	35,698	35,704
Others	16,330	5,936	22,266
	<u>16,676</u>	<u>249,404</u>	<u>266,080</u>

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19. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee Benefits Expense

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
01.01.2018 to 30.06.2018			
Wages and salaries	-	76,698	76,698
Social security contributions	-	679	679
Defined contribution plans - EPF	-	12,707	12,707
Other employee benefits expense	-	6,389	6,389
	-	96,473	96,473
	-	96,473	96,473

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

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
CEO:			
Salaries and other emoluments	-	1,014	1,014
Bonus	-	1,030	1,030
Estimated money value of benefits-in-kind	-	11	11
	-	2,055	2,055
Non-executive:			
Fees	-	696	696
Total directors' remuneration	-	2,751	2,751
	-	2,751	2,751
Represented by:			
Directors' fees	-	696	696
Amount included in employee benefits expense	-	2,055	2,055
	-	2,751	2,751
	-	2,751	2,751

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19. MANAGEMENT EXPENSES (CONT'D.)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
01.01.2017 to 30.06.2017			
Employee benefits expense (Note (a))	-	101,299	101,299
Non-executive directors' remuneration (Note (b))	-	619	619
Auditor's remuneration:			
- statutory audits	5	255	260
- regulatory related fees	-	108	108
- other services	-	56	56
Depreciation of property and equipment	-	28,991	28,991
Property and equipment written off	-	322	322
Amortisation of prepaid land lease payments	-	69	69
Rental of properties	-	146	146
Operating lease payment	-	552	552
Advertising and promotion	335	17,473	17,808
Finance charges	3	24,573	24,576
Group service fees	-	19,275	19,275
IT and computer expenses	-	17,402	17,402
Policyholder expenses	-	4,655	4,655
Postal and telecommunication	-	6,065	6,065
Printing and stationery	-	1,384	1,384
Professional fees	1	3,888	3,889
Repairs and maintenance	-	1,272	1,272
Transport and travelling	-	1,117	1,117
Utilities	-	2,476	2,476
GST expense	113	35,669	35,782
Others	6,178	6,764	12,942
	<u>6,635</u>	<u>274,430</u>	<u>281,065</u>
(a) Employee Benefits Expense			
Wages and salaries	-	80,993	80,993
Social security contributions	-	649	649
Defined contribution plans - EPF	-	13,333	13,333
Other employee benefits expense	-	6,324	6,324
	<u>-</u>	<u>101,299</u>	<u>101,299</u>

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19. MANAGEMENT EXPENSES (CONT'D.)

(b) CEO and Directors' Remuneration

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

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
CEO:			
Salaries and other emoluments	-	869	869
Bonus	-	792	792
Estimated money value of benefits in kind	-	18	18
	<u>-</u>	<u>1,679</u>	<u>1,679</u>
Non-executive:			
Fees	-	619	619
Total directors' remuneration	<u>-</u>	<u>2,298</u>	<u>2,298</u>
Represented by:			
Directors' fees	-	619	619
Amount included in employee benefits expense	-	1,679	1,679
	<u>-</u>	<u>2,298</u>	<u>2,298</u>

The remuneration, including benefits-in-kind, attributable to the CEO amounted to RM2,055,000 (30.06.2017: RM1,679,000).

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

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

	Number of Directors	
	30.06.2018	30.06.2017
Executive Director		
Below RM50,000	<u>1</u>	<u>-</u>
Non-Executive Directors		
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	<u>5</u>	<u>4</u>

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20. CEO AND DIRECTORS' REMUNERATION

		01.01.2018 to 30.06.2018				
Name		Salaries RM'000	Bonus RM'000	Fees RM'000	Benefits-in-kind RM'000	Total RM'000
Yg Bhg Dato Koh Yaw Hui	CEO	1,014	1,030	-	11	2,055
Total CEO's remuneration		1,014	1,030	-	11	2,055
		Status of directorship				
Mr Norman Ip Ka Cheung	Non - Executive	-	-	108	-	108
Mr Tan Yam Pin	Non - Executive	-	-	87	-	87
Mr Koh Poh Tiong	Non - Executive	-	-	52	-	52
Yg Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	115	-	115
Yg Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	117	-	117
Mr Ng Hon Soon	Non - Executive	-	-	115	-	115
Madam Tan Fong Sang	Non - Executive	-	-	102	-	102
Total Non-Executive Directors' remuneration		-	-	696	-	696
Total remuneration		1,014	1,030	696	11	2,751
		01.01.2017 to 30.06.2017				
Name		Salaries RM'000	Bonus RM'000	Fees RM'000	Benefits-in-kind RM'000	Total RM'000
Yg Bhg Dato Koh Yaw Hui	CEO	869	792	-	18	1,679
Total CEO's remuneration		869	792	-	18	1,679
		Status of directorship				
Mr Norman Ip Ka Cheung	Non - Executive	-	-	119	-	119
Mr Tan Yam Pin (Appointed on 3 January 2017)	Non - Executive	-	-	89	-	89
Yg Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	122	-	122
Yg Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	119	-	119
Mr Ng Hon Soon	Non - Executive	-	-	113	-	113
Madam Tan Fong Sang (Appointed on 10 March 2017)	Non - Executive	-	-	57	-	57
Total Non-Executive Directors' remuneration		-	-	619	-	619
Total directors' remuneration		869	792	619	18	2,298

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21. TAXATION

		01.01.2018	01.01.2017
		to	to
		30.06.2018	30.06.2017
	Note	RM'000	RM'000
Taxation of life insurance business	(a)	(13,360)	178,089
Taxation of the Company	(b)	98,651	68,214
		<u>85,291</u>	<u>246,303</u>

(a) Taxation of life insurance business

Tax expense:			
Current		148,588	138,443
Deferred			
- Life Insurance Fund		(108,229)	9,011
- Unit-linked		(53,719)	30,635
		<u>(13,360)</u>	<u>178,089</u>
Current income tax:			
Malaysian income tax		148,512	138,404
Tax on foreign dividend income		76	39
		<u>148,588</u>	<u>138,443</u>
Deferred tax:			
Relating to origination and reversal of temporary differences			
- Life Insurance Fund		(108,229)	9,011
- Unit-linked		(53,719)	30,635
		<u>(13,360)</u>	<u>178,089</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% (2017: 8%) of the assessable investment income net of allowable deductions for the financial period.

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21. TAXATION (CONT'D.)

(b) Taxation of the Company

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
Tax expense:		
Current	7,644	16,643
Deferred	91,007	51,571
	<u>98,651</u>	<u>68,214</u>
Current income tax:		
Malaysian income tax	2,078	5,155
Underprovided in prior years	5,566	11,488
	<u>7,644</u>	<u>16,643</u>
Deferred tax:		
Relating to origination and reversal of temporary differences	91,007	51,571
	<u>98,651</u>	<u>68,214</u>

The current income tax and deferred tax are calculated at 24% (2017: 24%) of the estimated assessable profit for the financial period.

The deferred tax for the Shareholder's Fund is calculated based on the tax rate of 24% (2017: 24%).

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

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
Profit before taxation	<u>433,057</u>	<u>287,785</u>
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	103,934	69,068
Income not subject to tax	(3,054)	(546)
Expenses not deductible for tax purposes	4,001	1,908
Estimated double taxation relief	(11,796)	(13,704)
Underprovided in prior years	5,566	11,488
Tax expense for the period	<u>98,651</u>	<u>68,214</u>

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22. CASH USED IN OPERATING ACTIVITIES

		01.01.2018	01.01.2017
		to	to
		30.06.2018	30.06.2017
	Note	RM'000	RM'000
Profit before taxation		433,057	287,785
<i>Adjustments for:</i>			
Taxation of life insurance business	21(a)	(13,360)	178,089
Investment income	17	(1,662,355)	(1,573,818)
Realised losses/(gains) recorded in the income statement		154,054	(134,629)
Fair value losses/(gains) recorded in the income statement		1,227,676	(862,593)
Depreciation of property and equipment		23,541	28,991
Amortisation of prepaid land lease payments		69	69
Impairment loss on/(write-back of):			
Insurance and other receivables		1,486	(362)
Investments		(9,461)	24,627
Provision for agents' retirement benefits		49,080	73,899
Property and equipment written-off		-	322
Realised foreign exchange gain on receipt of dividend		(5)	-
Realised foreign exchange gain on disposal of investments		(7,410)	(81,155)
Unrealised exchange gain on derivatives		(1,335)	(10,813)
Unrealised exchange loss on investments		69,600	26,696
Cash flow before working capital changes		<u>264,637</u>	<u>(2,042,892)</u>
<i>Changes in working capital:</i>			
Purchases of FVTPL financial investments		(8,903,018)	(9,283,082)
Proceeds from disposals/maturities of FVTPL financial investments		8,780,283	10,852,587
Purchases of AFS financial investments		-	(5,647,880)
Purchases of FVOCI financial investments		(1,104,678)	-
Proceeds from disposals/maturities of AFS financial investments		-	2,172,619
Proceeds from disposals/maturities of FVOCI financial investments		693,151	-
Decrease/(increase) in LAR		169,443	163,660
Decrease/(increase) in reinsurance assets		(5,286)	15,169
Decrease in insurance receivables		(21,711)	15,242
Decrease/(increase) in other receivables		4,278	146,487
Increase in insurance contract liabilities		237,448	2,531,913
Increase/(decrease) in other financial liabilities		(67,201)	115,534
Decrease in insurance payables		4,246	(42,388)
Decrease in other payables		(201,064)	(74,146)
Cash (used in)/generated from operating activities		<u>(149,472)</u>	<u>(1,077,177)</u>

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

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23. CAPITAL COMMITMENTS

	30.06.2018	31.12.2017
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
- Investment properties	541,194	432,360
- Property and equipment	35,749	38,119
Approved but not contracted for:		
Investment properties	15,190	128,402
	<u>592,133</u>	<u>598,881</u>

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

Property type	Total commitment	Deposit paid * :	Date of SPA
	RM'million	RM'million	
(a) Investment property	431 (31.12.2017: 431)	109 (31.12.2017: 109)	12 February 2015

* Being progress payment for property under development.

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

24. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2018, as prescribed under the RBC Framework is provided below:

	30.06.2018	31.12.2017
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	24,484,882	19,031,895
	<u>24,584,882</u>	<u>19,131,895</u>
Tier 2 Capital		
Eligible reserves	(38,202)	5,376,415
	<u>5,985</u>	<u>44,119</u>
Deductions: Deferred Tax Asset		
	<u>5,985</u>	<u>44,119</u>
Total Capital Available	<u>24,540,695</u>	<u>24,464,191</u>

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25. RELATED PARTY DISCLOSURES

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

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
Transactions with related parties during the period:		
Income/(expense):		
Property rentals received (note i)		
- OCBC Bank (Malaysia) Berhad	419	402
- Great Eastern General Insurance (Malaysia) Berhad	1,547	1,522
- Great Eastern Takaful Berhad	699	667
Service charges paid (note ii)		
- OCBC Bank (Malaysia) Berhad	(23,423)	(21,645)
- E2 Power Sdn Bhd	(3,218)	(2,592)
- E2 Power Pte Ltd	(630)	(547)
- Pacific Mutual Fund Bhd	(170)	(182)
- Lion Global Investor Ltd	(50)	(50)
Service charges received (note ii)		
- Great Eastern General Insurance (Malaysia) Berhad	3,379	2,926
- Great Eastern Takaful Berhad	6,566	5,585
Premium paid (note iii)		
- Great Eastern General Insurance (Malaysia) Berhad	(2,155)	(2,441)
Premium received (note iii)		
- Great Eastern General Insurance (Malaysia) Berhad	971	-
- E2 Power Sdn Bhd	144	1,460
- OCBC Bank (Malaysia) Berhad	22,653	20,212
- OCBC Al-Amin Bank Berhad	19	269
- PAC Lease Berhad	289	178
- Pacific Mutual Fund Bhd	24	25
- Key Management Personnel	335	206

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25. RELATED PARTY DISCLOSURES (CONT'D)

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

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
Transactions with related parties during the period (Cont'd.):		
Income/(expense):		
Commission received		
- Great Eastern General Insurance (Malaysia) Berhad	339	363
Claims paid		
- Key Management Personnel	-	-
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	(17,732)	(16,844)
- OCBC Securities Private Limited	(186)	(468)
- PAC Lease Berhad	(18)	(8)
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	41,776	33,238
- PAC Lease Berhad	-	118
Bank charges		
- OCBC Bank (Malaysia) Berhad	(1,277)	(1,220)
Other services		
- OCBC Bank (Malaysia) Berhad	(377)	-
Policy payments		
- OCBC Bank (Malaysia) Berhad	(27)	(81)
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Ltd.	(296)	(368)
Employee Share Option Scheme paid		
- Oversea-Chinese Banking Corporation Ltd.	(233)	(183)

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25. RELATED PARTY DISCLOSURES (CONT'D)

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

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
Transactions with related parties during the period (Cont'd.):		
Income/(expense):		
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Ltd.	(597)	(425)
Charges for group services (note v)		
- The Great Eastern Life Assurance Company Limited	(12,762)	(19,275)
Disposal of investments to		
- Great Eastern General Insurance (Malaysia) Berhad	20,692	40,015
- Great Eastern Takaful Berhad	-	20,493
Purchase of investments from		
- Great Eastern General Insurance (Malaysia) Berhad	(120,671)	(72,201)
- Great Eastern Takaful Berhad	-	(28,013)
	30.06.2018	31.12.2017
	RM'000	RM'000
Balances with related parties at reporting date:		
Due from/(due to):		
Investment in other debt securities		
- OCBC Bank (Malaysia) Berhad	101,666	102,614
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	288,352	106,574
Fixed deposits, structured deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	1,466,299	1,705,200
- OCBC Al-Amin Bank Berhad	196,770	110,000

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25. RELATED PARTY DISCLOSURES (CONT'D)

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

	30.06.2018	31.12.2017
	RM'000	RM'000
Balances with related parties at reporting date (Cont'd):		
Due from/(due to):		
Amount due from related companies:		
- Far Island Bay Sdn Bhd	61	59
- Great Eastern General Insurance (Malaysia) Berhad	1,112	554
- Great Eastern Takaful Berhad	3,465	2,425
- P.T. Great Eastern Life Indonesia	203	51
Amount due to ultimate holding company:		
- Oversea-Chinese Banking Corporation Ltd.	(1,163)	(731)
Amount due to intermediate holding company:		
- The Great Eastern Life Assurance Company Limited	(9,258)	(14,015)
Amount due to holding company:		
- Great Eastern Capital (M) Sdn Bhd	(3,148)	(133,686)

Related companies are companies within the OCBC group:

- (i) Rental of property to related parties are made according to normal market prices, terms and conditions.
- (ii) Payment of service charges to/from related parties are made according to normal market prices.
- (iii) The sale and purchase of insurance policies to/from related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.
- (iv) The interest income arose mainly from investment in fixed deposits, repurchase agreements, other debt securities and medium term notes which are made according to prevailing market rates, terms and conditions.
- (v) Payment of Group function costs based on allocation rates governed by corporate service agreement and in line with Malaysian Transfer Pricing Guidelines and Organisation for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines. Group function services are derived from immediate parent company in Singapore.

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26. FAIR VALUES OF ASSETS AND LIABILITIES

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

	Carrying Amount		Fair Value	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
<u>FVOCI financial assets (Note 10(b)):</u>				
Equity securities:				
Quoted in Malaysia	367,227	16,585,343	367,227	16,585,343
Quoted outside Malaysia	309,137	3,249,880	309,137	3,249,880
Unquoted in Malaysia	3,280	-	3,280	-
Malaysian government securities	202,500	-	202,500	-
Debt securities:				
Unquoted in Malaysia	1,010,910	147,070	1,010,910	147,070
Unit and property trust funds:				
Quoted in Malaysia	-	602,606	-	602,606
Quoted outside Malaysia	-	1,800,140	-	1,800,140
Investment in subsidiary:				
Collective investment schemes				
Quoted in Malaysia	-	407,790	-	407,790
<u>FVTPL financial assets (Note 10(c)):</u>				
Equity securities:				
Quoted in Malaysia	18,744,848	4,869,251	18,744,848	4,869,251
Quoted outside Malaysia	2,987,650	88,512	2,987,650	88,512
Unquoted in Malaysia	5,186	-	5,186	-
Malaysian government securities	6,793,158	6,457,158	6,793,158	6,457,158
Debt securities:				
Quoted outside Malaysia	217,473	206,231	217,473	206,231
Unquoted in Malaysia	33,380,392	33,101,723	33,380,392	33,101,723
Unquoted outside Malaysia	83,584	86,695	83,584	86,695
Unit and property trust funds:				
Quoted in Malaysia	594,532	117,418	594,532	117,418
Quoted outside Malaysia	1,658,197	33,463	1,658,197	33,463
Investment in subsidiary:				
Collective investment schemes				
Quoted in Malaysia	414,503	-	414,503	-

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

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

	Carrying Amount		Fair Value	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets (Cont'd.)</u>				
<u>Non financial assets:</u>				
Investment properties:				
Commercial	370,120	366,521	370,120	366,521
Residential	234,900	234,900	234,900	234,900
<u>Loans and receivables (Note 10(a)):</u>				
Mortgage loans	518,609	1,020,489	522,697	1,039,816
<u>Derivatives (Note 14):</u>				
Currency swaps	9,634	8,520	9,634	8,520
Forward	56	4,543	56	4,543
	<u>67,905,896</u>	<u>69,388,253</u>	<u>67,909,984</u>	<u>69,407,580</u>
<u>Financial Liabilities</u>				
<u>Derivatives (Note 14):</u>				
Currency swaps	22,714	47,131	22,714	47,131
Forward	470	-	470	-
	<u>23,184</u>	<u>47,131</u>	<u>23,184</u>	<u>47,131</u>

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

The 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.

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

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

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

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

	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
30 June 2018				
<u>(a) Assets measured at fair value:</u>				
<u>Financial Assets</u>				
<u>FVOCI financial assets (Note 10(b)):</u>				
Equity securities:				
Quoted in Malaysia	367,227	-	-	367,227
Quoted outside Malaysia	309,137	-	-	309,137
Unquoted in Malaysia	-	-	3,280	3,280
Malaysian government securities	-	202,500	-	202,500
Debt securities:				
Unquoted in Malaysia	-	1,010,910	-	1,010,910
<u>FVTPL financial assets (Note 10(c)):</u>				
Equity securities:				
Quoted in Malaysia	18,744,848	-	-	18,744,848
Quoted outside Malaysia	2,987,650	-	-	2,987,650
Unquoted in Malaysia	-	-	5,186	5,186
Malaysian government securities	-	6,793,158	-	6,793,158
Debt securities:				
Quoted outside Malaysia	217,473	-	-	217,473
Unquoted in Malaysia	-	33,380,392	-	33,380,392
Unquoted outside Malaysia	-	83,584	-	83,584
Unit and property trust funds:				
Quoted in Malaysia	594,532	-	-	594,532
Quoted outside Malaysia	1,658,197	-	-	1,658,197
Investment in subsidiary:				
Collective investment schemes				
Quoted in Malaysia	414,503	-	-	414,503
	<u>25,293,567</u>	<u>41,470,544</u>	<u>8,466</u>	<u>66,772,577</u>

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

30 June 2018 (Cont'd.)	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
<u>(a) Assets measured at fair value</u>				
<u>(Cont'd.):</u>				
<u>Non financial assets:</u>				
Investment Properties				
Commercial	-	-	370,120	370,120
Residential	-	-	234,900	234,900
Non financial assets	<u>-</u>	<u>-</u>	<u>605,020</u>	<u>605,020</u>
<u>(b) Assets for which fair values are disclosed:</u>				
<u>LAR (Note 10(a)):</u>				
Mortgage loans	-	522,697	-	522,697
<u>Derivatives (Note 14):</u>				
Currency swaps	-	9,634	-	9,634
Forward	-	56	-	56
	<u>-</u>	<u>9,690</u>	<u>-</u>	<u>9,690</u>
<u>(c) Liabilities measured at fair value:</u>				
<u>Financial liabilities</u>				
<u>Derivatives (Note 14):</u>				
Currency swaps	-	22,714	-	22,714
Forward	-	470	-	470
	<u>-</u>	<u>23,184</u>	<u>-</u>	<u>23,184</u>

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

	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
31 December 2017				
<u>(a) Assets measured at fair value:</u>				
<u>Financial Assets</u>				
<u>AFS financial assets (Note 10(b)):</u>				
Equity securities:				
Quoted in Malaysia	16,585,343	-	-	16,585,343
Quoted outside Malaysia	3,249,880	-	-	3,249,880
Debt securities:				
Unquoted in Malaysia	-	147,070	-	147,070
Unit and property trust funds:				
Quoted in Malaysia	602,606	-	-	602,606
Quoted outside Malaysia	1,800,140	-	-	1,800,140
Investment in subsidiary:				
Collective investment schemes				
Quoted in Malaysia	407,790	-	-	407,790
<u>FVTPL financial assets (Note 10(c)):</u>				
Equity securities:				
Quoted in Malaysia	4,869,251	-	-	4,869,251
Quoted outside Malaysia	88,512	-	-	88,512
Malaysian government securities	-	6,457,158	-	6,457,158
Debt securities:				
Quoted outside Malaysia	206,231	-	-	206,231
Unquoted in Malaysia	-	33,101,723	-	33,101,723
Unquoted outside Malaysia	-	86,695	-	86,695
Unit and property trust funds:				
Quoted in Malaysia	117,418	-	-	117,418
Quoted outside Malaysia	33,463	-	-	33,463
Financial assets	<u>27,960,634</u>	<u>39,792,646</u>	<u>-</u>	<u>67,753,280</u>

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

	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
31 December 2017 (Cont'd.)				
<u>(a) Assets measured at fair value</u>				
<u>(Cont'd.):</u>				
<u>Non financial assets:</u>				
Investment Properties				
Commercial	-	-	366,521	366,521
Residential	-	-	234,900	234,900
Non financial assets	-	-	601,421	601,421
<u>(b) Assets for which fair values are disclosed:</u>				
<u>LAR (Note 10(a)):</u>				
Mortgage loans	-	1,039,816	-	1,039,816
<u>Derivatives (Note 14):</u>				
Currency swaps	-	8,520	-	8,520
Forward	-	4,543	-	4,543
	-	13,063	-	13,063
<u>(c) Liabilities measured at fair value:</u>				
<u>Financial liabilities</u>				
<u>Derivatives (Note 14):</u>				
Currency swaps	-	47,131	-	47,131

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

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

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

Description	Fair value as at	Valuation techniques	Unobservable inputs	Range
	30 June 2018			(weighted average)
	RM'000			
<u>Investment properties</u>				
Commercial properties	278,000	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% 7.50% 6.0% - 6.5%
Commercial properties	92,120	Comparison approach	Estimated Value p.s.f	RM100 - RM1,130
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM885
<u>FVOCI financial assets</u>				
Unquoted equities	3,280	Net asset value ⁽¹⁾	not applicable	not applicable
<u>FVTPL financial assets</u>				
Unquoted equities	5,186	Net asset value ⁽¹⁾	not applicable	not applicable
Description	Fair value as at	Valuation techniques	Unobservable inputs	Range
	31 December 2017			(weighted average)
	RM'000			
<u>Investment properties</u>				
Commercial properties	278,000	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% 7.50% 6.0% - 6.5%
Commercial properties	88,521	Comparison approach	Estimated Value p.s.f	RM100 - RM1,130
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM885

⁽¹⁾ These investments are valued using net asset value. The net asset value of these investments as at the reporting period is an unobservable input as it is not published. Accordingly, these investments are classified as Level 3 investments within the fair value hierarchy. Changing unobservable inputs to reasonably possible alternative assumptions would not have a significant impact on profit for the year or total equity.

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

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

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

	Fair value measurements using significant unobservable inputs (Level 3)			
	<u>FVOCI</u>	<u>FVTPL</u>		
	<u>financial assets</u>	<u>financial assets</u>		
30 June 2018	Unquoted equities	Investment properties		Total
	RM'000	RM'000	RM'000	RM'000
Opening balance	-	-	601,421	601,421
Effects due to adoption of MFRS 9	3,280	5,186	-	8,466
Total gain for the year:				
Included in income statement				
- Changes in fair value	-	-	2,954	2,954
Addition for the year:				
Reclassification from property and equipment	-	-	1,955	1,955
Write-off	-	-	(1,310)	(1,310)
Closing balance	3,280	5,186	605,020	613,486

	Fair value measurement using significant unobservable inputs (Level 3)	
	Investment properties	
31 December 2017	RM'000	
Opening balance	603,810	
Total loss for the year:		
Included in income statement		
- Changes in fair value	(2,416)	
Addition for the year:		
Purchases	27	
Closing balance	601,421	

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

Fair Value Hierarchy

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

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

There have been no transfers of assets between Level 1 and Level 2 of the fair value hierarchy during the current interim period and the comparative period.

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27. INSURANCE FUNDS

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

Condensed Balance Sheet by Funds
As at 30 June 2018

	Shareholder's Funds		Life Insurance Fund		Elimination*		Total	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Financial investments	999,400	839,683	75,507,046	76,220,658	-	-	76,506,446	77,060,341
Reinsurance assets	-	-	58,178	52,892	-	-	58,178	52,892
Insurance receivables	-	-	281,015	260,740	-	-	281,015	260,740
Other assets	1,051,251	1,525,918	2,376,169	2,175,516	(1,028,654)	(1,498,078)	2,398,766	2,203,356
	<u>2,050,651</u>	<u>2,365,601</u>	<u>78,222,408</u>	<u>78,709,806</u>	<u>(1,028,654)</u>	<u>(1,498,078)</u>	<u>79,244,405</u>	<u>79,577,329</u>
Equity, Policyholders' Fund and Liabilities								
Total Equity	<u>1,993,537</u>	<u>2,129,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,993,537</u>	<u>2,129,215</u>
Insurance contract liabilities	-	-	74,939,248	74,723,658	-	-	74,939,248	74,723,658
Other liabilities	57,114	236,386	3,283,160	3,986,148	(1,028,654)	(1,498,078)	2,311,620	2,724,456
Total Policyholders' Fund and Liabilities	<u>57,114</u>	<u>236,386</u>	<u>78,222,408</u>	<u>78,709,806</u>	<u>(1,028,654)</u>	<u>(1,498,078)</u>	<u>77,250,868</u>	<u>77,448,114</u>
	<u>2,050,651</u>	<u>2,365,601</u>	<u>78,222,408</u>	<u>78,709,806</u>	<u>(1,028,654)</u>	<u>(1,498,078)</u>	<u>79,244,405</u>	<u>79,577,329</u>

* Refers to elimination of Interfund balances.

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27. INSURANCE FUNDS (CONT'D.)

Condensed Income Statement / Revenue Accounts by Funds
For the six months ended 30 June 2018

	Shareholder's Funds		Life Insurance Fund		Elimination **		Total	
	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
Gross earned premiums	-	-	3,776,531	3,558,580	-	-	3,776,531	3,558,580
Premiums ceded to reinsurers	-	-	(90,510)	(75,369)	-	-	(90,510)	(75,369)
Net earned premiums	-	-	3,686,021	3,483,211	-	-	3,686,021	3,483,211
Investment income	21,335	19,963	1,611,020	1,530,797	-	-	1,632,355	1,550,760
Fees and commission income	-	-	4,045	1,568	-	-	4,045	1,568
Gains and losses and other operating revenue	(3,159)	4,879	(1,364,958)	1,036,638	-	-	(1,368,117)	1,041,517
Other revenue	18,176	24,842	250,107	2,569,003	-	-	268,283	2,593,845
Gross benefits and claims paid	-	-	(2,778,965)	(2,585,378)	-	-	(2,778,965)	(2,585,378)
Claims ceded to reinsurers	-	-	44,230	39,513	-	-	44,230	39,513
Gross change in contract liabilities	-	-	66,774	(2,238,826)	-	-	66,774	(2,238,826)
Change in contract liabilities ceded to reinsurers	-	-	9,810	(13,809)	-	-	9,810	(13,809)
Net benefits and claims	-	-	(2,658,151)	(4,798,500)	-	-	(2,658,151)	(4,798,500)
Depreciation and amortisation	-	-	(23,610)	(29,060)	-	-	(23,610)	(29,060)
Other operating and management expenses	(16,906)	(6,635)	(835,940)	(776,987)	-	-	(852,846)	(783,622)
Taxation of life insurance business	-	-	13,360	(178,089)	-	-	13,360	(178,089)
Other expenses	(16,906)	(6,635)	(846,190)	(984,136)	-	-	(863,096)	(990,771)
Profit from operations	1,270	18,207	431,787	269,578	-	-	433,057	287,785
Transfer from Life Insurance Fund*	431,787	269,578	(431,787)	(269,578)	-	-	-	-
Profit before Taxation	433,057	287,785	-	-	-	-	433,057	287,785
Taxation	(98,651)	(68,214)	-	-	-	-	(98,651)	(68,214)
Net profit for the period	334,406	219,571	-	-	-	-	334,406	219,571

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

** Refers to elimination of interfund balances

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27. INSURANCE FUNDS (CONT'D.)

Condensed Cash Flow Statement by Funds
For the six months ended 30 June 2018

	Shareholder's Funds		Life Insurance Fund		Total	
	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
Cash flow from:						
Operating activities	437,293	451,421	772,139	(193,685)	1,209,432	257,736
Investing activities	-	-	(19,190)	(28,148)	(19,190)	(28,148)
Financing activities	(425,000)	(340,000)	-	-	(425,000)	(340,000)
Increase/(Decrease) in cash and cash equivalents	12,293	111,421	752,949	(221,833)	765,242	(110,412)
Cash and cash equivalents:						
At beginning of period	25,852	47,798	2,279,520	2,216,234	2,305,372	2,264,032
At end of period	38,145	159,219	3,032,469	1,994,401	3,070,614	2,153,620