

Company No.

723739	W
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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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Company No.

723739	W
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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

**REPORTS AND STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITY

The Group and Company are principally engaged in the underwriting of life insurance business, including investment-linked business. There have been no significant changes in the nature of this principal activity during the financial year.

RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Net loss for the financial year	<u>(8,108)</u>	<u>(5,780)</u>

SHARE CAPITAL

There was no issuance of shares by the Company during the financial year.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend to be paid for the current financial year under review.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM") for Insurers.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and Company were made out, the Directors took reasonable steps to ensure that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

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DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances that would render the amounts written off for bad debts or the amounts of allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and Company were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and Company have been written down to an amount which the current assets might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and Company.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and Company, which would render any amount stated in the financial statements misleading.

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DIRECTORS' REPORT (CONTINUED)

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made.

DIRECTORS

The Directors who have held office during the financial year and during the period from the end of the financial year to the date of the report are:

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff
Jean, Paul, Dominique, Louis Drouffe
Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 24(b) to the financial statements.

CORPORATE GOVERNANCE

Statement of compliance with the Corporate Governance policy document – BNM/RH/PD-029-9

The Group and the Company have taken concerted steps to ensure compliance with BNM's Corporate Governance policy document - BNM/RH/PD-029-9 ("Policy") and its best practice applications. The Board of Directors ("Board") is committed to the principles prescribed in the Policy.

The Board's responsibility and oversight

The Board affirms its overall responsibility for the Group's and the Company's system of internal controls and risk management, and for reviewing the adequacy and integrity of these systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, they can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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AXA AFFIN LIFE INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

The Board's responsibility and oversight (continued)

The Group and the Company have in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of the Group's and of the Company's business objectives throughout the financial year under review and up to the date of this report. This process is regularly reviewed by the Board via the Audit and Compliance Committee and the Risk Management Committee.

The Board has generally complied with the Policy.

The Board currently has five (5) members, comprising three (3) Independent Non-Executive Directors, one (1) Non-Executive Director and one (1) Executive Director. Together, the Directors come from various fields with a balance of skills and experiences which are necessary to enable the Group and Company to achieve its corporate objectives and fulfill all its fiduciary duties. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate.

All the members of the Board have complied with the requirements of serving on the Board of not more than 15 groups of companies.

The appointments of all the Board members were approved by BNM. All appointments and re-appointments of Board members were subject to the evaluation and review by the Nomination and Remuneration Committee and approved by the Board before the applications were submitted to BNM for approval.

The Board meets at least six (6) times a year with additional meetings being convened as and when necessary. For the financial year ended 31 December 2018, the Board has met six (6) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2018.

The principal responsibilities of the Board include reviewing and approving a strategic plan, overseeing the Group and Company's businesses, formalising documentation on matters specifically reserved for its decision and ensuring that the Group and Company's internal controls and reporting procedures are adequate.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

The Board's responsibility and oversight (continued)

The composition of the Board during the period since the date of the last report and the number of meetings attended by each existing Director during the financial year ended 31 December 2018 are as follows:

Name of Directors	No. of Attendance
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	5/6
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff	6/6
Jean, Paul, Dominique, Louis Drouffe	6/6
Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	6/6
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	6/6

The Board has established a number of Board committees and senior management committees. Each committee operates within defined term of reference. Board committees are the Audit and Compliance Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Investment Committee. Senior management committees include the Executive Committee, the Local Management Audit and Compliance Committee, the Local Product and Management Committee, the Local Management Investment Committee and the Local Risk Committee.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit and Compliance Committee

The members of the Audit and Compliance Committee are as follows:

Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	Chairman (Independent Non-Executive)
Jean, Paul, Dominique, Louis Drouffe (ceased to be a member w.e.f. 1 July 2018)	Member (Non-Independent Non-Executive)
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff	Member (Independent Non-Executive)
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	Member (Independent Non-Executive)

The Audit and Compliance Committee is chaired by an Independent Non-Executive Director. The Audit and Compliance Committee was established as a sub-committee of the Board with specific Terms of Reference that have been approved by the Board. The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group and of the Company.

The principal duties and responsibilities are:

- i) To review financial reports with management and the external auditors;
- ii) To recommend to the Board on the appointment of external auditors;
- iii) To review on a regular basis the management activity in relation to audit findings;
- iv) To approve the annual internal audit plan;
- v) To review management activity in relation to internal audit findings;
- vi) To review the effectiveness of the system for monitoring compliance with laws and regulations;
- vii) To review the findings of any examination by a regulatory agency and any auditor observations;
- viii) To review and monitor the fraud and anti-money laundering policies of the Group and of the Company;
- ix) To report on a regular basis to the Board on the Audit and Compliance Committee's activities; and;
- x) To perform any other activities according to the applicable requirements within the guidelines from BNM.

Other responsibilities of the Audit and Compliance Committee are prescribed within the Terms of Reference approved by the Board.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit and Compliance Committee (continued)

The number of meetings attended by each member of the Audit and Compliance Committee during the financial year ended 31 December 2018 is as follows:

Name of Directors	No. of Attendance
Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	5/5
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	5/5
Jean, Paul, Dominique, Louis Drouffe (ceased to be a member w.e.f. 1 July 2018)	2/2
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff	5/5

During the financial year ended 31 December 2018, the Audit and Compliance Committee had reviewed the annual financial statements, approved the external audit plan and annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems that are significant to the overall performance of the Group and of the Company on a cyclical basis.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are as follows:

Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	Chairman (Independent Non-Executive)
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	Member (Non-Independent Non-Executive)
Jean, Paul, Dominique, Louis Drouffe (ceased to be a member w.e.f. 1 July 2018)	Member (Non-Independent Non-Executive)
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff	Member (Independent Non-Executive)
Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	Member (Independent Non-Executive)

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nomination and Remuneration Committee (continued)

The Nomination and Remuneration Committee is chaired by an Independent Non-Executive Director. In consideration of the right candidate for appointment to the Board, the Nomination and Remuneration Committee takes into account the required mix of skills, experience and other core competencies that is necessary to enable the Group and Company to achieve its corporate objectives and fulfill its fiduciary responsibilities. The Nomination and Remuneration Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

The Nomination and Remuneration Committee functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of the Nomination and Remuneration Committee are:

- i) Support the board in carrying out its functions in the following matters concerning the board, senior management and company secretary:
 - a. Appointment and removals
 - b. Composition
 - c. Performance evaluation and development; and
 - d. Fit and proper assessment;

as set out in the relevant guidelines/policies issued by Bank Negara Malaysia and legislations.
- ii) Make recommendations to the Board on the selection and appointment of non-executive Directors and the Chief Executive Officer;
- iii) Review the effectiveness of the Board, the Chairman and Directors, Board Committees and performance of the Chief Executive Officer;
- iv) Consider the required competencies of new Directors having regard to the mix of skills, experience and other qualities of existing Directors;
- v) Establish a mechanism for the review of the performance of the Board, the Chairman and Directors and the Board Committees;
- vi) Ensure that an appropriate process for the orientation and induction of new Directors is carried out and that the process reflects the background and experience of each new Director;
- vii) Review the Board and senior executive succession plans;
- viii) Support the Board in actively overseeing the design and operation of the financial institution's remuneration system as set out in paragraph 19 of the Corporate Governance guidelines issued by Bank Negara Malaysia as detailed in the attached Appendix;
- ix) Periodically review the remuneration of Directors on the Board, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken; and
- x) Perform other activities according to the application requirements in the guidelines from Bank Negara Malaysia.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nomination and Remuneration Committee (continued)

The number of meetings attended by each member of the Nomination and Remuneration Committee during the financial year ended 31 December 2018 is as follows:

Name of Directors	No. of Attendance
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	5/6
Jean, Paul, Dominique, Louis Drouffe (ceased to be a member w.e.f. 1 July 2018)	3/3
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff	6/6
Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	6/6
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	6/6

In the opinion of the Nomination and Remuneration Committee, the Board has a good mix of skills and experiences appropriate for the business of the Group and of the Company.

Risk Management Committee

The members of the Risk Management Committee are as follows:

Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	Chairman (Independent Non-Executive)
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	Member (Non-Independent Non-Executive)
Jean, Paul, Dominique, Louis Drouffe (ceased to be a member w.e.f. 1 July 2018)	Member (Non-Independent Non-Executive)
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff	Member (Independent Non-Executive)
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	Member (Independent Non-Executive)

The Risk Management Committee is chaired by an Independent Non-Executive Director and constantly reviews the risk factors of the Group and Company to ensure risks at all levels are managed effectively. It will also review the Group's and the Company's risk management policies, action plans and evaluate the adequacy of overall risk management policies and procedures.

The principal duties and responsibilities of the Risk Management Committee are as follows:

- i) Support the Board in meeting the expectations on risk management as set out in Bank Negara Malaysia's (BNM) policy document on Risk Governance;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (continued)

- ii) In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Nomination and Remuneration Committee;
- iii) Review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- iv) Review and assess the adequacy of risk management policies, and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- v) Ensure adequate infrastructure, resources and systems are in place for effective risk management;
- vi) Ensure that senior management have the requisite skills, experience and competencies in risk management;
- vii) Review the management periodic reports on risk exposure, risk portfolio composition and risk management activities;
- viii) Monitor compliance to related risk management standards and policies;
- ix) Review the risk portfolio and monitor the risk exposure against limits and tolerance level;
- x) Recommend or take action as appropriate in relation to mitigating the key risks identified;
- xi) Provide constructive challenge to senior management; and
- xii) Perform other activities according to the applicable requirements in the guidelines from Bank Negara Malaysia.

The number of meetings attended by each member of the Risk Management Committee during the financial year ended 31 December 2018 is as follows:

Name of Directors	No. of Attendance
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	3/4
Jean, Paul, Dominique, Louis Drouffe (ceased to be a member w.e.f. 1 July 2018)	1/1
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff	4/4
Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	4/4
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	4/4

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AXA AFFIN LIFE INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Investment Committee

The members of the Investment Committee are as follows:

Jean, Paul, Dominique, Louis Drouffe	Chairman (Executive Director) (w.e.f. 1 July 2018)
Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	Member (Independent Non-Executive)
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	Member (Independent Non-Executive)

The Investment Committee is chaired by a Non-Independent Non-Executive Director (w.e.f. 1 July 2018 Executive Director). The Committee is responsible to review and approve the strategies recommended by the Local Management Investment Committee as well as to establish investment objectives, policies and guidelines for the insurance funds. The Investment Committee discusses investment strategies, asset allocation to monitor and evaluate the performance of the assets, as well as review the portfolio performance against benchmarks. The Investment Committee also ensures that the investment management of the insurance funds complies with relevant authorities' guidelines and internal investment mandates.

The number of meetings attended by each member of the Investment Committee during the financial year ended 31 December 2018 is as follows:

Name of Directors	No. of Attendance
Jean, Paul, Dominique, Louis Drouffe	6/6
Chong Kwai Ying (Ms) (appointed w.e.f. 25 January 2018)	6/6
Mazhairul Jamaludin (appointed w.e.f. 13 February 2018)	6/6

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Management Accountability

Organisational Structure

The organisation structure of the Group and of the Company depicts clear lines of reporting responsibility and authority for all levels of staff of the Group and of the Company. Authority is delegated by the Board to the Chief Executive Officer and the Executive Committee for the implementation of strategy and management of the Group and of the Company. The Group and Company has in place a well-documented organisational structure, allocation of duties and responsibilities for all of its employees.

Communication

To support an effective flow of information within the Group and Company and to ensure that important information reaches the appropriate personnel in a timely manner, the Group and Company has in place the following practices:

- documentation of important policies and procedures in the form of operating manuals/workflows;
- regulatory guidelines, circulars and resolutions available in common IT folders for ease of reference; and
- regular meetings to discuss issues of common concern.

Corporate Independence

The Group and the Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL-018-6) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board's prior approval for the transactions has also been obtained.

Risk Management and Internal Control

The control framework with three lines of defense has been designed to ensure that it operates to systematically identify, measure, manage and control the risks that the Group and the Company may face.

As first line of defense, Management and staff have primary responsibility for establishing and maintaining an effective control environment, identifying and managing the risks inherent in the products, services and activities in their scope and designing, implementing, maintaining, monitoring, evaluating and reporting on the Group and the Company's internal control system in accordance with the risk strategy and policies on internal control as approved by the Board of Directors.

Second line is the Risk Management function and Compliance function is responsible for supporting the management in the risk and control management and for regular independent challenge and verification of the design and operating effectiveness of the control environment.

The Third line is the Internal Audit function that performs an assessment of the risk and governance processes on a periodic basis to provide independent assurance on the effectiveness of the system of internal control.

Senior management and the Board of Directors collectively have responsibility for establishing the organization's objectives, defining high-level strategies to achieve those objectives, and establishing governance structures to best manage risk.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management and Internal Control (continued)

The Board recognises the importance of having in place a risk management framework to identify principal risks and to implement appropriate controls to manage such risks as an integral part of the Group's and of the Company's operations.

The Group's and the Company's key internal control processes include the following:

Public Accountability

The Group and the Company complies with the provisions relating to policies under Section 128, Section 130, Schedule 8 and Schedule 10 of the Financial Services Act, 2013. Each member of the staff and agency force is also required to adhere to Life Insurance Association of Malaysia's Code of Ethics and Conduct when dealing with customers.

Members of the public are aware of avenues for appeal against the Group and Company's practices or decisions. A policy contract issued to any policy owner contains a written disclosure alerting them on the existence of the Ombudsmen for Financial Services ("OFS"). In addition, notices containing the same information are exhibited in the Head Office and all the Group and Company's branches. The Group and Company's letter to any claimant on the rejection of a claim also includes similar information for appeal to OFS.

Financial Reporting

Due care and diligence is exercised by the Group and the Company in ensuring compliance with the requirements of statutory reporting to BNM and the accuracy of information contained in the reports submitted to BNM as well as the maintenance of appropriate accounting records. The external auditors are appointed according to the provision of the Financial Services Act, 2013. They provide an independent opinion that the financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of its financial performance and cash flows for the financial year then ended.

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AXA AFFIN LIFE INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and Company is a party, being arrangements with the object or objects of enabling Directors of the Group and Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Group and Company or any other body corporate other than the share options granted pursuant to the Employee Share Option Scheme ("ESOS") of AFFIN Bank Berhad, the entity which has joint control over the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Group and Company or a related corporation with the 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.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there is no indemnity coverage and insurance premium paid for the Directors and certain officers of the Company.

DIRECTORS' INTERESTS

None of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

HOLDING COMPANY

The Directors regard Affin Bank Berhad, a company incorporated in Malaysia as its financial holding company.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 24 to the financial statements.

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DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 March 2019.



JENERAL (B) TAN SRI DATO' SERI
ABDUL RAHMAN BIN ABDUL HAMID
DIRECTOR



TAN SRI DATO' MOHD GHAZALI
BIN MOHD YUSOFF
DIRECTOR

Kuala Lumpur

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AXA AFFIN LIFE INSURANCE BERHAD
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**STATEMENT BY DIRECTORS PURSUANT TO
SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid and Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff, two of the Directors of AXA AFFIN Life Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 21 to 108 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2018 and financial performance of the Group and Company for the financial year ended 31 December 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 March 2019.



JENERAL (B) TAN SRI DATO' SERI
ABDUL RAHMAN BIN ABDUL HAMID
DIRECTOR

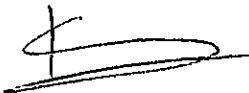


TAN SRI DATO' MOHD GHAZALI
BIN MOHD YUSOFF
DIRECTOR

Kuala Lumpur

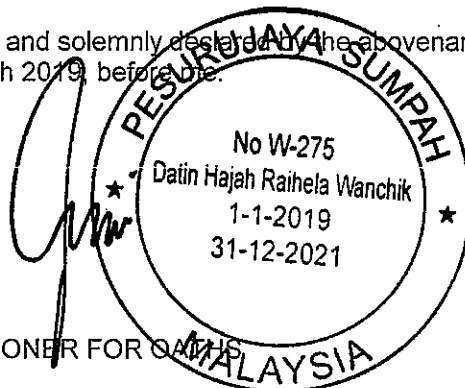
**STATUTORY DECLARATION PURSUANT TO
SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Wong Wei Win, being the Officer primarily responsible for the financial management of AXA AFFIN Life Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 21 to 108 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.



WONG WEI WIN

Subscribed and solemnly declared by the abovesigned Wong Wei Win at Kuala Lumpur in Malaysia on 21 March 2019, before me.



COMMISSIONER FOR OATHS

SUITE C-5-9
BLOK C LEVEL 7,
MENARA UNCANG EMAS,
85, JALAN LOKE YEW, 16
55200 KUALA LUMPUR
TEL: 010 222 2222



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)
(Company No. 723739-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of AXA Affin Life Insurance Berhad ("the Company") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 108.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 723739-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 723739-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 723739-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

JAYARAJAN A/L U. RATHINASAMY
02059/06/2020 J
Chartered Accountant

Kuala Lumpur
21 March 2019

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Property and equipment	5	3,089	1,580	3,089	1,580
Investment property	6	249	255	249	255
Intangible assets	7	106,248	104,551	106,248	104,551
Investments	8	1,684,531	1,558,769	1,719,846	1,574,831
Available-for-sale financial assets		1,139,056	1,073,547	1,175,357	1,091,735
Fair value through profit or loss financial assets		471,194	393,829	471,194	393,829
Loans and receivables		74,281	91,393	73,295	89,267
Reinsurance assets	10	32,404	33,200	32,404	33,200
Insurance receivables	11	14,841	15,534	14,841	15,534
Other receivables	12	4,157	3,578	4,157	3,578
Current tax assets		4,078	4,458	4,078	4,458
Deferred tax assets	17	9,455	7,452	9,455	4,568
Cash and cash equivalents		110,070	51,393	54,443	34,035
TOTAL ASSETS		1,969,122	1,780,770	1,948,810	1,776,590
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital	13	398,000	398,000	398,000	398,000
Accumulated losses		(100,254)	(92,146)	(101,092)	(95,312)
Available-for-sale reserve	14	11,661	12,253	11,661	12,540
TOTAL EQUITY		309,407	318,107	308,569	315,228
LIABILITIES					
Insurance contract liabilities	15	1,412,469	1,254,427	1,412,469	1,254,427
Insurance claims liabilities	16	31,723	22,189	31,723	22,189
Insurance payables	18(a)	43,728	63,911	43,728	63,911
Reinsurance payables	18(b)	10,524	8,097	10,524	8,097
Other payables	19	142,261	113,922	141,797	112,738
Other financial liability		19,010	117	-	-
TOTAL LIABILITIES		1,659,715	1,462,663	1,640,241	1,461,362
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		1,969,122	1,780,770	1,948,810	1,776,590

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

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross premiums		463,377	490,380	463,377	490,380
Premiums ceded to reinsurers		(27,236)	(23,365)	(27,236)	(23,365)
Net premiums		436,141	467,015	436,141	467,015
Reinsurance commission income		1,724	1,333	1,724	1,333
Investment income	20	62,643	61,040	67,115	58,165
Net realised gains	21	4,152	11,251	534	9,290
Net fair value gains	22	920	12,235	920	12,235
Other operating income	23(a)	3,201	1,409	3,201	1,409
Other income		72,640	87,268	73,494	82,432
Gross benefits and claims paid		(205,486)	(203,445)	(205,486)	(203,445)
Claims ceded to reinsurers		14,961	17,528	14,961	17,528
Gross change in insurance contract liabilities		(170,971)	(243,882)	(170,971)	(243,882)
Changes in insurance contract liabilities ceded to reinsurers		(94)	1,342	(94)	1,342
Net claims		(361,590)	(428,457)	(361,590)	(428,457)
Net realised loss	21	(2,091)	-	(2,091)	-
Net fair value loss	22	(16,853)	-	(16,853)	-
Commission and agency expenses		(50,335)	(54,902)	(50,335)	(54,902)
Management expenses	24	(82,789)	(87,428)	(81,368)	(85,773)
Other operating expenses	23(b)	(2,501)	(2,400)	(2,501)	(2,400)
Other expenses		(154,569)	(144,730)	(153,148)	(143,075)
Loss before taxation		(7,378)	(18,904)	(5,103)	(22,085)
Tax expense attributable to policyholders and unitholders		(1,462)	(3,600)	(1,462)	(3,600)
Loss before taxation attributable to Shareholders		(8,840)	(22,504)	(6,565)	(25,685)
Taxation		(730)	1,247	(677)	1,262
Tax expense attributable to policyholders and unitholders		1,462	3,600	1,462	3,600
Tax income attributable to Shareholders	25	732	4,847	785	4,862
Net loss for the financial year		(8,108)	(17,657)	(5,780)	(20,823)

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

Company No.

723739

W

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

		<u>Group</u>		<u>Company</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
Net loss for the financial year attributable to:					
- Owner of the Company		(8,291)	(17,661)	(5,780)	(20,823)
- Unitholders		183	4	-	-
		<u>(8,108)</u>	<u>(17,657)</u>	<u>(5,780)</u>	<u>(20,823)</u>
Basic loss per share (sen)	26	<u>(2.04)</u>	<u>(4.76)</u>	<u>(1.45)</u>	<u>(5.61)</u>
Net loss for the financial year		(8,108)	(17,657)	(5,780)	(20,823)
Other comprehensive income/(loss):					
<u>Items that may be subsequently reclassified to profit or loss:</u>					
Fair value changes on available-for-sale financial assets:					
Revaluation		(10,022)	15,737	(16,255)	18,908
Transfer to profit or loss upon disposal		(2,936)	2,035	126	2,035
Gross fair value changes		(12,958)	17,772	(16,129)	20,943
Deferred taxation (Note 17)		(1,440)	985	1,444	(1,899)
Net fair value changes		<u>(14,398)</u>	<u>18,757</u>	<u>(14,685)</u>	<u>19,044</u>
Change in insurance contract liabilities arising from unrealised net fair value changes (Note 15)		<u>13,806</u>	<u>(14,450)</u>	<u>13,806</u>	<u>(14,450)</u>
Other comprehensive (loss)/income for the financial year, net of tax		<u>(592)</u>	<u>4,307</u>	<u>(879)</u>	<u>4,594</u>
Total comprehensive loss for the financial year		<u>(8,700)</u>	<u>(13,350)</u>	<u>(6,659)</u>	<u>(16,229)</u>
Total comprehensive loss attributable to:					
- Owner of the Company		(7,704)	(13,362)	(6,659)	(16,229)
- Unitholders		(996)	12	-	-
		<u>(8,700)</u>	<u>(13,350)</u>	<u>(6,659)</u>	<u>(16,229)</u>

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

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

GROUP	Note	Share capital RM'000	Available-for-sale reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2018		398,000	12,253	(92,146)	318,107
Net loss for the financial year		-	-	(8,108)	(8,108)
Other comprehensive loss for the financial year		-	(592)	-	(592)
At 31 December 2018		398,000	11,661	(100,254)	309,407
At 1 January 2017		368,000	7,946	(74,489)	301,457
Issuance of shares during the financial year	13	30,000	-	-	30,000
Net loss for the financial year		-	-	(17,657)	(17,657)
Other comprehensive income for the financial year		-	4,307	-	4,307
At 31 December 2017		398,000	12,253	(92,146)	318,107

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

COMPANY	<u>Note</u>	<u>Share capital</u> RM'000	<u>Available-for-sale reserve</u> RM'000	<u>Accumulated losses</u> RM'000	<u>Total</u> RM'000
At 1 January 2018		398,000	12,540	(95,312)	315,228
Net loss for the financial year		-	-	(5,780)	(5,780)
Other comprehensive loss for the financial year		-	(879)	-	(879)
At 31 December 2018		<u>398,000</u>	<u>11,661</u>	<u>(101,092)</u>	<u>308,569</u>
At 1 January 2017		368,000	7,946	(74,489)	301,457
Issuance of shares during the financial year	13	30,000	-	-	30,000
Net loss for the financial year		-	-	(20,823)	(20,823)
Other comprehensive income for the financial year		-	4,594	-	4,594
At 31 December 2017		<u>398,000</u>	<u>12,540</u>	<u>(95,312)</u>	<u>315,228</u>

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

Company No.	
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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash flows generated from operating activities	27	152,866	131,998	156,614	135,023
Proceeds from disposal of investments		427,710	389,332	310,625	347,394
Purchase of investments		(601,345)	(623,752)	(502,394)	(598,803)
Dividend income received		26,635	18,505	21,828	15,540
Interest income received		46,903	43,987	45,377	43,543
Income tax paid		(3,795)	(3,469)	(3,739)	(3,454)
Net cash generated from/(used in) operating activities		48,974	(43,399)	28,311	(60,757)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Purchase of property and equipment		(2,659)	(1,069)	(2,659)	(1,069)
Purchase of intangible assets		(5,244)	(3,839)	(5,244)	(3,839)
Proceeds from creation of units		17,718	-	-	-
Payment for cancellation of units		(112)	-	-	-
Net cash used in from investing activities		9,703	(4,908)	(7,903)	(4,908)
<u>CASH FLOWS FROM FINANCING ACTIVITY</u>					
Issuance of shares		-	30,000	-	30,000
Net cash generated from financing activities		-	30,000	-	30,000
Net increase/(decrease) in cash and cash equivalents		58,677	(18,307)	20,408	(35,665)
Cash and cash equivalents at 1 January		51,393	69,700	34,035	69,700
Cash and cash equivalents at 31 December		110,070	51,393	54,443	34,035

Company No.

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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Cash and cash equivalents comprised of:</u>					
Cash and bank balances		43,359	29,330	43,337	29,035
Fixed and call deposits with maturity of less than three months		66,711	22,063	11,106	5,000
		<u>110,070</u>	<u>51,393</u>	<u>54,443</u>	<u>34,035</u>

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

Company No.	
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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1 CORPORATE INFORMATION

The Group and Company are principally engaged in the underwriting of life insurance business, including investment-linked business. There have been no significant changes in the nature of this principal activity during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at 8th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur.

The financial statements have been approved for issue by the Board of Directors in accordance with their resolution on 21 March 2019.

2 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia.

Financial assets and financial liabilities are offset and the net amount is 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 expense will not be offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 to the financial statements.

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

Company No.	
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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective

The Group and Company have applied the following amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'

MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- Amendments to MFRS 4 - Applying MFRS 9 'Financial Instruments' with MFRS 4 'Insurance Contracts' (effective for annual periods beginning on or after 1 January 2018).

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 'Financial Instruments' before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 'Insurance Contracts', the related liabilities from insurance contracts are often measured on amortised cost basis.

The amendments provide 2 different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

Company No.	
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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective (continued)

- Amendments to MFRS 4 – Applying MFRS 9 ‘Financial Instruments’ with MFRS 4 ‘Insurance Contracts’ (effective for annual periods beginning on or after 1 January 2018) (continued)

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

The Group and Company’s business activity are predominately insurance and hence, qualifies for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

The Group and Company have not fully assessed the impact of MFRS 9 on its financial statements.

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Group’s and the Company’s financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding (“SPPI”):

Fair value as at 31 December 2018	Financial assets with SPPI cash flows RM’000	All other financial assets RM’000	Total* RM’000
<u>Group</u>			
Investments (Note 8)	778,575	831,675	1,610,250
Malaysian Government Securities	188,325	94,163	282,488
Debt securities unquoted in Malaysia	590,250	166,092	756,342
Investment-linked funds	-	18,648	18,648
Equity securities quoted in Malaysia	-	182,325	182,325
Equity securities quoted outside Malaysia	-	19,405	19,405
Unit and property trust funds quoted in Malaysia	-	351,042	351,042
Loans and receivables	52,230	-	52,230
Other receivables	3,986	-	3,986
Cash and bank balances	110,070	-	110,070
	1,305,342	471,194	1,776,536

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective (continued)

- Amendments to MFRS 4 – Applying MFRS 9 'Financial Instruments' with MFRS 4 'Insurance Contracts' (effective for annual periods beginning on or after 1 January 2018) (continued)

Fair value as at 31 December 2018	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<u>Company</u>			
Investments (Note 8)	778,575	867,976	1,646,551
Malaysian Government Securities	188,325	94,163	282,488
Debt securities unquoted in Malaysia	590,250	166,092	756,342
Investment-linked funds	-	18,648	18,648
Equity securities quoted in Malaysia	-	93,543	93,543
Equity securities quoted outside Malaysia	-	19,405	19,405
Unit and property trust funds quoted in Malaysia	-	476,125	476,125
Loans and receivables	51,244	-	51,244
Other receivables	3,986	-	3,986
Cash and bank balances	54,443	-	54,443
	<u>1,285,030</u>	<u>471,194</u>	<u>1,756,224</u>

- * Insurance receivables, reinsurance assets, policy loans, automatic premium loans have been excluded from the above assessment as they will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are non-financial assets.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective (continued)

- Amendments to MFRS 4 – Applying MFRS 9 ‘Financial Instruments’ with MFRS 4 ‘Insurance Contracts’ (effective for annual periods beginning on or after 1 January 2018) (continued)

Changes in fair value during the year	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
<u>Group</u>			
Investments			
Malaysian Government Securities	441	(521)	(80)
Debt securities unquoted in Malaysia	5,607	1,385	6,992
Equity securities quoted in Malaysia	-	(27,837)	(27,837)
Equity securities quoted outside Malaysia	-	496	496
Unit and property trust funds quoted in Malaysia	-	(8,463)	(8,463)
	6,048	(34,940)	(28,892)
	6,048	(34,940)	(28,892)
<u>Company</u>			
Investments			
Malaysian Government Securities	441	(521)	(80)
Debt securities unquoted in Malaysia	5,607	1,385	6,992
Equity securities quoted in Malaysia	-	(31,008)	(31,008)
Equity securities quoted outside Malaysia	-	496	496
Unit and property trust funds quoted in Malaysia	-	(8,463)	(8,463)
	6,048	(38,111)	(32,063)
	6,048	(38,111)	(32,063)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective (continued)

- Amendments to MFRS 4 – Applying MFRS 9 ‘Financial Instruments’ with MFRS 4 ‘Insurance Contracts’ (effective for annual periods beginning on or after 1 January 2018) (continued)

Financial assets with SPPI cash flows*

Gross carrying amounts under MFRS 139 by credit risk rating grades	AAA	AA	A	Non-rated	Investment linked	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>							
<u>Amortised Cost</u>							
Loans and receivables	13,654	37,227	-	1,349	-	-	52,230
Other receivables	-	-	-	1,582	127	2,277	3,986
Cash and bank balances	71,653	13,450	20	1,993	22,954	-	110,070
	<u>85,307</u>	<u>50,677</u>	<u>20</u>	<u>4,924</u>	<u>23,081</u>	<u>2,277</u>	<u>166,286</u>
<u>Company</u>							
<u>Amortised Cost</u>							
Loans and receivables	12,842	37,227	-	1,175	-	-	51,244
Other receivables	-	-	-	1,582	127	2,277	3,986
Cash and bank balances	16,026	13,450	20	1,993	22,954	-	54,443
	<u>28,868</u>	<u>50,677</u>	<u>20</u>	<u>4,750</u>	<u>23,081</u>	<u>2,277</u>	<u>109,673</u>

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

- MFRS 15 ‘Revenue from Contracts with Customers’
- Amendments to MFRS 2 ‘Share-based Payment – Classification and Measurement of Share-based Payment Transactions’
- Amendments to MFRS 140 ‘Investment Property – Transfers of Investment Property’
- IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 ‘Investments in Associates and Joint Ventures’

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2018. None of these is expected to have a significant effect on the consolidated financial statements of the Group and Company, except the following set out below:

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in statement of profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and Company is in the midst of finalising the initial assessment of the potential impact on its financial statements. The impact of applying MFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the borrowing rate, the composition of the lease portfolio at that date, the latest assessment of whether the Group and Company will exercise any lease renewal options, and the extent to which the Group and Company choose to use practical expedients and recognition exemptions. The most significant impact identified is that the Group and Company will recognise new assets and liabilities for its operating leases. As at 31 December 2018, the Group and Company's future minimum lease payments under non-cancellable operating leases amounting to RM1,615,000 on an undiscounted basis (see note 28). The Group and Company will adopt MFRS 16 on 1 January 2019, using the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
 - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
 - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in statement of profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

- Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- Amendments to MFRS 119 'Plan amendment, curtailment or settlement' (effective 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.
- MFRS 17 'Insurance Contracts' (effective from 1 January 2021) replaces MFRS 4 'Insurance Contracts'.

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM) representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in statement of profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less;
- b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Group and the Company have not fully assessed the impact of MFRS 17 on its financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and equipment

All items of property and equipment are initially recorded at costs. Cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings which are substantially occupied by the Group and Company for its operations, are classified under property and equipment.

Property and equipment are depreciated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land and building	- Over the remaining period of the lease or 50 years whichever is shorter
Office equipments	- 5 years
Furniture and fittings	- 5 years
Computer equipments	- 3 years
Renovations	- 5 years
Motor vehicles	- 5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each date of the statement of financial position. At each date of the statement of financial position, the Group and Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount as set out in Note 3(e) on the accounting policy for impairment of non-financial assets.

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 disposals are determined by comparing the net disposal proceeds with their carrying amounts, and are credited or charged to the statement of profit or loss.

(b) Investment properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred. After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight line basis to allocate the cost to its residual values over its estimated useful lives of 50 years.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investment properties (continued)

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in statement of profit or loss.

(c) Intangible assets

Goodwill arising on acquisition of life insurance business

Goodwill arising on acquisition of life insurance business represents the excess of the cost of acquisition of the life insurance business over the fair value of the identifiable net assets recognised at the date of acquisition. Goodwill on acquisition of life insurance business is included in the statement of financial position as intangible assets.

Goodwill on acquisition of life insurance business is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment loss on goodwill on acquisition of life insurance business is not reversed as set out in Note 3(e) on the accounting policy for impairment of non-financial assets.

Computer software

Software development costs are capitalised where it is expected that future economic benefits will be derived and are amortised over a period between three to five years. Software maintenance costs are expensed as incurred.

(d) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries (continued)

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 3(c) to the financial statements on goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in the statement of profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary which is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the statement of profit or loss attributable to the parent.

(e) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

A subsequent increase 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. The reversal is recognised in the statement of profit or loss immediately. Impairment loss on goodwill is not reversed.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets

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

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.

FVTPL

Financial assets at fair value through profit or loss ("FVTPL") include financial assets held for trading ("HFT") and those designated at FVTPL at inception.

Investments are classified as HFT if they are acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

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

- the designation eliminates or significantly reduces the inconsistent treatment 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 are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Investments held under the investment-linked business and fixed income securities held under the non-participating life business are designated at FVTPL at inception.

These FVTPL financial assets are initially recorded at fair value. Subsequent to initial recognition, these FVTPL financial assets are re-measured at fair value. Fair value changes and realised gains and losses are recognised in the statement of profit or loss. Interest income from FVTPL financial assets calculated using the effective interest method, is recognised in the statement of profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

AFS

Investments classified as AFS are financial assets that are not classified as FVTPL, held-to-maturity or LAR. AFS financial assets are initially recorded at fair value. After initial measurement, the AFS financial assets are re-measured at fair value.

Interest income from AFS financial assets calculated using the effective interest method, is recognised in the statement of profit or loss. Any gains and losses arising from the change in fair value adjustments, net of deferred tax, are recognised directly in other comprehensive income, except for impairment losses. When the AFS financial assets are derecognised, the cumulative fair value gains and losses previously recognised in other comprehensive income are transferred to the statement of profit or loss as net realised gains on AFS financial assets.

LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value plus all transaction costs directly attributable to the acquisition. 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 statement of profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

(g) Fair value of financial instruments

The basis of estimation of fair values of financial instruments is as follows:

- (i) Malaysian Government Securities are based on the indicative market prices;
- (ii) Unquoted debt securities are based on the indicative market prices obtained from financial managers;
- (iii) Quoted equity securities of corporations, quoted unit and property trust funds, investment-linked funds and structured investments are based on quoted market prices; and
- (iv) The carrying amounts of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(h) Impairment of financial instruments

The Group and Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of financial instruments (continued)

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on financial asset carried at amortised cost has been incurred, the amount of the 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. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

The Group and Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed as of the date of the statement of financial position.

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 by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss on securities carried at cost (e.g. equity instruments or which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

(iii) Financial assets carried at fair value

In the case of AFS financial assets, a significant or prolonged decline in the fair value of the financial asset below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through profit or loss. Impairment losses previously recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

AXA AFFIN LIFE INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Contingent liabilities and contingent assets

The Group and Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group and Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group and Company. The Group and Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(j) Equity instruments

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs that are directly attributable to the issuance of new shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends are recognised as liabilities when the obligation to pay is established in which the dividends are declared and approved by the Company's shareholders. No provision is made for a proposed dividend.

(k) Product classification

The Group and Company issues contracts that transfer insurance risk.

An insurance contract is a contract under which the Group and 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. For purpose of MFRS 4 on 'Insurance Contracts', the Group and Company defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the Group and Company, including investment-linked contracts, are considered insurance contracts as at the date of the statement of financial position. The investment components of the investment-linked contracts are not unbundled.

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 expire.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Product classification (continued)

Surpluses in the non-discretionary participating feature ('DPF') fund arising during the year are recognised in the statement of comprehensive income and the unallocated surplus where the amount of surplus allocation to shareholders has yet to be determined by the end of the financial year is held in equity.

Participating life insurance contracts contain DPF. This feature entitles the policyholders to receive non-guaranteed benefits which could vary according to the investment and operating results of the Group and Company. The Group and Company does not recognise the guaranteed component separately from the DPF; hence the whole contract is presented within the insurance contract liabilities in the financial statements.

The Group and Company are not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and policy benefit payments, expenses and valuation of future benefit payments through the profit or loss.

The Group and Company does not need to separately measure at fair value, the policyholder's option to surrender an insurance contract for a fixed amount or for an amount based on fixed amount and an interest rate.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Group and Company are not required to be separated and measured at fair value.

The Group and Company does not adopt a policy of deferring acquisition costs for its insurance contracts.

(l) Reinsurance

The Group and Company cedes insurance risk in the normal course of business for all of its businesses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group and Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group and Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group and Company will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

The gross insurance liabilities will be reduced by the appropriate reinsurance assets for the relevant policies.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Reinsurance (continued)

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(m) Life insurance underwriting results

The surplus transferable from the Life fund to the Shareholders' fund is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013 and the RBC Framework by the Group's and the Company's Appointed Actuary. In the event the actuarial valuation indicates that a transfer is required from the Shareholder's fund, the transfer from the profit or loss to the Life fund is made in the financial year of the actuarial valuation.

Gross premiums

Premium income includes premium recognised in the Life fund and the Investment-linked funds.

Gross premiums of the Life Fund are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and it is still within the grace period allowed for payment or covered by the cash surrender value of the policies.

Premium income of the Investment-linked funds includes the net creation of units which represents premiums paid by the policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on the receipt basis.

Reinsurance premiums

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

Benefits and claims

Benefits, claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Life insurance underwriting results (continued)

Benefits and claims (continued)

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

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- 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; and
- benefits payable under the Investment-linked funds are in respect of net cancellation of units and are recognised as surrender.

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 statement of profit or loss in the financial year in which they are incurred.

(n) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Group and Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss. The Group and Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for financial assets carried at amortised cost as set out in Note 3(h) to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Insurance contract liabilities

Actuarial liabilities

Actuarial liabilities for benefits that are expected to be incurred in the future are recognised when contracts are entered into and premiums are charged.

The valuation of life insurance contract liabilities is determined according to BNM's Risk-Based Capital Framework as follows:

(i) Participating fund insurance contract liabilities

Participating plans are valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed and appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The participating life insurance liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

(ii) Non-participating fund insurance contract liabilities

The liability of non-participating life plans are valued using a prospective actuarial valuation based on the sum of the present value of future benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

(iii) Investment-linked fund insurance contract liabilities

The liability is the sum of:

- The unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and
- The non-unit reserves, calculated as the expected future payments arising from the policy (other than those relating to the unit reserves), including any expenses that the insurer expects to incur in administering the policies and settling the relevant claims and any provision made for any adverse deviation from the expected experience, less expected future receipts arising from the policy (other than those relating to the unit reserves).

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised insurance contract liabilities are adequate, net of present value of in-force business ('PVIF') by using an existing liability adequacy test.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Insurance contract liabilities (continued)

Unallocated surplus

Surpluses of contracts under the Participating life fund are attributable to policyholders and shareholders, and the amount and timing of distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provisions of the Financial Services Act, 2013 and related regulations by the Company's Appointed Actuary.

Unallocated surplus of the Participating life fund, where the amounts of surplus are yet to be allocated or distributed to either the policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

Surpluses in the Non-Participating fund arising during the financial year are recognised in the statement of profit or loss and the unallocated surplus where the amount of surplus allocation to the shareholders has yet to be determined by the end of the financial year is held in equity.

Fair value adjustment on available-for-sale financial assets

Where unrealised gains or losses arising from available-for-sale financial assets, the adjustment to the insurance contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have on those liabilities is recognised directly in other comprehensive income.

Net asset value attributable to unitholders

The unit liability of investment-linked policy is equal to the net asset value of the Investment-linked funds, which represents net premiums received and investment returns credited to the policy less deduction for mortality, morbidity costs and expense charges.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Other revenue recognition

Rental income

Rental income from asset-held-for sale properties are recognised on a straight line basis over the term of the lease.

Interest income

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group and Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the assets.

Dividend income

Dividend income is recognised when the Group and Company's right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of financial assets are calculated as the difference between the net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Taxation

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets or liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax is recognised in the statement of profit or loss except when it arises from a transaction which is recognised in other comprehensive income, in which case, the deferred tax is also charged or credited to other comprehensive income.

(r) Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

Short-term employee benefits

Wages, salaries and bonuses are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group and Company.

Defined contribution plan

The Group and Company's contributions to the Employees' Provident Fund, the national defined contribution plan, are recognised as an expense in the statement of profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and Company has no further payment obligations.

(t) Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Group and Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements of the Group and Company are presented in Ringgit Malaysia, which is the Group and Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Operations denominated in functional currency other than Ringgit Malaysia

The results and financial position of the Investment-linked funds with functional currency that is different from the presentation currency of the Group and Company are translated into the presentation currency as follows:

- (i) Assets and liabilities for the statement of financial position are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for the statement of profit or loss are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates), in which case income and expenses are translated using the exchange rates at the date of the transactions; and
- (iii) All resulting exchange differences are recognised as a separate component of equity under the foreign currency translation reserve except for the investment-linked business, where such exchange differences are reported as part of the insurance contract liabilities.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Insurance and other payables

Insurance payables and other payables are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash, bank balances and fixed and call deposits with original maturities of three months or less. It excludes deposits which are held for investment purpose.

The Group and Company classifies 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 cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

(w) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on the straight line basis over the lease period.

The up-front payments made for leasehold land represent prepaid lease rentals are amortised on straight-line basis over the lease term.

When an operating lease is terminated before the lease period expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates, assumptions and judgements are continuously evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group and Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Life insurance contract liabilities

The Group and Company makes estimates, assumptions and judgements in determining the reported amount of policy liabilities. These estimates, assumptions and judgements are the best estimates of future experience, based on historical experience, trends and other factors. They are regularly reviewed by the Appointed Actuary to ensure that they remain relevant and valid.

Actuarial assumptions used for valuation of liabilities take into account of the expected future market and economic conditions as well as expected mortality, morbidity, lapse and surrender, risk free rate, expenses and claim experience. The data used to formulate these assumptions come from a variety of sources including review of market conditions, the Group and Company's internal experience with regard to its policies and broader industry experience.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement 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 premiums, loss ratios, operating expenses, capital expenditure and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, 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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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

(a) Critical accounting estimates and assumptions (continued)

Impairment of goodwill

The Group and Company assesses the impairment of goodwill on an annual basis in accordance with its accounting policy in Note 3(e) to the financial statements. The recoverable amount of the goodwill has been determined based on the value of expected future new business, taking into account of expected future expense overruns. The key assumptions used in the assessment are disclosed in Note 7 to the financial statements.

(b) Critical judgement in applying the entity's accounting policies

In determining and applying the accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group and Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

5	PROPERTY AND EQUIPMENT	Office equipments RM'000	Furniture and fittings RM'000	Computer equipments RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
	GROUP AND COMPANY						
	<u>Cost</u>						
	At 1 January 2017	618	1,015	3,507	5,122	365	10,627
	Additions	20	6	815	228	-	1,069
	At 31 December 2017	638	1,021	4,322	5,350	365	11,696
	Additions	41	118	2,274	226	-	2,659
	Write-off	(3)	-	(93)	-	-	(96)
	At 31 December 2018	676	1,139	6,503	5,576	365	14,259
	<u>Accumulated depreciation</u>						
	At 1 January 2017	(557)	(970)	(2,922)	(4,475)	(146)	(9,070)
	Charge for the financial year (Note 24)	(24)	(11)	(680)	(258)	(73)	(1,046)
	At 31 December 2017	(581)	(981)	(3,602)	(4,733)	(219)	(10,116)
	Charge for the financial year (Note 24)	(24)	(17)	(857)	(179)	(73)	(1,150)
	Write off	3	-	93	-	-	96
	At 31 December 2018	(602)	(998)	(4,366)	(4,912)	(292)	(11,170)
	<u>Net book value</u>						
	31 December 2018	74	141	2,137	664	73	3,089
	31 December 2017	57	40	720	617	146	1,580

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

6 INVESTMENT PROPERTY

GROUP AND COMPANY

	RM'000
<u>Cost</u>	
At 1 January 2017	300
Additions	-
	<hr/>
At 31 December 2017	300
Additions	-
	<hr/>
At 31 December 2018	<u>300</u>
<u>Accumulated depreciation</u>	
At 1 January 2017	39
Charge for the financial year (Note 24)	6
	<hr/>
At 31 December 2017	45
Charge for the financial year (Note 24)	6
	<hr/>
At 31 December 2018	<u>51</u>
<u>Net book value</u>	
31 December 2018	249
31 December 2017	<u>255</u>

Investment property is stated at cost less accumulated depreciation.

The fair value of the investment property is RM450,000, which was determined based on valuation performed by an external independent valuer using direct comparison method of valuation as at 31 December 2018.

7 INTANGIBLE ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Goodwill arising on acquisition of life insurance business At 1 January/31 December	99,120	99,120	99,120	99,120
	<hr/>	<hr/>	<hr/>	<hr/>
Computer software				
At 1 January	5,431	4,594	5,431	4,594
Additions	5,244	3,839	5,244	3,839
Amortisation charge for the financial year (Note 24)	(3,547)	(3,002)	(3,547)	(3,002)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	7,128	5,431	7,128	5,431
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>106,248</u>	<u>104,551</u>	<u>106,248</u>	<u>104,551</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

7 INTANGIBLE ASSETS (CONTINUED)

- (a) The Group and Company tests goodwill on acquisition of life insurance business for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. A CGU represents the lowest level for which there are separately identifiable operational cash flows. The CGU represents the life insurance business of the Group and Company.

In testing whether impairment is necessary, the recoverable amount of the goodwill has been determined based on value of expected future new business. Management's judgement is involved in estimating the value of expected future new business. The key assumptions taken into account in preparing the valuation are detailed as follows:

- (i) A multiple of 20 on new business value is used to compute the total value of expected future new business;
- (ii) Expense inflation rate is 3%;
- (iii) Risk discount rate is 13%;
- (iv) Tax rate of 8% for Life fund and 24% for Shareholders' fund;

At 31 December 2018, the recoverable amount exceeds the carrying value of goodwill.

Sensitivity to changes in key assumptions

Based on the assessment of the recoverable amount for the CGU, the Group and Company does not expect that any reasonable change in the abovementioned key assumptions will cause the carrying amount of the goodwill to exceed its recoverable amount, therefore resulting in impairment of goodwill.

Intangible assets comprised of computer application software and software costs which are developed or acquired to meet the unique requirements of the Company.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENTS

The financial assets are summarised by categories as follows:

		<u>Group</u>		<u>Company</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
Available-for-sale ("AFS") financial assets	(a)	1,139,056	1,073,547	1,175,357	1,091,735
Fair value through profit or loss ("FVTPL") financial assets – designated upon initial recognition	(b)	471,194	393,829	471,194	393,829
Loans and receivables ("LAR")	(c)	74,281	91,393	73,295	89,267
		<u>1,684,531</u>	<u>1,558,769</u>	<u>1,719,846</u>	<u>1,574,831</u>

The following financial assets
are expected to be realised
after 12 months:

AFS financial assets		739,504	680,258	739,504	680,258
FVTPL financial assets – designated upon initial recognition		237,480	223,389	237,480	223,389
LAR		3	3	-	3
		<u>976,987</u>	<u>903,650</u>	<u>976,984</u>	<u>903,650</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENTS (CONTINUED)

The following financial assets are expected to be realised after 12 months:

(a) AFS financial assets

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
<u>At fair value</u>		
Malaysian Government Securities	188,325	145,782
Debt securities unquoted in Malaysia	590,250	567,019
Investment-linked funds	18,648	19,525
Equity securities quoted in Malaysia	131,217	136,532
Unit and property trust funds quoted in Malaysia	210,616	204,689
	<u>1,139,056</u>	<u>1,073,547</u>
	<u>Company</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
<u>At fair value</u>		
Malaysian Government Securities	188,325	145,782
Debt securities unquoted in Malaysia	590,250	567,019
Equity securities quoted in Malaysia	42,435	40,099
Investment-linked funds	18,648	19,525
Unit and property trust funds quoted in Malaysia	335,699	319,310
	<u>1,175,357</u>	<u>1,091,735</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENTS (CONTINUED)

(b) FVTPL financial assets – designated upon initial recognition

	<u>Group and Company</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
<u>At fair value</u>		
Malaysian Government Securities	94,163	97,051
Equity securities quoted in Malaysia	51,108	57,260
Equity securities quoted outside Malaysia	19,405	16,198
Debt securities unquoted in Malaysia	166,092	129,204
Unit and property trust funds quoted in Malaysia	140,426	94,116
	<u>471,194</u>	<u>393,829</u>

(c) LAR

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
<u>At amortised cost</u>		
Policy loans	22,051	20,329
Mortgage loans	-	3
Fixed and call deposits	51,244	68,935
Dividend receivables	174	159
Amount due from brokers	812	1,967
	<u>74,281</u>	<u>91,393</u>

	<u>Company</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
Policy loans	22,051	20,329
Mortgage loans	-	3
Fixed and call deposits	51,244	68,935
	<u>73,295</u>	<u>89,267</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENTS (CONTINUED)

(d) Carrying values of financial assets

	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>LAR</u> RM'000	<u>Total</u> RM'000
GROUP				
At 1 January 2017	894,996	298,146	74,835	1,267,977
Purchases	398,507	225,245	-	623,752
Disposals	(240,075)	(137,997)	-	(378,072)
Fair value losses recorded in:				
Profit or loss (Note 22)	-	10,368	-	10,368
Other comprehensive income	17,772	-	-	17,772
Write back of impairment	1,867	-	-	1,867
Increase in fixed and call deposits	-	-	11,298	11,298
Increase in loans	-	-	2,021	2,021
Increase in dividend receivable	-	-	159	159
Increase in amount due from broker	-	-	1,967	1,967
Movement in accrued interests	480	47	1,113	1,640
Elimination of fair value losses of Shareholders' fund investment in investment-linked funds (Note 15)	-	(1,980)	-	(1,980)
At 31 December 2017	<u>1,073,547</u>	<u>393,829</u>	<u>91,393</u>	<u>1,558,769</u>
Purchases	300,613	300,732	-	601,345
Disposals	(215,214)	(209,076)	-	(424,290)
Fair value losses recorded in:				
Profit or loss (Note 22)	-	(15,933)	-	(15,933)
Other comprehensive income	(12,958)	-	-	(12,958)
Movement transferred to Other comprehensive income	(8,127)	-	-	(8,127)
Decrease in fixed and call deposits	-	-	(17,764)	(17,764)
Increase in loans	-	-	620	620
Increase in dividend receivable	-	-	15	15
Increase in amount due from broker	-	-	(1,155)	(1,155)
Movement in accrued interests	1,195	765	1,172	3,132
Elimination of fair value losses of Shareholders' fund investment in investment-linked funds (Note 15)	-	877	-	877
At 31 December 2018	<u><u>1,139,056</u></u>	<u><u>471,194</u></u>	<u><u>74,281</u></u>	<u><u>1,684,531</u></u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENTS (CONTINUED)

(d) Carrying values of financial assets (continued)

COMPANY	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>LAR</u> RM'000	<u>Total</u> RM'000
At 1 January 2017	894,996	298,146	74,835	1,267,977
Purchases	373,558	225,245	-	598,803
Disposals	(200,109)	(137,997)	-	(338,106)
Fair value gains recorded in:				
Profit or loss (Note 22)	-	10,368	-	10,368
Other comprehensive income	20,943	-	-	20,943
Write back of impairment	1,867	-	-	1,867
Increase in fixed and call deposits	-	-	11,298	11,298
Increase in loans	-	-	2,021	2,021
Movement in accrued interests	480	47	1,113	1,640
Elimination of fair value losses of Shareholders' fund investment in investment-linked funds (Note 15)	-	(1,980)	-	(1,980)
At 31 December 2017	<u>1,091,735</u>	<u>393,829</u>	<u>89,267</u>	<u>1,574,831</u>
Purchases	201,662	300,732	-	502,394
Disposals	(103,106)	(209,076)	-	(312,182)
Fair value losses recorded in:				
Profit or loss (Note 22)	-	(15,933)	-	(15,933)
Other comprehensive income	(16,129)	-	-	(16,129)
Decrease in fixed and call deposits	-	-	(17,764)	(17,764)
Increase in loans	-	-	620	620
Movement in accrued interests	1,195	765	1,172	3,132
Elimination of fair value losses of Shareholders' fund investment in investment-linked funds (Note 15)	-	877	-	877
At 31 December 2018	<u><u>1,175,357</u></u>	<u><u>471,194</u></u>	<u><u>73,295</u></u>	<u><u>1,719,846</u></u>

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8 INVESTMENTS (CONTINUED)

(e) Fair values of financial assets

The following table shows the financial assets recorded at fair value analysed by the different basis of fair values as follows:

	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>Total</u> RM'000
GROUP			
<u>31 December 2018</u>			
Level 1 - Quoted market price	360,481	210,939	571,420
Level 2 - Market observable inputs	778,575	260,255	1,038,830
	<u>1,139,056</u>	<u>471,194</u>	<u>1,610,250</u>
<u>31 December 2017</u>			
Level 1 - Quoted market price	360,746	167,574	528,320
Level 2 - Market observable inputs	712,801	226,255	939,056
	<u>1,073,547</u>	<u>393,829</u>	<u>1,467,376</u>
COMPANY			
<u>31 December 2018</u>			
Level 1 - Quoted market price	396,782	210,939	607,721
Level 2 - Market observable inputs	778,575	260,255	1,038,830
	<u>1,175,357</u>	<u>471,194</u>	<u>1,646,551</u>
<u>31 December 2017</u>			
Level 1 - Quoted market price	378,934	167,574	546,508
Level 2 - Market observable inputs	712,801	226,255	939,056
	<u>1,091,735</u>	<u>393,829</u>	<u>1,485,564</u>

The Group and Company categorise its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Group and Company's valuation techniques for determining the fair value of the financial assets.

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8 INVESTMENTS (CONTINUED)

(e) Fair values of financial assets (continued)

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 - Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Group and Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 - Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

9 CONTROLLED STRUCTURED ENTITY

During the financial year, the Company acquired units in a wholesale unit trust fund which is established in Malaysia and managed by an external fund manager. Details of the investment in the wholesale unit trust fund are as follow:

<u>Name of fund</u>	<u>Principal activities</u>	<u>% of ownership interest held by the Company</u>	
		<u>2018</u>	<u>2017</u>
Affin Hwang Wholesale Equity Fund	Invest in equity, unlisted securities warrants, units or shares in collective investment scheme, deposits and Money market instruments	89.4%	99.9%

The Company has determined that its investment in the wholesale unit trust fund amounting to RM168,356,887 (2017: RM154,715,326) as investment in structured entity ("investee fund"). The investee fund is managed by Affin Hwang Asset Management Berhad.

The Company holds 89.4% (2017: 99.9%) of units in Affin Hwang Wholesale Equity Fund and thus has control over the investee fund. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

This investee fund is classified as AFS financial asset and the change in fair value of the investee fund is included in the statement of other comprehensive income in the Company's separate financial statements.

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9 CONTROLLED STRUCTURED ENTITY (CONTINUED)

The Company's exposure to investments in the investee fund is disclosed below.

	<u>2018</u> RM	<u>2017</u> RM
Financial assets at fair value through profit or loss	131,218	136,531
Cash and cash equivalents	55,627	17,358
Dividend receivables	174	159
Amount due from brokers	812	1,967
Payables	(464)	(1,183)
	<u>187,367</u>	<u>154,832</u>

The Company's maximum exposure to loss from its interests in the investee fund is equal to the fair value of its investment in the investee fund.

As the Company has control over the investee fund which is considered controlled structured entity, the structured entity is consolidated at Group level. The underlying assets of the structured entity have taken duly consolidated as shown in the financial statements.

10 REINSURANCE ASSETS

GROUP AND COMPANY	<u>2018</u> RM'000	<u>2017</u> RM'000
Reinsurance of insurance contracts:		
- Insurance contract liabilities (Note 15)	27,816	27,910
- Insurance claims liabilities (Note 16)	4,588	5,290
	<u>32,404</u>	<u>33,200</u>
GROUP AND COMPANY	<u>2018</u> RM'000	<u>2017</u> RM'000
Receivable within 12 months	5,759	6,465
Receivable after 12 months	26,645	26,735
	<u>32,404</u>	<u>33,200</u>

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

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11 INSURANCE RECEIVABLES

	<u>2018</u> RM'000	<u>2017</u> RM'000
GROUP AND COMPANY		
Due premiums including agents, brokers and co-insurers balances	14,841	15,534
	<u>14,841</u>	<u>15,534</u>
Receivable within 12 months	<u>14,841</u>	<u>15,534</u>

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

The following table shows the assets and liabilities that are subject to offsetting, enforceable master netting arrangements and similar arrangements at each financial year end:

	<u>2018</u> RM'000	<u>2017</u> RM'000
Gross amounts of recognised financial assets	15,266	16,688
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(425)	(1,154)
Net amounts of financial assets presented in the statement of financial position	<u>14,841</u>	<u>15,534</u>

12 OTHER RECEIVABLES

	<u>2018</u> RM'000	<u>2017</u> RM'000
GROUP AND COMPANY		
Subscription to LIAM shares	2,064	2,064
Malaysian Institute of Insurance bonds	100	100
Deposits	1,002	1,000
Amount due from a related party (Note 30(a))	-	-
Dividend income due and receivable	414	129
Other receivables	2,683	4,010
Prepayments	171	220
	<u>6,434</u>	<u>7,523</u>
Allowance for impairment (Note 33(a))	(2,277)	(3,945)
	<u>4,157</u>	<u>3,578</u>
Receivable within 12 months	1,993	414
Receivable after 12 months	2,164	3,164
	<u>4,157</u>	<u>3,578</u>

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12 OTHER RECEIVABLES (CONTINUED)

The amount due from a related party is unsecured, interest free and is receivable within one month after the invoice date. The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

13 SHARE CAPITAL

	<u>2018</u>		<u>2017</u>	
	<u>Number of shares '000</u>	<u>Nominal value RM'000</u>	<u>Number shares '000</u>	<u>Nominal value RM'000</u>
GROUP AND COMPANY				
<u>Issued and fully paid-up:</u>				
At 1 January - Ordinary shares	398,000	398,000	368,000	368,000
Add : Issuance of shares during the financial year	-	-	30,000	30,000
At 31 December – Ordinary shares	<u>398,000</u>	<u>398,000</u>	<u>398,000</u>	<u>398,000</u>

14 AVAILABLE-FOR-SALE RESERVE

	<u>Group</u>		<u>Company</u>	
	<u>2018 RM'000</u>	<u>2017 RM'000</u>	<u>2018 RM'000</u>	<u>2017 RM'000</u>
Gross fair value gains	14,545	12,497	14,545	15,668
Deferred tax	(2,884)	(244)	(2,884)	(3,128)
Net fair value gains	<u>11,661</u>	<u>12,253</u>	<u>11,661</u>	<u>12,540</u>

The available-for-sale reserve is in respect of fair value gains or losses on available-for-sale financial assets, net of deferred tax, held by the Non-participating life fund, Shareholders' fund and Investment Linked Operating fund.

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15 **INSURANCE CONTRACT LIABILITIES**

GROUP AND COMPANY

	2018			2017		
	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000
Actuarial liabilities	1,118,903	(27,816)	1,091,087	1,011,938	(27,910)	984,028
Unallocated surplus	19,695	-	19,695	10,084	-	10,084
Available-for-sale reserve	(3,628)	-	(3,628)	10,178	-	10,178
Net asset value attributable to unitholders	296,147	-	296,147	241,752	-	241,752
	<u>1,431,117</u>	<u>(27,816)</u>	<u>1,403,301</u>	<u>1,273,952</u>	<u>(27,910)</u>	<u>1,246,042</u>
Less:						
Elimination of ' Shareholders' Fund investment in investment linked funds	(18,648)	-	(18,648)	(19,525)	-	(19,525)
	<u>1,412,469</u>	<u>(27,816)</u>	<u>1,384,653</u>	<u>1,254,427</u>	<u>(27,910)</u>	<u>1,226,517</u>
Current	342,129	(1,171)	340,958	296,061	(1,175)	294,886
Non-current	1,070,340	(26,645)	1,043,695	958,366	(26,735)	931,631
	<u>1,412,469</u>	<u>(27,816)</u>	<u>1,384,653</u>	<u>1,254,427</u>	<u>(27,910)</u>	<u>1,226,517</u>

The insurance contract liabilities and movements therein are further analysed as follows:

2018

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2018	1,254,427	(27,910)	1,226,517
Reserve movement for inforce policies	82,967	2,358	85,325
Reserve for new business	44,942	(3,966)	40,976
Change in discount rate	(2,517)	219	(2,298)
Change in other assumptions	2,920	1,542	4,462
Change in valuation methodology	(417)	-	(417)
Adjustment of asset share	(7,779)	-	(7,779)
Other changes in reserving	(13,151)	(59)	(13,210)
Movement in unallocated surplus	9,611	-	9,611
Movement in net asset value attributable to unitholders	54,395	-	54,395
	170,971	94	171,065
Elimination of fair value gains from Shareholders' fund investment in investment-linked funds (Note 8(d))	877	-	877
Available-for-sale fair value adjustment	(13,806)	-	(13,806)
At 31 December 2018	<u>1,412,469</u>	<u>(27,816)</u>	<u>1,384,653</u>

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15 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

2017

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2017	998,075	(26,568)	971,507
Reserve movement for inforce policies	103,831	2,672	106,503
Reserve for new business	28,090	(3,131)	24,959
Change in discount rate	6,216	(400)	5,816
Change in other assumptions	3,804	(68)	3,736
Change in valuation methodology	1,937	-	1,937
Adjustment of asset share	8,363	-	8,363
Other changes in reserving	(1,388)	(415)	(1,803)
Movement in unallocated surplus	(7,404)	-	(7,404)
Movement in net asset value attributable to unitholders	100,433	-	100,433
	243,882	(1,342)	242,540
Elimination of fair value gains from Shareholders' fund investment in investment-linked funds (Note 8(d))	(1,980)	-	(1,980)
Available-for-sale fair value adjustment	14,450	-	14,450
At 31 December 2017	<u>1,254,427</u>	<u>(27,910)</u>	<u>1,226,517</u>

16 **INSURANCE CLAIMS LIABILITIES**

GROUP AND COMPANY

	<u>2018</u> RM'000	<u>2017</u> RM'000
Insurance claims liabilities – gross of reinsurance	31,723	22,189
Reinsurance assets (Note 10)	(4,588)	(5,290)
Insurance claims liabilities – net of reinsurance	<u>27,135</u>	<u>16,899</u>
Payable within 12 months	<u>31,723</u>	<u>22,189</u>

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

17 **DEFERRED TAX ASSETS**

	<u>Group</u>		<u>Company</u>	
	<u>2018</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>2017</u> RM'000
Deferred tax liabilities	(2,725)	(2,537)	(2,725)	(5,421)
Deferred tax assets	12,180	9,989	12,180	9,989
	<u>9,455</u>	<u>7,452</u>	<u>9,455</u>	<u>4,568</u>

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17 DEFERRED TAX ASSETS (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
At 1 January	7,452	1,407	4,568	1,407
<u>(Charged)/credited to profit or loss:</u> (Note 25)				
FVTPL financial assets	1,216	(529)	1,216	(529)
Property and equipment	(166)	(10)	(166)	(10)
Impairment of AFS financial assets	(66)	-	(66)	-
Unutilised tax losses	2,257	5,765	2,257	5,765
Overprovision in prior year	202	(166)	202	(166)
	3,443	5,060	3,443	5,060
<u>Credited to other comprehensive income:</u>				
AFS financial assets	(1,440)	985	1,444	(1,899)
At 31 December	<u>9,455</u>	<u>7,452</u>	<u>9,455</u>	<u>4,568</u>

The composition of deferred tax assets/liabilities before and after appropriate offsetting is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
<u>Subject to income tax:</u>				
<u>Deferred tax assets:</u> (before offsetting)				
Impairment of AFS financial assets	-	66	-	66
Unutilised tax losses	12,180	9,923	12,180	9,923
	12,180	9,989	12,180	9,989
Offsetting	(2,725)	(2,537)	(2,725)	(5,421)
Deferred tax asset (after offsetting)	<u>9,455</u>	<u>7,452</u>	<u>9,455</u>	<u>4,568</u>

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.

The Company has an unutilised tax losses of RM 24.0 million as at 31 December 2018 (2017: RM24.1 million), for which no deferred tax assets are recognized in the statement of financial position.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

17 DEFERRED TAX ASSETS (CONTINUED)

Deferred tax liabilities:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Property and equipment	(513)	(347)	(513)	(347)
AFS financial assets	(2,536)	(1,294)	(2,532)	(4,217)
FVTPL financial assets	324	(896)	320	(857)
	<u>(2,725)</u>	<u>(2,537)</u>	<u>(2,725)</u>	<u>(5,421)</u>
Offsetting	2,725	2,537	2,725	5,421
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

18 INSURANCE PAYABLES AND REINSURANCE PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
(a) Insurance payables due to agents and insureds	<u>43,728</u>	<u>63,911</u>	<u>43,728</u>	<u>63,911</u>
(b) Reinsurance payables due to reinsurers	<u>10,524</u>	<u>8,097</u>	<u>10,524</u>	<u>8,097</u>
Payable within 12 months	41,519	28,338	41,519	28,338
Payable after 12 months	12,733	43,670	12,733	43,670
	<u>54,252</u>	<u>72,008</u>	<u>54,252</u>	<u>72,008</u>

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

The following table shows the assets and liabilities that are subject to offsetting, enforceable master netting arrangements and similar arrangements at each financial year end:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Gross amounts of recognised financial liabilities	10,949	9,251	10,949	9,251
Less: Gross amounts of recognised financial assets set off in the statement of financial position	<u>(425)</u>	<u>(1,154)</u>	<u>(425)</u>	<u>(1,154)</u>
Net amounts of financial liabilities presented in the statement of financial position	<u>10,524</u>	<u>8,097</u>	<u>10,524</u>	<u>8,097</u>

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19 OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Dividend payable	97,712	77,474	97,712	77,474
Other payables and accrued expenses	26,312	27,933	25,848	26,749
Amount due to a related party (Note 30 (a))	18,237	8,515	18,237	8,515
	<u>142,261</u>	<u>113,922</u>	<u>141,797</u>	<u>112,738</u>
Payable within 12 months	140,627	109,002	140,163	107,818
Payable after 12 months	1,634	4,920	1,634	4,920
	<u>142,261</u>	<u>113,922</u>	<u>141,797</u>	<u>112,738</u>

The amount due to a related party is unsecured, interest free and has no fixed repayment terms.

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

20 INVESTMENT INCOME

	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
GROUP		
<u>Investment property</u>		
Investment property expenses	(3)	(3)
<u>AFS financial assets</u>		
Dividend income from equity securities quoted in Malaysia	5,549	12,191
Interest income from debt securities	34,358	31,534
Accretion of discounts	240	730
<u>FVTPL financial assets – designated upon initial recognition</u>		
Dividend income from equity securities quoted in Malaysia	10,151	5,421
Dividend income from equity securities quoted outside Malaysia	576	381
Interest income from debt securities	12,064	10,092
Accretion of discounts/(amortisation of premiums)	(34)	(58)
<u>Loans and receivables</u>		
Fixed and call deposits	1,547	1,801
Policy loans and mortgage loans	1,698	1,529
Investment expenses	(3,503)	(2,578)
	<u>62,643</u>	<u>61,040</u>

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20 INVESTMENT INCOME (CONTINUED)

	<u>2018</u> RM'000	<u>2017</u> RM'000
COMPANY		
<u>Investment property</u>		
Investment property expenses	(3)	(3)
<u>AFS financial assets</u>		
Dividend income from equity securities quoted in Malaysia	13,676	9,760
Interest income from debt securities	34,358	31,090
Accretion of discounts	240	730
<u>FVTPL financial assets – designated upon initial recognition</u>		
Dividend income from equity securities quoted in Malaysia	7,860	5,421
Dividend income from equity securities quoted outside Malaysia	576	381
Interest income from debt securities	10,700	10,092
Accretion of discounts/(amortisation of premiums)	(34)	(58)
<u>Loans and receivables</u>		
Fixed and call deposits	1,547	1,801
Policy loans and mortgage loans	1,698	1,529
Investment expenses	(3,503)	(2,578)
	<u>67,115</u>	<u>58,165</u>

21 NET REALISED GAIN/(LOSS)

	<u>2018</u> RM'000	<u>2017</u> RM'000
GROUP		
NET REALISED GAINS		
<u>AFS financial assets</u>		
Realised gain on equity securities quoted in Malaysia	3,618	6,541
Realised gain on debt securities	212	293
<u>FVTPL financial assets – designated upon initial recognition</u>		
Realised (loss)/gain on equity securities quoted in Malaysia	-	4,337
Realised (loss)/gain on debt securities	322	74
Realised gain on structured investments quoted outside Malaysia	-	6
	<u>4,152</u>	<u>11,251</u>

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21 NET REALISED GAIN/(LOSS) (CONTINUED)

	<u>2018</u> RM'000	<u>2017</u> RM'000
NET REALISED LOSS		
<u>AFS financial assets</u>		
Realised gain on equity securities quoted in Malaysia	-	-
Realised gain on debt securities	-	-
<u>FVTPL financial assets – designated upon initial recognition</u>		
Realised (loss)/gain on equity securities quoted in Malaysia	(2,054)	-
Realised (loss)/gain on debt securities	(37)	-
Realised gain on structured investments quoted outside Malaysia	-	-
	<u>(2,091)</u>	<u>-</u>
COMPANY	<u>2018</u> RM'000	<u>2017</u> RM'000
NET REALISED GAINS		
<u>AFS financial assets</u>		
Realised gain on equity securities quoted in Malaysia	-	4,580
Realised gain on debt securities	534	293
<u>FVTPL financial assets – designated upon initial recognition</u>		
Realised (loss)/ gain on equity securities quoted in Malaysia	-	4,337
Realised gain on debt securities	-	74
Realised gain on structured investments quoted outside Malaysia	-	6
	<u>534</u>	<u>9,290</u>
NET REALISED LOSS	<u>2018</u> RM'000	<u>2017</u> RM'000
<u>AFS financial assets</u>		
Realised gain on equity securities quoted in Malaysia	-	-
Realised gain on debt securities	-	-
<u>FVTPL financial assets – designated upon initial recognition</u>		
Realised (loss)/ gain on equity securities quoted in Malaysia	(2,054)	-
Realised gain on debt securities	(37)	-
Realised gain on structured investments quoted outside Malaysia	-	-
	<u>(2,091)</u>	<u>-</u>

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22 NET FAIR VALUE GAIN/(LOSS)

	<u>2018</u> RM'000	<u>2017</u> RM'000
GROUP AND COMPANY		
<u>AFS financial assets</u>		
Write back of impairment	-	1,867
<u>FVTPL financial assets – designated upon initial recognition</u>		
Fair value (loss)/gain on equity securities quoted in Malaysia	-	7,025
Fair value gain on debt securities	920	1,293
Fair value gain on structured investments quoted outside Malaysia	-	2,050
Net fair value gains	<u>920</u>	<u>12,235</u>
<u>AFS financial assets</u>		
Write back of impairment	-	-
<u>FVTPL financial assets – designated upon initial recognition</u>		
Fair value (loss)/gain on equity securities quoted in Malaysia	(16,853)	-
Fair value gain on debt securities	-	-
Fair value gain on structured investments quoted outside Malaysia	-	-
Net fair value loss	<u>(16,853)</u>	<u>-</u>

23 OTHER OPERATING INCOME/(EXPENSES)

	<u>2018</u> RM'000	<u>2017</u> RM'000
GROUP AND COMPANY		
(a) <u>Other operating income</u>		
Rebate of fund management fee income	2,287	1,393
Unrealised foreign exchange gains	914	16
	<u>3,201</u>	<u>1,409</u>
(b) <u>Other operating expenses</u>		
Interest expense on future deposit funds attributable to policyholders	(1,520)	(2,400)
Bad debts written off	(972)	-
Interest penalties charge	(9)	-
	<u>(2,501)</u>	<u>(2,400)</u>

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24 MANAGEMENT EXPENSES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Staff costs (Note (a))	34,042	32,355	34,042	32,355
<u>Directors' remuneration:</u>				
Directors' fees and allowances for Non-Executive Directors (Note (b))	513	717	513	717
Salaries and other emoluments for Executive Director (Note (b))	1,167	1,883	1,167	1,883
Management and consultancy fees	5,111	7,823	4,530	7,551
Advertising expenses	8,209	5,786	8,209	5,786
Direct marketing expenses	2,324	5,746	2,324	5,746
IT expenses and software license fees	11,627	9,639	11,627	9,639
Bank charges and collection fees	2,390	2,833	2,390	2,833
Rental of premises	2,621	2,631	2,621	2,631
<u>Auditors' remuneration *:</u>				
Statutory audit				
- Current financial year	241	219	234	212
- Over accrual in respect of prior financial year	-	(70)	-	(70)
- Non-audit services	62	35	62	35
Depreciation of property and equipment (Note 5)	1,150	1,046	1,150	1,046
Depreciation of investment Property (Note 6)	6	6	6	6
Amortisation of intangible assets (Note 7)	3,547	3,002	3,547	3,002
Allowance for impairment of other receivables (Note 33 (a))	(1,668)	1,956	(1,668)	1,956
Other expenses	11,447	11,821	10,614	10,445
	82,789	87,428	81,368	85,773

* there is no indemnity given or insurance effected for the auditors for both financial years.

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24 **MANAGEMENT EXPENSES (CONTINUED)**

(a) **Staff costs**

GROUP AND COMPANY	<u>2018</u> RM'000	<u>2017</u> RM'000
Salary and bonus	28,035	27,968
Defined contribution plan	3,919	3,315
Other benefits	2,088	1,072
	<u>34,042</u>	<u>32,355</u>

(b) The Directors of the Company in office during the financial year were as follows:

Non-Executive Directors

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid
Tan Sri Dato' Mohd Ghazali Bin Mohd Yusoff
Jean, Paul, Dominique, Louis Drouffe
Chong Kwai Ying
Mazhairul Jamaludin

Executive Director/Chief Executive Officer

Loke Kah Meng (resigned as Chief Executive Officer and Executive Director w.e.f. 1 August 2017).

Rohit Chandrasekharan Nambiar (appointed as Chief Executive Officer w.e.f. 15 December 2017).

The aggregate amount of emoluments received and receivable by the Non-Executive Directors of the Company during the financial year were as follows:

GROUP AND COMPANY	<u>2018</u> RM'000	<u>2017</u> RM'000
- Fees	396	435
- Meeting allowances	117	117
- Other emoluments	-	165
	<u>513</u>	<u>717</u>

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24 MANAGEMENT EXPENSES (CONTINUED)

(b) The Directors of the Company in office during the financial year were as follows: (continued)

The number of Non-Executive Directors whose total remuneration received or receivable during the financial year are analysed by the following bands:

	<u>Number of Non-Executive Directors</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
RM10,001 – RM100,000	2	2
RM100,001 – RM200,000	3	4
	<u> </u>	<u> </u>

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,167,000 (2017: RM1,883,000).

GROUP AND COMPANY	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
- Salary and bonus	861	1,208
- Defined contribution plan	129	181
- Other benefits	177	494
	<u> </u>	<u> </u>
	<u>1,167</u>	<u>1,883</u>

25 TAXATION

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Tax expense on the profit for the financial year:				
Current tax	4,179	4,080	4,126	4,065
Deferred tax (Note 17)	(3,443)	(5,060)	(3,443)	(5,060)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Overprovision in prior financial years	736	(980)	683	(995)
	(6)	(267)	(6)	(267)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>730</u>	<u>(1,247)</u>	<u>677</u>	<u>(1,262)</u>

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25 TAXATION (CONTINUED)

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

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Loss before taxation attributable to Shareholders	(8,840)	(22,504)	(6,565)	(25,685)
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(2,122)	(5,401)	(1,576)	(6,164)
Non-deductible expenses for tax purposes	1,396	821	797	1,569
Overprovision in prior financial years	(6)	(267)	(6)	(267)
Total	(732)	(4,847)	(785)	(4,862)

26 BASIC LOSS PER SHARE

Basic earnings per share of the Group and Company are calculated by dividing the net loss for the financial year attributable to ordinary shareholders of the Group and Company by the weighted average number of ordinary shares in issue during the financial year.

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Net loss attributable to ordinary shareholders (RM'000)	(8,108)	(17,657)	(5,780)	(20,823)
Weighted average number of shares in issue ('000)	398,000	371,206	398,000	371,206
Basic loss per share (sen)	(2.04)	(4.76)	(1.45)	(5.61)

Diluted earnings per share are not presented as there is no dilutive potential ordinary shares as at the date of the statement of financial position.

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27 CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net loss for the financial year	(8,108)	(17,657)	(5,780)	(20,823)
<u>Non-cash items:</u>				
Taxation	730	(1,247)	677	(1,262)
Investment income	(62,643)	(61,040)	(67,115)	(58,165)
Depreciation of property and equipment	1,150	1,046	1,150	1,046
Depreciation of investment property	6	6	6	6
Amortisation of intangible assets	3,547	3,002	3,547	3,002
(Gain)/Loss on disposal of financial assets	(2,061)	(11,251)	1,557	(9,290)
Net fair value loss/(gain) on FVTPL financial assets	15,933	(10,368)	15,933	(10,368)
Write back of impairment on AFS financial assets	-	(1,867)	-	(1,867)
(Write back)/allowance for impairment on other receivables	(1,668)	1,956	(1,668)	1,956
<u>Changes in working capital:</u>				
Increase in loans	(620)	(2,021)	(620)	(2,021)
Decrease/(increase) in fixed and call deposits	17,764	(11,298)	17,764	(11,298)
Decrease/(increase) in insurance receivables	693	(356)	693	(356)
Increase in other receivables	(2,119)	(3,447)	(2,134)	(790)
Decrease/(increase) in reinsurance assets	796	(4,651)	796	(4,651)
Increase in insurance contract liabilities	170,971	239,922	170,971	239,922
Increase in insurance claims liabilities	9,534	8,091	9,534	8,091
Decrease in insurance payables	(20,183)	(21,854)	(20,183)	(21,854)
Increase/(decrease) in reinsurance payables	2,427	(449)	2,427	(449)
Increase in other payables	26,717	25,481	29,059	24,194
Cash flows generated from operating activities	152,866	131,998	156,614	135,023

28 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments of the non-cancellable operating lease commitments are as follows:

GROUP AND COMPANY	2018	2017
	RM'000	RM'000
Not later than 1 year	937	2,683
Later than 1 year and not later than 5 years	678	690
	1,615	3,373

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

29 CAPITAL COMMITMENTS

There are no capital commitments as at the end of the financial year (2017:Nil).

30 RELATED PARTY DISCLOSURES

The related parties of, and their relationships with the Group and the Company, are as follows:

<u>Name of company</u>	<u>Relationship</u>
AFFIN Bank Berhad ("AFFIN")	Entity which has joint control over the Company
National Mutual International Pty Ltd ("NMI")	Entity which has joint control over the Company
AXA S.A.	Holding company of NMI
AXA Asia	Subsidiary of AXA S.A.
AXA Asia Regional Centre Pte Ltd	Subsidiary of AXA S.A.
AXA Global Life SA	Subsidiary of AXA S.A.
AXA Technology Services Asia HK Ltd	Subsidiary of AXA Services SAS
AXA Asia Pacific Holdings Ltd	Subsidiary of AXA S.A.
AXA China Region Insurance Ltd	Subsidiary of AXA S.A.
AXA Group Solutions Asia Limited	Subsidiary of AXA Services SAS
GI AXA Universite	Subsidiary of AXA S.A.
AFFIN Holdings Berhad	Ultimate holding corporate body of AFFIN
AFFIN Investment Bank Berhad	Subsidiary of AFFIN
AFFIN Hwang Asset Management Berhad	Subsidiary of AFFIN Investment Bank Bhd
AFFIN Moneybrokers Sdn. Bhd.	Subsidiary of AFFIN
AXA AFFIN General Insurance Berhad	Associate of AFFIN
Boustead Holdings Berhad ("Boustead")	Entity which has significant influence over AFFIN
Boustead Hotels and Resorts Sdn Bhd	Subsidiary of Boustead
Boustead Travel and Services Sdn Bhd	Subsidiary of Boustead
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body of Boustead, which is a government-linked company of the Government of Malaysia
Irat Hotels and Resorts Sdn Bhd	Subsidiary of LTAT
Perbadanan Perwira Harta Malaysia	Subsidiary of LTAT
Johan Ceramics Berhad	Subsidiary of LTAT

The Group and the Company does not have any individually or collectively significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities.

In the normal course of business, the Group and the Company undertakes at agreed terms and prices negotiated between the related parties, various transactions with other companies deemed related parties by virtue of being subsidiaries of AFFIN (collectively known as AFFIN Group), subsidiaries of Boustead (collectively known as Boustead Group), subsidiaries of LTAT (collectively known as LTAT Group) and subsidiaries of AXA S.A. (collectively known as AXA Group).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

30 RELATED PARTY DISCLOSURES (CONTINUED)

- (a) The significant related party transactions entered into during the financial year and balances as at the financial year end between the Group and Company and the related parties are set out below.

GROUP AND COMPANY	<u>2018</u> RM'000	<u>2017</u> RM'000
<u>Transactions with AFFIN Group</u>		
AFFIN Holdings Berhad		
- Gross premium	2	23
- Training expenses	-	(69)
AFFIN Bank Berhad		
- Gross premium	1,270	793
- Commission expenses	(5,623)	(4,404)
- Officer liability insurance	(55)	-
AFFIN Hwang Investment Bank Berhad		
- Gross premium	294	332
AFFIN Hwang Asset Management Berhad		
- Gross premium	357	363
- Fund management fee expenses	(701)	(615)
AFFIN Moneybrokers Sdn. Bhd.		
- Gross premium	22	-
AXA AFFIN General Insurance Berhad		
- Gross premium	308	541
	<u>(4,126)</u>	<u>(3,036)</u>
<u>Transactions with Boustead Group</u>		
Boustead Holdings Berhad		
- Gross premium	97	95
Boustead Travel and Services Sdn Bhd		
- Provision for travel services	(328)	(1,051)
Boustead Hotels and Resorts Sdn Bhd		
- Provision for hotel services	(31)	(73)
	<u>(262)</u>	<u>(1,029)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

30 RELATED PARTY DISCLOSURES (CONTINUED)

- (a) The significant related party transactions entered into during the financial year and balances as at the financial year end between the Group and the Company and the related parties are set out below. (continued)

	<u>2018</u> RM'000	<u>2017</u> RM'000
<u>Transactions with LTAT Group</u>		
Irat Hotels and Resorts Sdn Bhd		
- Rental of office and utility expenses	(1,844)	(1,907)
Perbadanan Perwira Harta Malaysia		
- Gross premium	96	102
	<u>(1,748)</u>	<u>(1,805)</u>
<u>Transactions with AXA Group</u>		
AXA Asia		
- Reimbursements of software development costs	-	(3,839)
- Management and consultancy fees	(1,753)	(3,139)
- IT expenses and software license fees	(71)	(7,357)
- Undercharge for the reimbursement of software Development in prior year	(61)	-
- Overcharge for IT expenses and software license fee in prior year	517	-
- Overcharge for management and consultancy fees in prior year	634	-
	<u>(734)</u>	<u>(14,335)</u>
AXA Technology Services Asia HK Ltd		
- Reimbursements of software development costs	(5,301)	-
- IT expenses and software license fees	(9,289)	-
- SFDC for Distributor & SFDC servicing CRM	(219)	-
AXA Asia Pacific Holdings Ltd		
- Director's fee	(110)	(61)
- MDRT Convention	(56)	-
AXA China Region Insurance Ltd		
- MDRT Convention	(42)	-
GI AXA Universite		
- License & online course costs	(26)	-
AXA Group Solutions Asia Limited		
- SFDC for Distributor & SFDC servicing CRM	(559)	-
AXA Asia Regional Centre Pte Ltd		
- Training costs	-	(294)
	<u>(16,336)</u>	<u>(14,690)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

30 RELATED PARTY DISCLOSURES (CONTINUED)

- (a) The significant related party transactions entered into during the financial year and balances as at the financial year end between the Group and the Company and the related parties are set out below. (continued)

	<u>2018</u> RM'000	<u>2017</u> RM'000
Amount due to AXA Asia included in other payables (Note 19)	<u>18,237</u>	<u>8,515</u>

- (b) Compensation of key management personnel

Key management personnel represents persons with the authority and responsibility for planning, directing and controlling the activities of the Group and Company either directly or indirectly.

The key management personnel of the Group and the Company comprised of the Board of Directors and the senior management team.

Total compensation paid and payable to the Group and Company's key management personnel during the financial year are as follows:

	<u>2018</u> RM'000	<u>2017</u> RM'000
GROUP AND COMPANY		
Salary, bonus and benefits	4,255	5,755
Defined contribution plan	620	772
Other benefits	308	859
Directors' fees and allowances	513	717
	<u>5,696</u>	<u>8,103</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

31 RISK MANAGEMENT FRAMEWORK

The Group and Company are exposed to insurance risk, investment risk, market risk, credit risk, liquidity risk and capital risk. Responsibility for managing the risks vests with the Group and Company's management with reference to policies. The Company's risk management and investment policies are guided by the Financial Services Act, 2013 ('FSA'), Bank Negara Malaysia ('BNM') Risk Governance Policy, Risk-Based Capital ('RBC') Framework and AXA Asia Risk Management Policy.

Insurers have to comply with the FSA, including guidelines on investment limits under the Risk-Based Capital Framework. The responsibility for formulation, establishment and approval of the Group and Company's investment policies rest with the Board of Directors ('the Board'). The Board exercises oversight on the investments to safeguard the interest of the policyholders and shareholders.

(a) Risk management framework

The Group and Company's risk management framework ("the framework") is adopted from AXA Group ("the Group") risk management policy. The framework was approved by the Group and Company's Board Risk Management Committee. The framework will undergo annual review to reflect changes in the operating environment and changes to the Group's policies.

The Board is responsible for maintaining and approving the risk management framework and for monitoring performance against it while the management is responsible for implementation of the framework and ensuring the business is managed in accordance with it. The day to day management of risk is delegated through the CEO to management supported by a central risk management function. The management is also responsible for promoting a high performance culture where effective risk management is embedded within the day-to-day business activities, and is encouraged and rewarded.

Key to the framework is the concept of the "three lines of defence" for managing risk. The first line of defence is the CEO, senior management, managers and employee of the Group and Company. The second line is made up of the compliance and risk functions which provide management support and "check and balance". The second line of defence also consists of the various management committees which are established to assist the Board and its board committees in the monitoring and oversight responsibilities. The management committees include the Local Management Audit & Compliance Committee ('LMACC'), Local Risk Committee ('LRC'), Local Management Investment Committee ('LMIC') and Local Product Management Committee ('LPMC'). The third line of defence consists of internal audit that provides independent assurance.

(b) Capital management objectives, policies and approach

The capital management framework is set up to ensure that the regulatory and internal solvency requirements of the Group and Company will be met at all times, and at the same time, ensuring the optimal utilisation of capital.

The RBC Framework for the insurance industry came into effect from 1 January 2009. Under the RBC Framework, insurers are required to maintain a capital adequacy level that commensurate with their risk profiles. The minimum regulatory capital adequacy ratio is 130%. The Group and Company also has its own Individual Target Capital Level, which is higher than the minimum regulatory requirement to ensure that the Group and Company could withstand adverse economic and insurance shocks.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

31 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital management objectives, policies and approach (continued)

The capital structure of the Company as at 31 December 2018, as prescribed under the RBC Framework, is shown below:

	<u>2018</u> RM'000	<u>2017</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	398,000	398,000
Accumulated losses	(101,092)	(95,312)
Eligible contract liabilities	100,184	95,322
	<u>397,092</u>	<u>398,010</u>
<u>Tier 2 Capital</u>		
Available-for-sale	8,033	22,719
Amounts deducted from capital	(116,105)	(111,382)
Total capital available	<u><u>289,020</u></u>	<u><u>309,347</u></u>

The Company has met the minimum capital requirements specified in the RBC Framework for the financial years ended 31 December 2018 and 31 December 2017.

(c) Governance and regulatory framework

The Group and Company's governance and regulatory framework comprises the Board sub committees which includes amongst others the Board Audit and Compliance Committee, Board Investment Committee and the Board Risk Management Committee. These committees' functions are primarily to assist the Board in fulfilling its governance and oversight responsibilities especially in the areas of managing risks, non compliance and ensuring that the management has put in place effective controls as well as reviews of major policies.

The Board is aware that a well-defined corporate governance and regulatory framework is beneficial only if it is adhered and internalised by all the staff. Hence, management committees such as the LMACC, LRC, LPMC, and LMIC have been mandated to provide management oversight on the Company's day-to-day activities and to provide timely and periodic update to the Board/Board Committees. The Group has also supported the local management in terms of participation in the local management committees' meetings, sharing of new practices, key policies and processes.

The Board also recognises that strong governance and regulatory framework would require proper and timely dissemination of new regulations and policies from both the Group as well as external supervisory bodies such as BNM or LIAM. As such, when new laws and policies are introduced, the management has the responsibility to analyse, summarise the impact of the regulations to the Company and to promptly table this to the next available Board meeting. Likewise these new laws are also communicated to staff via emails and through meetings. In addition, periodic trainings and briefings on regulatory subjects are also conducted to the staff (especially newer staff) to ensure that they are familiar with the requirements and to help establish a strong culture of adherence.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

32 **INSURANCE RISK**

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The principal risk that the Group and Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities. Such risks are managed by adherence to established underwriting guidelines and limits as well as seeking the appropriate reinsurance covers.

The underwriting strategy is intended to ensure that risks underwritten are well diversified in terms of the type of risk and the level of insured benefits.

Stress testing is performed annually by the Appointed Actuary, for endorsement by the Board and to be submitted to BNM. The purpose of the stress testing is to assess the solvency of the Life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, interest rate environment, expense patterns, mortality/morbidity patterns and lapse rates. Appropriate actions are taken by the management to ensure the Company maintains a sound financial position in the long term.

The Group and Company uses reinsurance to manage its mortality and morbidity risk. The Company's reinsurance management strategy and policy are reviewed regularly. Reinsurance arrangements are set based on the type of risk. Retention limits for mortality risk per life for individual and group contracts are limited to a maximum of RM250,000 and RM300,000 respectively.

Concentration of risk may arise where a particular event or series of events could significantly impact the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and related to the circumstances where significant liabilities could arise.

Only reinsurers meeting a minimum credit rating are considered when deciding on which reinsurers to reinsure the Company's risk.

The table below shows the concentration of the actuarial liabilities by class of business:

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>At 31 December 2018</u>			
Whole life	116,880	-	116,880
Term assurance	17,534	(2,569)	14,965
Endowment	763,840	-	763,840
Mortgage	135,034	(24,094)	110,940
Investment-linked	295,651	-	295,651
Others	85,616	(1,153)	84,463
	<u>1,414,555</u>	<u>(27,816)</u>	<u>1,386,739</u>

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32 **INSURANCE RISK (CONTINUED)**

The table below shows the concentration of the insurance contract liabilities by class of business:
(continued)

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>At 31 December 2017</u>			
Whole life	103,276	-	103,276
Term assurance	11,747	(1,340)	10,407
Endowment	687,069	-	687,069
Mortgage	134,003	(25,422)	108,581
Investment-linked	233,890	-	233,890
Others	75,843	(1,148)	74,695
Total	<u>1,245,828</u>	<u>(27,910)</u>	<u>1,217,918</u>

As all of the business are derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

<u>Scenario</u>	<u>Key assumption</u>	<u>Change in assumption</u>
1	Mortality/Morbidity	+20%
2	Mortality/Morbidity	-20%
3	Lapse and surrender	+20%
4	Lapse and surrender	-20%
5	Risk free rate	+50bps
6	Risk free rate	-50bps
7	Expenses	+20%

The assumptions that have the greatest effect on the statement of financial position and profit or loss of the Company are listed below by portfolio assumptions impacting gross and net actuarial liabilities.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

32 INSURANCE RISK (CONTINUED)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial 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. Sensitivity information will also vary according to the current economic assumptions.

	Change in <u>assumptions</u> %	Impact on gross actuarial <u>liabilities</u> RM'000	Impact on net actuarial <u>liabilities</u> RM'000	Impact on profit <u>before tax</u> RM'000	Impact on <u>equity*</u> RM'000
<u>2018</u>					
Mortality/Morbidity	+20	33,092	18,978	(17,486)	(13,289)
Mortality/Morbidity	-20	(28,829)	(15,366)	13,939	10,594
Lapse and surrender rates	+20	(126)	647	(1,618)	(1,230)
Lapse and surrender rates	-20	107	(709)	1,748	1,329
Risk free rate	+50bps	(11,751)	(10,902)	10,902	8,286
Risk free rate	-50bps	14,253	12,642	(12,642)	(9,608)
Expenses	+20	11,447	11,447	(11,447)	(8,700)
<u>2017</u>					
Mortality/Morbidity	+20	32,314	16,746	(15,315)	(11,639)
Mortality/Morbidity	-20	(28,679)	(13,915)	12,524	9,518
Lapse and surrender rates	+20	861	1,740	(2,683)	(2,039)
Lapse and surrender rates	-20	(892)	(1,822)	2,859	2,172
Risk free rate	+50bps	(10,916)	(10,071)	10,071	7,654
Risk free rate	-50bps	13,633	11,934	(11,934)	(9,070)
Expenses	+20	11,490	11,490	(11,490)	(8,733)

* Impact on equity reflects adjustment for tax, where applicable. The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

33 FINANCIAL RISKS

(a) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet payment obligations of principal and/or interest. The Company has a credit policy in place for its investment funds and the exposure to credit risk is monitored on an ongoing basis.

All bond investments must carry a minimum rating of A or P1 by rating agencies established in Malaysia or by any internationally recognised rating agency as outlined in the Company's manual of investment policies approved by the Board.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 **FINANCIAL RISKS (CONTINUED)**

(a) **Credit risk (continued)**

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

GROUP	Life and Shareholders' funds <u>RM'000</u>	Investment -linked funds <u>RM'000</u>	<u>Total</u> RM'000
<u>At 31 December 2018</u>			
AFS financial assets:			
MGS and debt securities	778,575	-	778,575
FVTPL financial assets – designated at inception:			
MGS and debt securities	215,098	45,157	260,255
Loans and receivables:			
Policy and mortgage loans	22,051	-	22,051
Fixed and call deposits	51,244	-	51,244
Dividend receivables	174	-	174
Amount due from brokers	812	-	812
Reinsurance assets	32,404	-	32,404
Insurance receivables	14,841	-	14,841
Other receivables *	3,859	127	3,986
Cash and cash equivalents	87,116	22,954	110,070
	<u>1,206,174</u>	<u>68,238</u>	<u>1,274,412</u>
<u>At 31 December 2017</u>			
AFS financial assets:			
MGS and debt securities	712,801	-	712,801
FVTPL financial assets – designated at inception:			
MGS and debt securities	191,131	35,124	226,255
Loans and receivables:			
Policy and mortgage loans	20,332	-	20,332
Fixed and call deposits	68,935	-	68,935
Dividend receivables	159	-	159
Amount due from brokers	1,967	-	1,967
Reinsurance assets	33,200	-	33,200
Insurance receivables	15,534	-	15,534
Other receivables *	3,222	136	3,358
Cash and cash equivalents	37,068	14,325	51,393
	<u>1,084,349</u>	<u>49,585</u>	<u>1,133,934</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

COMPANY	Life and Shareholders' funds <u>RM'000</u>	Investment -linked funds <u>RM'000</u>	<u>Total</u> RM'000
<u>At 31 December 2018</u>			
AFS financial assets:			
MGS and debt securities	778,575	-	778,575
FVTPL financial assets – designated at inception:			
MGS and debt securities	215,098	45,157	260,255
Loans and receivables:			
Policy and mortgage loans	22,051	-	22,051
Fixed and call deposits	51,244	-	51,244
Reinsurance assets	32,404	-	32,404
Insurance receivables	14,841	-	14,841
Other receivables *	3,859	127	3,986
Cash and cash equivalents	31,489	22,954	54,443
	<u>1,149,561</u>	<u>68,238</u>	<u>1,217,799</u>
<u>At 31 December 2017</u>			
AFS financial assets:			
MGS and debt securities	712,801	-	712,801
FVTPL financial assets – designated at inception:			
MGS and debt securities	191,131	35,124	226,255
Loans and receivables:			
Policy and mortgage loans	20,332	-	20,332
Fixed and call deposits	68,935	-	68,935
Reinsurance assets	33,200	-	33,200
Insurance receivables	15,534	-	15,534
Other receivables *	3,222	136	3,358
Cash and cash equivalents	19,710	14,325	34,035
	<u>1,064,865</u>	<u>49,585</u>	<u>1,114,450</u>

* Other receivables exclude prepayments

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group and Company by classifying assets according to the Rating Agency of Malaysia ('RAM'), Malaysian Rating Corporation Berhad ('MARC') and Standard & Poors ('S & P') credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to A are classified as speculative grade.

The table below provides information regarding the credit risk exposure of the Group and Company by classifying assets according to the Company's credit ratings of counterparties.

GROUP

At 31 December 2018

	AAA		AA		Neither past-due nor impaired		Investment-linked funds	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	A	Not rated	RM'000				
AFS financial assets:										
MGS and debt securities	274,067	87,793	-	-	416,715	-	-	-	-	778,575
FVTPL financial assets – designated at inception:										
MGS and debt securities	77,433	26,130	-	-	111,535	45,157	-	-	-	260,255
Loans and receivables:										
Policy and mortgage loans	-	-	-	-	22,051	-	-	-	-	22,051
Fixed and call deposits	12,842	37,227	-	-	1,175	-	-	-	-	51,244
Dividend receivables	-	-	-	-	174	-	-	-	-	174
Amount due from brokers	812	-	-	-	-	-	-	-	-	812
Reinsurance assets	-	32,121	-	-	283	-	-	-	-	32,404
Insurance receivables	-	-	-	-	14,841	-	-	-	-	14,841
Other receivables	-	-	-	-	1,582	127	-	-	2,277	3,986
Cash and cash equivalents	71,653	13,450	20	20	1,993	22,954	-	-	-	110,070
	436,807	196,721	20	20	570,349	68,238	-	-	2,277	1,274,412

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

GROUP	AAA		AA		Neither past-due nor impaired		Investment-linked funds	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	A	RM'000	RM'000				
<u>At 31 December 2017</u>										
AFS financial assets:										
MGS and debt securities	261,338	71,578	-	-	379,885	-	-	-	-	712,801
FVTPL financial assets – designated at inception:										
MGS and debt securities	77,008	5,106	-	-	109,017	35,124	-	-	-	226,255
Loans and receivables:										
Policy and mortgage loans	-	-	-	-	20,332	-	-	-	-	20,332
Fixed and call deposits	7,686	60,115	-	-	1,134	-	-	-	-	68,935
Dividend receivables	-	-	-	-	159	-	-	-	-	159
Amount due from brokers	1,967	-	-	-	-	-	-	-	-	1,967
Reinsurance assets	-	32,917	-	-	283	-	-	-	-	33,200
Insurance receivables	-	-	-	-	15,534	-	-	-	-	15,534
Other receivables	-	-	-	-	(722)	136	-	-	3,944	3,358
Cash and cash equivalents	32,634	3,692	50	50	692	14,325	-	-	-	51,393
	<u>380,633</u>	<u>173,408</u>	<u>50</u>	<u>50</u>	<u>526,314</u>	<u>49,585</u>	<u>-</u>	<u>3,944</u>	<u>-</u>	<u>1,133,934</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and Company by classifying assets according to the Company's credit ratings of counterparties. (continued)

COMPANY	Neither past-due nor impaired			Investment-linked funds RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000				
<u>At 31 December 2018</u>							
AFS financial assets:							
MGS and debt securities	274,067	87,793	-	-	-	-	778,575
FVTPL financial assets – designated at inception:							
MGS and debt securities	77,433	26,130	-	45,157	-	-	260,255
Loans and receivables:							
Policy and mortgage loans	-	-	-	-	-	-	22,051
Fixed and call deposits	12,842	37,227	-	-	-	-	51,244
Reinsurance assets	-	32,121	-	-	-	-	32,404
Insurance receivables	-	-	-	-	-	-	14,841
Other receivables	-	-	-	127	-	2,277	3,986
Cash and cash equivalents	16,026	13,450	20	22,954	-	-	54,443
	<u>380,368</u>	<u>196,721</u>	<u>20</u>	<u>68,238</u>	<u>-</u>	<u>2,277</u>	<u>1,217,799</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and Company by classifying assets according to the Company's credit ratings of counterparties. (continued)

COMPANY	AAA	Neither past-due nor impaired			Investment-linked funds	Past due but not impaired	Past due and impaired	Total
	RM'000	AA	A	Not rated				
At 31 December 2017								
AFS financial assets:								
MGS and debt securities	261,338	71,578	-	379,885	-	-	-	712,801
FVTPL financial assets -- designated at inception:								
MGS and debt securities	77,008	5,106	-	109,017	35,124	-	-	226,255
Loans and receivables:								
Policy and mortgage loans	-	-	-	20,332	-	-	-	20,332
Fixed and call deposits	7,686	60,115	-	1,134	-	-	-	68,935
Reinsurance assets	-	32,917	-	283	-	-	-	33,200
Insurance receivables	-	-	-	15,534	-	-	-	15,534
Other receivables	-	-	-	(722)	136	-	3,944	3,358
Cash and cash equivalents	15,276	3,692	50	692	14,325	-	-	34,035
	361,308	173,408	50	526,155	49,585	-	3,944	1,114,450

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 **FINANCIAL RISKS (CONTINUED)**

(a) **Credit risk (continued)**

Credit exposure by credit rating (continued)

It is the Group and Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group and Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The Group and Company have not provided the credit risk analysis for the financial assets of the unit-linked business. This is due to the fact that for unit-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in these assets.

The Group and Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Impaired financial assets

As at 31 December 2018, there are no impaired insurance receivables (2017: RM Nil).

As at 31 December 2018, based on the individual assessment of other receivables, there are impaired receivables of RM2,277,000 (2017: RM3,945,000). A reconciliation of the allowance for impairment loss on other receivables is as follows:

GROUP AND COMPANY	<u>2018</u> RM'000	<u>2017</u> RM'000
At 1 January	3,945	1,989
(Write back)/ allowance for impairment during the financial year (Note 24)	(1,668)	1,956
At 31 December (Note 11)	<u>2,277</u>	<u>3,945</u>

As at 31 December 2018, based on the individual assessment of available-for-sale financial assets, there are impaired available-for-sale financial assets of RM824,000 (2017: RM824,000). A reconciliation of the allowance for impairment loss on available-for-sale financial assets is as follows:

GROUP AND COMPANY	<u>2018</u> RM'000	<u>2017</u> RM'000
At 1 January	824	2,691
Write back of impairment during the financial year (Note 22)	-	(1,867)
At 31 December	<u>824</u>	<u>824</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 **FINANCIAL RISKS (CONTINUED)**

(b) **Liquidity risk**

Liquidity risk is the risk of the Group and Company being unable to meet its obligations at a reasonable cost or at any time. The Group and Company manages this risk by holding sufficient quantity of liquid investments that can be readily converted to cash.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group and Company based on remaining undiscounted contractual obligations, including interest payable and receivable. 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. Repayments which are subject to notice are treated as if notice were to be given immediately.

GROUP	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Total</u> RM'000
<u>At 31 December 2018</u>						
<u>AFS financial assets:</u>						
Equity securities	131,217	-	-	-	131,217	131,217
MGS and debt securities	778,575	65,965	194,589	890,409	-	1,150,963
Investment-linked funds	18,648	-	-	-	18,648	18,648
Unit and property trust funds	210,616	-	-	-	210,616	210,616
<u>FVTPL financial assets – designated at inception:</u>						
MGS and debt securities	260,255	39,740	96,621	237,511	-	373,872
Equity securities	70,513	-	-	-	70,513	70,513
Unit and property trust funds	140,426	-	-	-	140,426	140,426
<u>Loans and receivables:</u>						
Policy and mortgage loans	22,051	22,051	-	-	-	22,051
Fixed and call deposits	51,244	51,244	-	-	-	51,244
Dividend receivables	174	174	-	-	-	174
Amount due from brokers	812	812	-	-	-	812
Reinsurance assets	32,404	5,759	1,828	24,817	-	32,404
Insurance receivables	14,841	14,841	-	-	-	14,841
Other receivables	3,986	820	1,002	-	2,164	3,986
Cash and cash equivalents	110,070	110,070	-	-	-	110,070
Total assets	1,845,832	311,476	294,040	1,152,737	573,584	2,331,837
Insurance contract liabilities	1,412,469	342,129	28,844	1,044,077	19,695	1,434,745
Insurance claims liabilities	31,723	31,723	-	-	-	31,723
Insurance payables	43,728	30,995	10,924	1,809	-	43,728
Reinsurance payables	10,524	10,524	-	-	-	10,524
Other payables	142,261	140,626	1,634	-	-	142,260
Total liabilities	1,640,705	555,997	41,402	1,045,886	19,695	1,662,980

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 **FINANCIAL RISKS (CONTINUED)**

(b) **Liquidity risk (continued)**

Maturity profiles (continued)

GROUP	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Total</u> RM'000
<u>At 31 December 2017</u>						
<u>AFS financial assets:</u>						
Equity securities	136,532	-	-	-	136,532	136,532
MGS and debt securities	712,801	56,860	216,241	762,181	-	1,035,282
Investment-linked funds	19,525	-	-	-	19,525	19,525
Unit and property trust funds	204,689	-	-	-	204,689	204,689
<u>FVTPL financial assets – designated at inception:</u>						
MGS and debt securities	226,255	17,644	119,635	168,952	-	306,231
Equity securities	73,458	-	-	-	73,458	73,458
Unit and property trust funds	94,116	-	-	-	94,116	94,116
<u>Loans and receivables:</u>						
Policy and mortgage loans	20,332	20,329	3	-	-	20,332
Fixed and call deposits	68,935	68,935	-	-	-	68,935
Dividend receivables	159	159	-	-	-	159
Amount due from brokers	1,967	1,967	-	-	-	1,967
Reinsurance assets	33,200	6,465	2,357	24,378	-	33,200
Insurance receivables	15,534	15,534	-	-	-	15,534
Other receivables	3,358	194	1,000	-	2,164	3,358
Cash and cash equivalents	51,393	51,393	-	-	-	51,393
Total assets	1,662,254	239,480	339,236	955,511	530,484	2,064,711
Insurance contract liabilities	1,254,427	296,061	20,919	936,710	10,084	1,263,774
Insurance claims liabilities	22,189	22,189	-	-	-	22,189
Insurance payables	63,911	20,241	38,818	4,852	-	63,911
Reinsurance payables	8,097	8,097	-	-	-	8,097
Other payables	113,922	109,002	4,920	-	-	113,922
Total liabilities	1,462,546	455,590	64,657	941,562	10,084	1,471,893

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 **FINANCIAL RISKS (CONTINUED)**

(b) **Liquidity risk (continued)**

Maturity profiles (continued)

COMPANY	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>At 31 December 2018</u>						
<u>AFS financial assets:</u>						
Equity securities	42,435	-	-	-	42,435	42,435
MGS and debt securities	778,575	65,965	194,589	890,409	-	1,150,963
Investment-linked funds	18,648	-	-	-	18,648	18,648
Unit and property trust funds	335,699	-	-	-	335,699	335,699
<u>FVTPL financial assets – designated at inception:</u>						
MGS and debt securities	260,255	39,740	96,621	237,511	-	373,872
Equity securities	70,513	-	-	-	70,513	70,513
Unit and property trust funds	140,426	-	-	-	140,426	140,426
<u>Loans and receivables:</u>						
Policy and mortgage loans	22,051	22,051	-	-	-	22,051
Fixed and call deposits	51,244	51,244	-	-	-	51,244
Reinsurance assets	32,404	5,759	1,828	24,817	-	32,404
Insurance receivables	14,841	14,841	-	-	-	14,841
Other receivables	3,986	820	1,002	-	2,164	3,986
Cash and cash equivalents	54,443	54,443	-	-	-	54,443
Total assets	1,825,520	254,863	294,040	1,152,737	609,885	2,311,525
Insurance contract liabilities	1,412,469	342,129	28,844	1,044,077	19,695	1,434,745
Insurance claims liabilities	31,723	31,723	-	-	-	31,723
Insurance payables	43,728	30,995	10,924	1,809	-	43,728
Reinsurance payables	10,524	10,524	-	-	-	10,524
Other payables	141,797	140,163	1,634	-	-	141,797
Total liabilities	1,640,241	555,534	41,402	1,045,886	19,695	1,662,517

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

COMPANY	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Total</u> RM'000
<u>At 31 December 2017</u>						
<u>AFS financial assets:</u>						
Equity securities	40,099	-	-	-	40,099	40,099
MGS and debt securities	712,801	56,860	216,241	762,181	-	1,035,282
Investment-linked funds	19,525	-	-	-	19,525	19,525
Unit and property trust funds	319,310	-	-	-	319,310	319,310
<u>FVTPL financial assets – designated at inception:</u>						
MGS and debt securities	226,255	17,644	119,635	168,952	-	306,231
Equity securities	73,458	-	-	-	73,458	73,458
Unit and property trust funds	94,116	-	-	-	94,116	94,116
<u>Loans and receivables:</u>						
Policy and mortgage loans	20,332	20,329	3	-	-	20,332
Fixed and call deposits	68,935	68,935	-	-	-	68,935
Reinsurance assets	33,200	6,465	2,357	24,378	-	33,200
Insurance receivables	15,534	15,534	-	-	-	15,534
Other receivables	3,358	194	1,000	-	2,164	3,358
Cash and cash equivalents	34,035	34,035	-	-	-	34,035
Total assets	1,660,958	219,996	339,236	955,511	548,672	2,063,415
Insurance contract liabilities	1,254,427	296,061	20,919	936,710	10,084	1,263,774
Insurance claims liabilities	22,189	22,189	-	-	-	22,189
Insurance payables	63,911	20,241	38,818	4,852	-	63,911
Reinsurance payables	8,097	8,097	-	-	-	8,097
Other payables	112,738	107,818	4,920	-	-	112,738
Total liabilities	1,461,362	454,406	64,657	941,562	10,084	1,470,709

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(c) Market risk

The net asset value of the Group and Company's investments may fluctuate due to changing economic, political and market conditions. Market risk is managed through portfolio diversification and asset allocation.

Currency risk

Currency risk is the risk whereby the value of the assets and liabilities will fluctuate due to changes in foreign exchange rates. Foreign exchange risk embodies not only the potential losses but also the potential for gains.

In the investment-linked business, the policyholders bear the currency risk on the foreign assets held in some of the investment-linked funds as the policy benefits are directly linked to the net asset value of the funds.

GROUP AND COMPANY	Hong Kong Dollar RM'000	Indonesia Rupiah RM'000	Korea Wons RM'000	Singapore Dollar RM'000	Taiwan Dollar RM'000	Total RM'000
<u>At 31 December 2018</u>						
Financial instruments:						
FVTPL	15,302	1,464	486	4,171	946	22,369
Total FVTPL - outside Malaysia	<u>15,302</u>	<u>1,464</u>	<u>486</u>	<u>4,171</u>	<u>946</u>	<u>22,369</u>
<u>At 31 December 2017</u>						
Financial instruments:						
FVTPL	9,018	1,464	3,676	4,169	1,000	19,327
Total FVTPL - outside Malaysia	<u>9,018</u>	<u>1,464</u>	<u>3,676</u>	<u>4,169</u>	<u>1,000</u>	<u>19,327</u>

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument and the underlying policy liabilities for which the assets are intended to fund will fluctuate due to changes in market interest rates. The Company aims to mitigate the impact of fluctuations in interest rates on its financial position by choosing an asset mix appropriate for its liabilities, subject to the current investments' market conditions, prices and availability of appropriate securities.

The Management Investment Committee regularly reviews the asset liabilities mismatch studies carried out by the Company and reviews the investment strategies to manage and monitor any net interest rate risk or asset liability mismatch risk.

The Group and Company are subject to some extent of duration mismatch due to the longer policy liabilities' duration than the available bond durations.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 **FINANCIAL RISKS (CONTINUED)**

(c) **Market risk (continued)**

Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of floating rate/yield financial assets) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

GROUP AND COMPANY	<u>Change in variables</u>	<u>Impact on profit before taxation</u> RM'000	<u>Impact on equity</u> RM'000
<u>At 31 December 2018</u>			
Risk free rate	+50 basis points	(7,564)	(5,749)
Risk free rate	-50 basis points	8,023	6,097
	<u>Change in variables</u>	<u>Impact on profit before taxation</u> RM'000	<u>Impact on equity</u> RM'000
<u>At 31 December 2017</u>			
Risk free rate	+50 basis points	(5,647)	(4,527)
Risk free rate	-50 basis points	5,936	4,730

The impact to the Company's equity arose from the Shareholders' fund and Non-participating life fund's investments in fixed income securities. The financial assets under the Shareholders' fund is classified as available-for-sale, while the fixed income securities under the Non-participating fund is classified as fair value through profit or loss financial assets designated upon initial recognition. The impact to the Company's profit before taxation arose from the fair value through profit or loss financial assets, which is from the Non-participating fund only. The impact arising from changes in interest rate risk to fixed income securities of the Participating life fund and Investment-linked funds are retained in the insurance contract liabilities.

Price risk

The Company is exposed to price risk arising from the investments held by the Company in equity securities, investment-linked funds, unit and property trust funds which are classified as available-for-sale financial assets and fair value through profit or loss financial assets designated upon initial recognition. To manage the price risk arising from investment in these securities, the Company diversifies its portfolio in accordance with the prescribed limits for each class of investments.

As liabilities are long-term in nature, a balanced approach between fixed income and equity securities is taken to achieve an appropriate balance.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

Price risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the investment in equity securities, investment-linked funds, unit and property trust funds, with all other variables held constant showing the impact to the Group and Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

GROUP AND COMPANY	<u>Change in variables</u>	<u>Impact on profit before taxation RM'000</u>	<u>Impact on equity RM'000</u>
<u>At 31 December 2018</u>			
Market price	+10%	-	13,252
Market price	-10%	-	(13,252)
<u>At 31 December 2017</u>			
Market price	+10%	-	12,779
Market price	-10%	-	(12,779)

The impact to the Group and Company's equity arose from the Shareholders' fund and Non-participating life fund's investments in equity securities, investment-linked funds, unit and property trust funds which are classified as available-for-sale financial assets. There is no impact to the Group and Company's profit before tax as the impact of changes in price risk to the equity securities, unit and property trust funds of the Participating life fund and Investment-linked funds are retained in the insurance contract liabilities.

34 INSURANCE FUNDS

The Group and Company's activities are organised by funds and segregated into the Life and Shareholders' funds in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996.

The Group and Company's statement of financial position and statement of profit or loss have been further analysed by funds.

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AXA AFFIN LIFE INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

34 INSURANCE FUNDS (CONTINUED)

STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2018

COMPANY

	Shareholders' fund		Life fund		Investment-linked funds		Elimination		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS										
Property and equipment	-	-	3,089	1,580	-	-	-	-	3,089	1,580
Investment property	-	-	249	255	-	-	-	-	249	255
Intangible assets	99,120	99,120	7,128	5,431	-	-	-	-	106,248	104,551
Investments	212,817	212,099	1,250,932	1,160,034	274,744	222,223	(18,647)	(19,525)	1,719,846	1,574,831
AFS financial assets	171,020	188,183	1,004,337	903,552	-	-	-	-	1,175,357	1,091,735
FVTPL financial assets	-	-	215,097	191,131	274,744	222,223	(18,647)	(19,525)	471,194	393,829
Loans and receivables	41,797	23,916	31,498	65,351	-	-	-	-	73,295	89,267
Reinsurance assets	-	-	32,404	33,200	-	-	-	-	32,404	33,200
Insurance receivables	-	-	14,841	15,534	-	-	-	-	14,841	15,534
Current tax assets	2,609	2,609	3,102	3,212	(1,633)	(1,363)	-	-	4,078	4,458
Deferred tax assets	9,560	6,831	(680)	(1,491)	575	(772)	-	-	9,455	4,568
Other receivables	8,902	8,021	3,597	16,054	509	8,261	(8,851)	(28,758)	4,157	3,578
Cash and cash equivalents	188	91	31,301	19,619	22,954	14,325	-	-	54,443	34,035
TOTAL ASSETS	333,196	328,771	1,345,963	1,253,428	297,149	242,674	(27,498)	(48,283)	1,948,810	1,776,590

AXA AFFIN LIFE INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

34 INSURANCE FUNDS (CONTINUED)

STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2018 (CONTINUED)

COMPANY

	Shareholders' fund		Life fund		Investment-linked funds		Elimination		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES										
Share capital	398,000	398,000	-	-	-	-	-	-	398,000	398,000
Accumulated losses	(101,092)	(95,312)	-	-	-	-	-	-	(101,092)	(95,312)
Available-for-sale reserve	11,661	12,540	-	-	-	-	-	-	11,661	12,540
TOTAL EQUITY	308,569	315,228	-	-	-	-	-	-	308,569	315,228
LIABILITIES										
Insurance contract liabilities	-	-	1,134,969	1,032,200	296,147	241,752	(18,647)	(19,525)	1,412,469	1,254,427
Insurance claims liabilities	-	-	31,723	22,189	-	-	-	-	31,723	22,189
Insurance payables	216	-	43,512	63,911	-	-	-	-	43,728	63,911
Reinsurance payables	-	-	10,524	8,097	-	-	-	-	10,524	8,097
Other payables	24,411	13,543	125,235	127,031	1,002	922	(8,851)	(28,758)	141,797	112,738
TOTAL LIABILITIES	24,627	13,543	1,345,963	1,253,428	297,149	242,674	(27,498)	(48,283)	1,640,241	1,461,362
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES	333,196	328,771	1,345,963	1,253,428	297,149	242,674	(27,498)	(48,283)	1,948,810	1,776,590

AXA AFFIN LIFE INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

34 INSURANCE FUNDS (CONTINUED)

STATEMENT OF PROFIT OR LOSS BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

COMPANY

	Shareholders' fund		Life fund		Investment-linked funds		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross premiums	-	-	325,299	321,919	138,078	168,461	463,377	490,380
Premiums ceded to reinsurers	-	-	(27,236)	(23,365)	-	-	(27,236)	(23,365)
Net premiums	-	-	298,063	298,554	138,078	168,461	436,141	467,015
Reinsurance commission income	-	-	1,724	1,333	-	-	1,724	1,333
Investment income	6,118	5,867	53,920	47,359	7,077	4,939	67,115	58,165
Net realised gains	117	280	417	4,699	-	4,311	534	9,290
Net fair value gains	-	-	920	2,854	-	9,381	920	12,235
Other operating income	8	42	2,932	1,413	261	(46)	3,201	1,409
Other revenue	6,243	6,189	59,913	57,658	7,338	18,585	73,494	82,432
Gross benefits and claims paid	-	-	(132,485)	(117,925)	(73,001)	(85,520)	(205,486)	(203,445)
Claims ceded to reinsurers	-	-	14,961	17,528	-	-	14,961	17,528
Gross change in insurance contract liabilities	-	-	(116,576)	(143,449)	(54,395)	(100,433)	(170,971)	(243,882)
Changes in insurance contract liabilities ceded to reinsurers	-	-	(94)	1,342	-	-	(94)	1,342
Net claims	-	-	(234,194)	(242,504)	(127,396)	(185,953)	(361,590)	(428,457)
Net fair value loss	-	-	-	-	(16,853)	-	(16,853)	-
Net realised loss	-	-	-	-	(2,091)	-	(2,091)	-
Fee and commission expenses	(454)	-	(49,881)	(54,902)	-	-	(50,335)	(54,902)
Management expenses	(2,751)	(5,870)	(78,476)	(79,753)	(141)	(150)	(81,368)	(85,773)
Other operating expenses	-	-	(2,501)	(2,400)	-	-	(2,501)	(2,400)
Other expenses	(3,205)	(5,870)	(130,858)	(137,055)	(19,085)	(150)	(153,148)	(143,075)

AXA AFFIN LIFE INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

34 INSURANCE FUNDS (CONTINUED)

STATEMENT OF PROFIT OR LOSS BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

COMPANY

	Shareholders' fund		Life fund		Investment-linked funds		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(loss) before taxation	3,038	319	(7,076)	(23,347)	(1,065)	943	(5,103)	(22,085)
Tax expense attributable to policyholders and unitholders	-	-	(2,527)	(2,657)	1,065	(943)	(1,462)	(3,600)
Transfer from life fund	(11,402)	(26,761)	11,402	26,761	-	-	-	-
(Loss)/Profit before taxation attributable to Shareholders	(8,364)	(26,442)	1,799	757	-	-	(6,565)	(25,685)
Taxation	2,584	5,619	(4,326)	(3,414)	1,065	(943)	(677)	1,262
Tax expense attributable to policyholders and unitholders	-	-	2,527	2,657	(1,065)	943	1,462	3,600
Tax expense attributable to Shareholders	2,584	5,619	(1,799)	(757)	-	-	785	4,862
Net loss for the financial year	(5,780)	(20,823)	-	-	-	-	(5,780)	(20,823)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

34 INSURANCE FUNDS (CONTINUED)

STATEMENT OF CASH FLOWS BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

COMPANY

	Shareholders' Fund		Life Fund		Investment-linked Funds		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Cash flows from:</u>								
Operating activities	97	(30,059)	19,585	(29,857)	8,629	(841)	28,311	(60,757)
Investing activities	-	-	(7,903)	(4,908)	-	-	(7,903)	(4,908)
Financing activities	-	30,000	-	-	-	-	-	30,000
	97	(59)	11,682	(34,765)	8,629	(841)	20,408	(35,665)
<u>Cash and cash equivalents:</u>								
Net increase/(decrease) in cash and cash equivalents	97	(59)	11,682	(34,765)	8,629	(841)	20,408	(35,665)
At beginning of the financial year	91	150	19,619	54,384	14,325	15,166	34,035	69,700
At end of the financial year	188	91	31,301	19,619	22,954	14,325	54,443	34,035