中国太平
CHINA TAIPING

ANNUAL REPORT 2018

中国太平保险(新加坡)有限公司
CHINA TAIPING INSURANCE (SINGAPORE) PTE. LTD.

CONTENTS

ABOUT
CHINA TAIPING INSURANCE GROUP

China Taiping Insurance Group Ltd. (“China Taiping”) is a Chinese state-owned financial and insurance group headquartered in Hong Kong. China Taiping Insurance Holdings Company Limited created history when it was listed on the Hong Kong Stock Exchange in 2000, making it the first-ever Chinese-funded insurer that was listed overseas.

Founded in Shanghai in 1929, China Taiping is the oldest establishment in China’s insurance history. Over the decades, China Taiping has grown into a large transnational financial and insurance group with business networks across Mainland China, Hong Kong, Macau, North America, Europe, Oceania, East and Southeast Asia. The Group has over 600,000 employees and total assets of RMB 600 billion. The brand has gained international recognition over the years and successfully made the rankings in the “Global Fortune 500 Companies” since 2018.

The Group’s businesses include Life insurance, General insurance, Pension insurance, Reinsurance, Reinsurance brokers and Insurance agency, Internet insurance, Assets management, Securities brokerage, Financial lease, Real estate investment, Pension industry investment and others.

ABOUT
CHINA TAIPING INSURANCE SINGAPORE

Established in 1938, China Taiping Insurance (Singapore) Pte. Ltd. ("CTPIS") has been operating as a general insurer. In August 2018, CTPIS received its license from the Monetary Authority of Singapore (MAS) as a composite insurer to carry on life insurance business in Singapore providing comprehensive one-stop financial solutions to its customers.

With a strong heritage of over 80 years in Singapore, CTPIS has a financial strength rating of "A" (Excellent) and long-term issuer credit rating of "A" by the A.M. Best, and the outlook of these Credit Ratings is stable.

Leveraging on Singapore's strategic geographical location and its vibrant ecosystem, we will set up an Innovation Lab to explore various Fintech and innovation opportunities in the region. We will also facilitate the development and expansion of China Taiping Group's business network and work towards being a strategic regional hub in Southeast Asia.

CHAIRMAN'S **MESSAGE**

On behalf of the Board of Directors, I am pleased to present the annual report of China Taiping Insurance (Singapore) Pte. Ltd. for the financial year ended 31 December 2018.

Economic Overview

Against the backdrop of US-China trade tensions and the tightening of domestic real estate policies, Singapore economy grew by 3.2% in 2018, down from 2017's 3.9%. The manufacturing sector expanded by 7.2%, largely driven by the electronics, transport engineering and biomedical manufacturing clusters. Services producing industries also saw moderate growth, which was expanded by 3%. Construction sector continued shrinking and contracted by 3.4%, primarily due to weakness in public sector construction activities.

General Insurance Industry

According to the statistics of the General Insurance Association (GIA) of Singapore, the industry's total Gross Premium was up 5.3% to S$6.4 billion in 2018, largely due to the increase in Offshore Insurance Fund (OIF) business with 8.3% growth. The strong growth momentum of revenue was however clouded by the challenges seen on profitability. The industry recorded a total underwriting loss of S$96.7 million for the full year. Overall Combined Ratio raised 7.9 percentage points to 102.8% mainly as a result of overall Incurred Loss Ratio up 8.9 percentage points to 62.5%. Deterioration of Combined Ratio was seen on almost all lines of business with a few exceptions, such as Motor, Personal Accident and Engineering business.

Our Overall Performance

2018 was an eventful year for China Taiping Insurance Singapore! Despite the challenging economic outlook and stiff competition in the general insurance market, all staff demonstrated perseverance and overcame the obstacles to achieve our business targets.

Our general insurance gross premium crossed the S$100 million mark in 2018 with 15.4% growth over the previous year and exceeded the industry average of 5.3%. Bonds business was our star performer, ranked 1st in the industry. We grew our topline significantly while maintaining good quality of our business. In contrast to the industry that observed significant underwriting loss in 2018, our general insurance portfolio remained profitable with a Combined Ratio of 95.4%, or 7.4 percentage points better than the industry average.

CHAIRMAN'S MESSAGE

We successfully launched China Taiping Insurance Singapore 80th anniversary initiatives including an integrated advertising campaign with outdoor and print advertisements, and a series of events to commemorate this special occasion. Our historic 80th anniversary event was graced by Minister Chan Chun Sing and the Chinese ambassador of Singapore, His Excellency Mr. Hong Xiaoyong. The high-level attendance by more than 300 VIPs including senior government officials and industry captains underscored the event's significance to affirm the strong bilateral economic and trade relations between Singapore and China.

We achieved another key milestone in August 2018 – obtained a license from the Monetary Authority of Singapore (MAS) as a composite insurer to carry on life insurance business in Singapore providing one-stop financial solutions to our customers. Within just a few months, we set up a professional team with wealth of life insurance experiences. We also established distribution relationships with 9 financial advisory firms by December 2018. We were operationally ready with two new savings plans (i-Save and i-Wealth Builder) approved by MAS in December, 2018.

Committed to giving back to the community, we initiated a charity drive in support of The Straits Times School Pocket Money Fund. Staff volunteered to sell customised fortune cookies, made cash donation, as well as participated in our 5KM charity FunRun. With the support from staff, business partners, families and friends, we raised S$90,000 for the underpriviledged children.

Looking Forward

We ended 2018 on a high note but we will not rest on our laurels. Looking forward, we will support China Taiping Group's "New Era" development strategy and its vision to build an international and state-of-the-art financial insurance group with global competitiveness. We will strive to improve our market share and ranking in both general and life businesses. We will implement empowerment plans to improve competency of our core business. Leveraging on technology, we will make it easy for our customers to deal with us and continue to work towards customer excellence.

Mr. Hong Bo（洪波）
Chairman

BOARD OF **DIRECTORS**

Mr. Hong Bo
（洪波）
Chairman

Mr. Hong Bo has a PhD degree from Shanghai Jiao Tong University. He has vast working experiences in the financial sectors including securities and insurance.

Mr. Hong holds key positions in China Taiping Insurance Group including:

- Deputy General Manager of China Taiping Insurance Group Limited, China Taiping Insurance (HK) Company Limited, and China Taiping Insurance Holdings Company Limited.

- Chairman of China Taiping Insurance (HK) Company Limited, Taiping Reinsurance Company Limited, Taiping Financial Holdings Company Limited, China Taiping Life Insurance (HK) Company Limited, China Taiping Insurance (Macao) Company Limited, China Taiping Insurance (UK) Company Limited, and China Taiping Insurance (Singapore) Pte. Limited.

- Board of Director of Taiping Life Insurance Company Limited, Taiping General Insurance Company Limited, Taiping Pension Company Limited, and Taiping Assets Management Company Limited.

Mr. Hong is a council member of Asian Financial Cooperation Association and Vice-Chairman of The Hong Kong Chinese Enterprises Association. Prior to China Taiping Insurance Group, he was the Chairman of Taiping E-commerce Company Limited, Chief Executive Officer and Chairman of Tian'an Insurance Company Limited, and General Manager of Strategic planning and business development in CITIC Holdings Company Limited.

BOARD OF DIRECTORS

Mr. Yang Yamei
（杨亚美）
General Manager

Mr. Yang Yamei is responsible for the overall development of business operation for China Taiping Insurance Singapore. Under his leadership, China Taiping Insurance Singapore has seen steady growth in total assets yearly to S$392 million in 2018. He is also instrumental in the business expansion drive that resulted in the company being awarded the life insurance composite license from Monetary Authority of Singapore to launch its Life Insurance business.

Mr. Yang joined China Taiping Insurance Group in September 1997 as Assistant to General Manager of Taiping Insurance Co Ltd (Singapore Branch). Since then, he held several key positions - including President Director of China Taiping Insurance Indonesia and subsequently General Manager of the International Department of China Taiping Insurance Group Ltd. He has been appointed as General Manager, China Taiping Insurance (Singapore) Pte. Ltd. since September 2015.

Mr. Yang has extensive experience spanning over 20 years in the insurance sector where he was responsible for the overall operation development of international markets, and has overseen China Taiping Group's overseas subsidiaries including England, Hong Kong, Macau and Singapore.

He graduated with a Bachelor of Economics (Major in Insurance) from the Financial and Banking Institute of China, Beijing in 1993. He also holds an MBA from Southern Illinois University, USA and a Master of Science in Wealth Management from Singapore Management University as well as a CFA (Chartered Financial Analyst) qualification from the CFA Institute.

Professor Koh Cher Chiew Francis
Independent Director

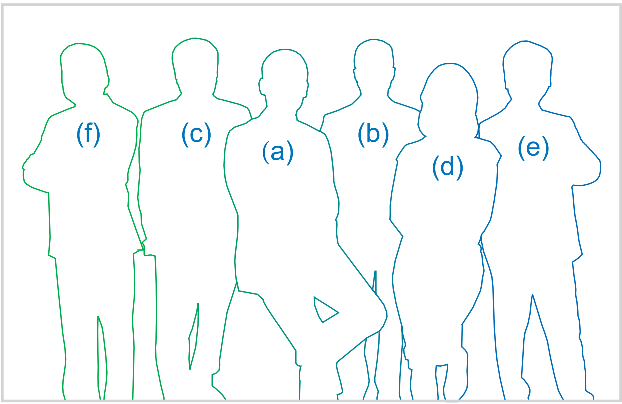
Professor Francis Koh is a Mapletree Professor of Real Estate and Practice Professor of Finance and Special Advisor in the Office of the President at the Singapore Management University. He is an Independent Director of China Taiping Insurance (Singapore) Pte. Ltd., and Board Member of the Singapore College of Insurance.

Employed by the Government of Singapore Investment Corporation (GIC) from 1994 to 2002, he was involved in direct investments in various countries, including China, Thailand and Indonesia. He had been active in consulting, executive development and public service. He was appointed by the Monetary Authority of Singapore (MAS) to be in the Financial Advisory Industry Review (FAIR) Panel in 2012 and by the Ministry of Law to the Advisory Panel on Money Lending in 2014. Organizations he had consulted for included Citibank, IMAS, Maybank and OCBC Bank.

In 2012, the University of St Gallen awarded Francis an honorary doctorate (honoris causa) in Economics. In 2013, the Singapore Government honoured him with the Public Administration Medal (Silver). In 2016, WealthBriefingAsia awarded Professor Koh with the Lifetime Achievement Award for his contributions to Wealth Management.

Francis obtained the degree of BBA (Hons) from the University of Singapore, MBA from the University of British Columbia and Ph.D from University of New South Wales. He is a member of the Institute of Chartered Public Accountant of Singapore and a Fellow of the Chartered Institute of Management Accountants (UK).

SENIOR **MANAGEMENT**



(a) **Yang Yamei**
General Manager

(b) **Lance Tay**
General Manager, Life Insurance

(c) **Huang Jun**
Deputy General Manager

(d) **Lynn Lee**
Deputy General Manager

(e) **Zhang Di**
Chief Financial Officer

(f) **Andrew Lee**
Chief Marketing Officer

中国太平
CHINA TAIPING

a gift you give yourself

China Taiping Insurance (Singapore) Pte. Ltd. is a leading insurer for both life and general insurance. With a strong heritage of over 80 years in Singapore and a high financial strength rating of “A” by A.M. Best, we are here for your peace of mind.

SAVINGS | RETIREMENT | PROTECTION | LEGACY | BUSINESS INSURANCE

OUR GENERAL INSURANCE SOLUTIONS

We offer a wide range of personal and business financial solutions to safeguard the financial needs of our customers.

Personal

Domestic Maid Insurance
Ensure the household is in good hands by taking care of the well-being of your domestic helper.

Hospital Safe
Lessen the financial burden with daily cash allowance when hospital care is needed.

Motor Insurance
Ensure your motoring needs are met with our AutoExcel and AutoSafe plans.

Personal Accident Safe
Be protected against the unexpected anywhere and anytime.

Travel Safe
Enjoy comprehensive coverage and travel with peace of mind.

Unihome Safe
Home is the greatest asset. Safeguard your belongings, valuables and loved ones.

Business

Bonds
Ease the financial burden in the event of payment default as we guarantee the repayment of principal and interest payments.

Business Packages
Ensure an uninterrupted business with our various business packages: BizTrenz Food & Beverage, BizTrenZ Office, BizTrenZ Retail, BizTrenZ Service and BizTrenZ Light Industrial.

Casualty
Protect businesses with comprehensive and flexible liability coverage such as Comprehensive General Liability, Product Liability, Public Liability, Money Insurance, Error & Omission (MCST) and Work Injury Compensation.

Engineering
Safeguard the risks against unexpected ongoing industrial projects.

Financial Lines
Mitigate and minimise financial risks with Professional Indemnity and Fidelity Guarantee insurance.

Marine
Safeguard against risks in the shipping trade with our Marine Cargo and Marine Hull insurance.

Medical and Health
Take care of employees' well-being with our Medical & Health solutions: Foreign Workers' Medical Insurance, BizTrenZ Employee Benefits Package and Group Hospital & Surgical.

Property Insurance
Stay ahead of risks and protect your property with our Burglary, Industrial All Risks, Fire/Property All Risks, Plate Glass, Business Interruption and Equipment All Risks solutions.

OUR LIFE INSURANCE SOLUTIONS

Since its inauguration of life insurance business in January 2019, we have launched a series of products to cater to the needs of our customers.

中国太平
CHINA TAIPING

taking care of those who matter most

Ensure your loved ones are well protected with our comprehensive one-stop financial solutions covering life protection, travel, motor, maid, personal accident, health and home insurance.

We are here for your peace of mind.

SAVINGS | RETIREMENT | PROTECTION | LEGACY | BUSINESS INSURANCE

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the member together with the audited financial statements for the financial year ended 31 December 2018.

In the opinion of the directors,

(a) the financial statements as set out on pages 6 to 69 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Company for the financial year covered by the financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors in office at the date of this statement are as follows:

Hong Bo
Yang Yamei
Koh Cher Chiew Francis

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Hong Bo
Director

Yang Yamei
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHINA TAIPING INSURANCE (SINGAPORE) PTE LTD

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of China Taiping Insurance (Singapore) Pte Ltd (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2018;
- the balance sheet as at 31 December 2018;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's 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

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHINA TAIPING INSURANCE (SINGAPORE) PTE LTD

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHINA TAIPING INSURANCE (SINGAPORE) PTE LTD

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 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 auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore,

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $	2017 $
INCOME			
Gross written premiums	19	**106,969,722**	92,462,800
Change in gross provision for unexpired risks	14(b)	**(1,074,185)**	3,597,739
Gross earned premium revenue		**105,895,537**	96,060,539
Written premiums ceded to reinsurers	19	**(25,238,535)**	(16,505,542)
Reinsurers' share of change in provision for unexpired risks	14(b)	**2,568,799**	(644,629)
Reinsurance premium expense		**(22,669,736)**	(17,150,171)
Net earned premium revenue		**83,225,801**	78,910,368
Commission income	20	**5,253,183**	4,221,681
Net investment income	21	**1,588,013**	6,646,527
Other income - net	22	**1,590,277**	1,295,357
TOTAL INCOME		**91,657,274**	91,073,933
Gross claims incurred	14(b)	**(65,155,738)**	(59,529,797)
Reinsurers' share of claims incurred	14(b)	**16,140,546**	13,713,779
Net claims incurred	14(b)	**(49,015,192)**	(45,816,018)
Net change in insurance contract liabilities	14(a)	**(27,046,404)**	-
Commission expense		**(21,480,621)**	(18,660,321)
Staff costs	23	**(13,389,265)**	(9,292,591)
Depreciation of property and equipment	12	**(2,301,478)**	(1,680,174)
Depreciation of investment property	13	**(568,905)**	(568,905)
Other operating expenses	24	**(4,649,746)**	(7,170,584)
Total expenses		**(118,451,611)**	(83,188,593)
PROFIT/(LOSS) BEFORE INCOME TAX		**(26,794,337)**	7,885,340
Income tax	25	**(614,000)**	(1,396,000)
PROFIT/(LOSS) FOR THE YEAR		**(27,408,337)**	6,489,340
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments			
- Gains/(losses) arising during the year		**(82,760)**	944,028
- Reclassification to profit or loss from equity on disposal of available-for-sale investments		**(1,773,914)**	312,201
- Income tax relating to available-for-sale investments		**623,565**	(213,559)
Other comprehensive income for the year, net of tax		**(1,233,109)**	1,042,670
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(28,641,446)**	7,532,010

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

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	**2018** **$**	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	6	**87,371,826**	51,621,005
Amount due from related companies	7	**562,295**	1,090,076
Deposits, prepayments and other receivables	8	**1,267,031**	1,745,938
Insurance receivables	9	**10,384,210**	10,551,786
Investments in securities	10	**59,276,262**	82,418,066
Derivatives receivables	11	**336,985**	1,138,541
Provision for unexpired risk on reinsurance ceded	14	**7,610,196**	6,444,522
Provision for insurance claims recoverable from reinsurers	14	**24,753,124**	20,890,974
		191,561,929	175,900,908
Non-current assets			
Investments in securities	10	**127,387,260**	104,899,350
Property and equipment	12	**44,722,300**	43,731,217
Investment property	13	**12,302,316**	12,871,221
Provision for unexpired risk on reinsurance ceded	14	**5,265,898**	3,862,774
Provision for insurance claims recoverable from reinsurers	14	**10,025,616**	6,698,799
Deferred tax assets	17	**576,046**	-
		200,279,436	172,063,361
TOTAL ASSETS		**391,841,365**	347,964,269
LIABILITIES			
Current liabilities			
Insurance payables	15	**8,129,686**	3,676,023
Other payables and accruals	16	**8,221,075**	6,480,903
Amount due to related companies	7	**3,344,086**	1,857,472
Derivatives payable	11	**580,895**	18,773
Current tax payable		**794,421**	1,342,169
Provision for unexpired risks	14	**30,295,960**	31,343,236
Provision for insurance claims	14	**75,777,968**	76,700,027
Insurance contract liabilities	14	**27,046,404**	-
		154,190,495	121,418,603
Non-current liabilities			
Provision for unexpired risks	14	**34,886,215**	32,764,754
Provision for insurance claims	14	**44,587,163**	46,644,340
Other payables and accruals	16	**8,915,842**	7,260,322
Deferred tax liabilities	17	**-**	47,519
		88,389,220	86,716,935
TOTAL LIABILITIES		**242,579,715**	208,135,538
Shareholder's equity and reserves			
Share capital	18	**120,000,000**	80,000,000
Fair value reserves		**(521,091)**	712,018
Retained earnings		**29,782,741**	59,116,713
TOTAL EQUITY		**149,261,650**	139,828,731
TOTAL LIABILITIES AND EQUITY		**391,841,365**	347,964,269

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital $	Fair value reserves $	Retained earnings $	Total $
2018				
Beginning of financial year	80,000,000	712,018	59,116,713	139,828,731
Increase in share capital	40,000,000	-	-	40,000,000
Total comprehensive income/(loss) for the year	-	(1,233,109)	(27,408,337)	(28,641,446)
Dividends paid (Note 26)	-	-	(1,925,635)	(1,925,635)
End of financial year	**120,000,000**	**(521,091)**	**29,782,741**	**149,261,650**
2017				
Beginning of financial year	80,000,000	(330,652)	56,054,573	135,723,921
Total comprehensive income for the year	-	1,042,670	6,489,340	7,532,010
Dividends paid (Note 26)	-	-	(3,427,200)	(3,427,200)
End of financial year	80,000,000	712,018	59,116,713	139,828,731

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $	2017 $
Operating activities			
Profit/(loss) before income tax		**(26,794,337)**	7,885,340
Adjustments for :			
Depreciation of property and equipment	12	**2,301,478**	1,680,174
Amortisation of investment properties	13	**568,905**	568,905
Loss on disposal of property and equipment	22	**330**	-
Loss on disposals of equity securities	21	**1,694,411**	172,500
(Gain) on disposal of debt securities	21	**(190,418)**	(525,951)
Loss on disposal of unit trusts	21	**-**	68,034
Impairment loss on equity	21	**264,000**	396,085
Impairment loss on bonds	21	**-**	1,980,270
Dividend income	21	**(899,956)**	(555,568)
Interest income	21	**(4,807,305)**	(5,850,370)
Interest expense	24	**16,506**	17,313
Write back of doubtful debts	22	**-**	(251,551)
Provision for doubtful debts	24	**381,840**	7,617
Net loss/(gain) in fair value of investment at fair value through profit or loss	21	**987,577**	(350,125)
Net unrealised loss/(gain) on derivative instruments	21	**1,363,678**	(1,981,402)
Net change in provision for unexpired risks		**(1,494,614)**	(2,953,110)
Net change in provision for insurance claims		**(10,168,203)**	530,671
Net change in insurance contract liabilities		**27,046,404**	-
Operating profit/(loss) before changes in working capital		**(9,729,704)**	838,832
(Increase) in insurance receivables		**(214,079)**	(41,576)
(Iincrease)/decrease in deposits, prepayments and other receivables		**(82,254)**	200,829
Decrease in amounts due from related companies		**527,781**	919,221
Increase in insurance payables		**4,453,663**	595,945
Increase/(decrease) in other payables and accruals		**1,743,544**	(2,436,306)
Increase in amounts due to related companies		**1,486,614**	498,071
Cash generated from/(used in) operations		**(1,814,435)**	575,016
Interest expense paid		**(16,506)**	(17,313)
Income tax paid		**(1,532,748)**	(2,410,217)
Net cash (used in)/provided by operating activities		**(3,363,689)**	(1,852,514)
Investing activities			
Interest received		**5,368,465**	6,120,610
Dividend received		**1,014,325**	555,568
Purchase of property and equipment	12	**(3,292,561)**	(665,748)
Purchase of equity securities		**(31,590,505)**	(26,330,233)
Proceeds from disposal of equity securities		**31,629,360**	26,621,652
Purchase of debt securities		**(74,920,035)**	(32,564,175)
Proceeds from redemption of debt securities		**72,906,085**	31,491,639
Purchases of unit trusts		**(1,727,137)**	(2,133,099)
Proceeds on disposal of unit trusts		**-**	4,252,008
Net cash provided by/(used in) investing activities		**(612,003)**	7,348,222
Financing activity			
Issue of share capital		**40,000,000**	-
Dividend paid	25	**(1,925,635)**	(3,427,200)
Net cash provided by/(used in) financing activity		**38,074,365**	(3,427,200)
Net increase in cash and cash equivalents		**34,098,673**	2,068,508
Cash and cash equivalents at beginning of year		**44,434,013**	42,365,505
Cash and cash equivalents at end of year*		**78,532,686**	44,434,013

* Cash and cash equivalents for the purpose of cash flow statements comprise of (Note 6)			
Cash and bank balance		**87,371,826**	51,621,005
Cash collaterals held in respect of insurance bonds		**(8,839,140)**	(7,186,992)
		78,532,686	44,434,013

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. General information

China Taiping Insurance (Singapore) Pte. Ltd. (the "Company") is incorporated in Singapore with its principal place of business and registered office at 3 Anson Road, #16-00, Springleaf Tower, Singapore 079909. The financial statements are expressed in Singapore dollars.

The Company was registered as a direct general insurer on 16 December 2002 under the Insurance Act, Chapter 142 ("Insurance Act") to underwrite general insurance business.

The Company obtained its life insurance license in August 2018 and commenced life insurance business in December 2018.

2. Significant accounting policies

2.1 Basis of accounting

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2018

On 1 January 2018, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current or prior financial years.

2. Significant accounting policies (continued)

2.1 Basis of accounting (continued)

Interpretations and amendments to published standards effective in 2018 *(continued)*

(a) Temporary exemption on adoption of FRS 109 Financial Instruments

FRS 109 addresses the classification, measurement and recognition of financial assets and financial liabilities. FRS 109 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit loss model will replace the incurred loss impairment model in FRS 39.

For financial liabilities, the standard retains most of the FRS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which will become effective for financial periods beginning on or after 1 January 2019), but the Company qualifies for a temporary exemption as explained in Note 2.1(b).

Additional disclosures required by FRS 109 is made in Note 28.

2. Significant accounting policies (continued)

2.1 Basis of accounting (continued)

Interpretations and amendments to published standards effective in 2018 (continued)

(b) Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (Amendments to FRS 104)

As noted in 2.1 (a), these amendments provide a temporary option for companies whose activities are predominantly connected with insurance to defer the effective date of FRS 109 until the earlier of the effective date of FRS 117 and financial reporting periods beginning on or after 1 January 2021 (please note below that the IASB is proposing to defer the effective date of FRS 117 to 1 January 2022), as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before FRS 117 is applied. Based on the amendments to FRS 104, the Company is eligible for and will elect to apply the temporary option to defer the effective date of FRS 109 in order to implement the changes in parallel with FRS 117.

(c) Deferral for FRS 117 Insurance Contracts

FRS 117 Insurance Contracts will replace the current FRS 104 Insurance contract standard. FRS 117 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, FRS 117 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. In November 2018, IASB proposed to defer FRS 117 and temporary FRS 109 exemption available to insurers until the financial period beginning on or after 1 January 2022. The proposed deferral is subject to public consultation, which is expected in 2019.

(d) Adoption of FRS 115 Revenue from Contracts with Customers

In accordance with the requirements of IAS 1, the Group adopted FRS 115 retrospectively. The adoption of FRS 115 did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current or prior financial years. The revenue recognition as disclosed in Note 2.2 does not change under FRS 115.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from rendering of services in the ordinary course of the Company's activities, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

(a) Premium income

(i) Life Insurance business

Premiums income in respect of all new individual life policies is recognised in full as revenue when received.

(ii) General Insurance business

Premiums on insurance contracts (see Note 2.10) are recognised as written at the time of inception of the policy and earned over the period of coverage.

Written premiums are reported in the financial statements on a gross basis, inclusive of commission payable to intermediaries.

Treaty reinsurance inward premiums are recognised as written on receipt of statements from cedants up to the time of closing of the books.

Gross written premium is shown before movements in provision for unexpired risks (see Note 2.12(a)) and deduction of commission; and is net of any taxes or duties levied on premiums.

(b) Reinsurance commission income

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contract.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.3 Property and equipment

Measurement

All items of property and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (see Note 2.4).

The cost of property and equipment initially recognised includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation

Work-in-progress assets are not depreciated. Depreciation on property and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold and leasehold properties	2%
Furniture, fixtures and equipment	20%
Computers	20%
Motor vehicles	20%

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

2. Significant accounting policies (continued)

2.4 Impairment of non-financial assets

Property, plant and equipment and other non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of the assets, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold and leasehold properties	2%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2. Significant accounting policies (continued)

2.6 Financial assets

(a) Classification

The Company classifies its financial assets into loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss and held-to-maturity. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “cash and cash equivalents”, “amount due from related companies”, “deposits, prepayments and other receivables” and “insurance receivables” on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(iii) Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives held by the company are also classified as held for trading.

(iv) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

2. **Significant accounting policies** (continued)

2.6 **Financial assets** (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount previously recognised in the fair value reserve relating to that asset is transferred to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss including the effects of currency translation are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes: the currency translation differences are recognised in profit or loss and other changes are recognised in other comprehensive income and accumulated in the fair value reserve.

Changes in the fair value of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments in the fair value reserve are included in profit or loss.

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(e) Determination of fair value

The fair values of quoted financial assets are based on quoted market prices at the balance sheet date. The quoted market price used by the Company is the current bid price. When current bid price is unavailable, the price of the most recent transaction is used to estimate the fair value of the financial asset. If the market for financial asset is not active or for unquoted financial assets, the Company establishes fair value based on indicative quotes from investment intermediaries.

The fair value of forward foreign exchange contract is determined using quoted forward currency rates at the balance sheet date.

(f) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables/Held-to-maturity financial assets

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(f) Impairment (continued)

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.6 (f) (i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.7 Insurance payables

Insurance payables represent liabilities for services provided to the Company prior to the end of the financial year, which are unpaid.

They are classified as current liabilities if payment is due within one year or less. Otherwise, they are presented as non-current liabilities.

Insurance payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

2. Significant accounting policies (continued)

2.8 Leases (continued)

The Company as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.9 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

2. Significant accounting policies (continued)

2.9 Income taxes (continued)

Current and deferred income tax are recognised as income or expense in profit or loss for the period. Deferred tax on temporary differences arising from the revaluation gains and losses on available-for-sale financial assets is charged or credited directly to equity in the same period as the temporary differences arise.

2.10 Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specific uncertain future event (the insured event) adversely affects the policyholder. Such contract may also transfer financial risks. As a general guideline, the Company defines as significant insurance risk the possibility to having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur, at some point during the contract. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Types of Insurance Contracts

- Non-Participating Contracts

  Non-Participating Insurance Contracts pay guaranteed benefits on the occurrence of specified insurance events on human life (for example death or survival) over the duration of the contract.

- General Insurance Contracts

  These are short duration contracts that pay guaranteed benefits on the occurrence of specified insurance events (for example fire or motor vehicle accidents) over the duration of the contract. The benefits could be either fixed or linked to the extent of the economic loss suffered as a result of the insured event. There are no maturity or surrender benefits.

  The Company plans to issue Participating contracts in 2019.

2. Significant accounting policies (continued)

2.11 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company where significant insurance risk is transferred are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurer's share of insurance liabilities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of the contract, having regard to market data on the financial strength of each of the reinsurance companies. The amount of the allowance is recognised in profit or loss.

2.12 Insurance liabilities

(a) Life insurance business

The valuation of insurance contracts liabilities is determined according to the Singapore Insurance Act (Chapter 142) and the Insurance (Valuation and Capital) Regulations 2004 ("the Regulations") and MAS Notice 319 (Notice on Valuation of Policy Liabilities of Life Business), including any subsequent amendments to the notice and regulations.

The Company carries out a liability adequacy test annually using current best estimates of future cash flows under its insurance contracts. Generally, the valuation of a life business policy involves first a projection of future cash flows using realistic assumptions (including assumptions on expenses, mortality and morbidity rates, lapse rates, etc.) and then discounting these cash flow streams at appropriate interest rates. Additional provisions are recognised in the insurance fund where there are deficiencies.

2. Significant accounting policies (continued)

2.12 Insurance liabilities(continued)

(a) Life insurance business (continued)

The liability in respect of any policy will not be less than zero unless there is money due to the insurer when the policy is terminated on the Valuation Date, in which event the value of the liability may be negative to the extent of the amount due to the insurer.

Changes in the value of all insurance contract liabilities ae included in profit or loss.

Non-Participating Insurance Contract liabilities also include provisions for adverse deviation. The provision for adverse deviation is an additional provision to allow for adverse deviations from the best estimate assumption. The methodology used to calculate this provision for adverse deviation is consistent with generally accepted actuarial practice, as well as the guidance published by the Singapore Actuarial Society.

Expense Overrun Reserves

In the first few years of operation, it is expected that the maintenance expense incurred will be larger than the expense loadings implied by the expected volume and long-term best estimate described above, as the business volume takes time to grow. This results in a projected expense overrun and the Company holds an expense overrun reserve for this. The overrun reserves are obtained by projecting the expected business volume and the maintenance expenses to be incurred up to 2027. From there the expense loadings implied by the unit cost assumption and the expected business volume for the future years, are calculated. The present value of the difference in expense loadings and forecasted maintenance expense, plus a provision for adverse deviation, is held as expense overrun reserves and forms part of the insurance contract liabilities. The expense overrun reserves as at 31 December 2018 amounts to $26.8 million.

2. Significant accounting policies (continued)

2.12 Insurance liabilities (continued)

(b) General insurance business

The valuation of insurance contract liabilities is determined according to the Insurance Act (Chapter 142) and Insurance (Valuation and Capital) Regulations 2004, including any subsequent amendments. Insurance liabilities comprise provision for unexpired risks and provision for insurance claims.

(i) Provision for unexpired risks

The provision for unexpired risks includes a provision for unearned premiums and any additional provision for premiums deficiency. For direct business, the provision for unearned premiums is calculated using the 365th method on net written premiums less net commission expense for all classes of business except for marine cargo business which is calculated at 25% of net written premiums. For reinsurance business, the provision for unearned premiums of facultative business is calculated using the 365th method on net written premiums less net commission expense while for inward treaty reinsurance premium it is calculated at 40% of net written premium. An additional provision for premium deficiency is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of the reporting period exceeds the provision for unearned premiums in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

(ii) Provision for insurance claims

Provision for claims is made for the estimated cost of claims notified but not settled at the date of the balance sheet, less reinsurance recoveries using the best information available at that time.

In addition, a provision is made for claims incurred but not reported (“IBNR”) for all business written, at the date of the balance sheet based on the past claims experience and statistics derived from prior trends (see Note 3).

2. Significant accounting policies (continued)

2.12 Insurance liabilities (continued)

(b) General insurance business (continued)

(ii) Provision for insurance claims (continued)

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties' damages to be borne by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

(c) *Commissions*

Commissions and other acquisition costs that vary with and are directly related to securing new contracts and renewing existing contracts are deducted against unearned premium reserves.

2.13 Provisions

Provisions for other liabilities and charges are recognised when the Company has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.14 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's contributions to defined contribution plans are recognised as employee compensation expense when they are due.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. Significant accounting policies (continued)

2.15 Currency translation

These financial statements are presented in Singapore dollars, which is the functional currency of the Company.

Transactions in a currency other than the Singapore dollar ("foreign currency") are translated into Singapore dollars using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.18 Share capital

Ordinary shares are classified as equity.

2.19 Dividends

Dividends for the Company's shareholder are recognised when the dividends are approved for payment.

2.20 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

3. Critical accounting judgements and key sources of estimation uncertainty

Estimates, assumptions and judgements are continually 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) Life insurance business

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

The Company regularly reviews its assumptions to reflect the current best estimate assumptions. The impact of any changes in actuarial assumptions on insurance contract liabilities is disclosed in Note 14.

For the liability valuation method described in Note 2.12, the assumptions are required for the following:

- Mortality
- Persistency
- Discount rate
- Maintenance expenses and inflation

Mortality
As the Company's life insurance business started operations in late 2018, the internal experience is limited. Assumptions for death rates have been set with reference to industry experience, expressed as a percentage of a standard table.

Persistency
Persistency rates are expected to vary according to product class, policy duration, premium payment mode (regular or single premium). Similar to mortality, the Company has very limited internal experience for persistency rates. The assumptions have been set at a level that is appropriate to the product type, and premium payment mode.

Discount rate
Non-Participating insurance contract liabilities are computed by discounting the policy cash flows using risk-free discount rates. The risk-free rates used are derived from the gross yields to redemption of benchmark government securities as at date of valuation in line with regulatory requirements.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(a) Life insurance business (continued)

Maintenance expenses and inflation

The valuation of each life insurance policy's insurance contract liability is based on a unit cost assumption that is the best estimate of the Company's life insurance operation's long-term cost structure.

The inflation assumption is set at 3% per annum. This takes into consideration, among other things, the historical average growth rate of Singapore's Consumer Price Index.

Liability Adequacy Test

	Non-Participating Fund
1. Reported Insurance Contract Liabilities (net of reinsurance)	27,046,404
2. Gross Premium Reserves	25,770,053
3. Deficit = Max(0, 2-1)	0

(b) General insurance business

Provisions for unexpired risks and insurance claims

For the provisions for unexpired risks and insurance claims, management has relied significantly on the actuarial valuation performed by an approved actuary in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis below. The sensitivity analysis has been performed on a net basis after accounting for reinsurance.

Actuarial methodology

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in estimating insurance contract provisions, it is likely that the final outcome will prove to be different from the original liability established.

3. **Critical accounting judgements and key sources of estimation uncertainty** (continued)

(b) General insurance business (continued)

Provisions for unexpired risks and insurance claims (continued)

Premium liabilities

Premium liability of each line of business is the higher of the unearned premium reserve ("UPR") and the best estimate of the unexpired risk reserve ("URR").

The estimation of URR takes into account all future payments including future claim payments, claims handling expenses and ongoing policy administration cost arising from the unearned portion of premiums collected. The expected ultimate loss ratios for accident year 2018 that were derived from the analysis of the best estimate claim liabilities are applied to the UPR before including assumptions for claims handling and management expenses to arrive at the estimation of URR.

Claims liabilities

Provision is made at the end of the reporting period for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less the amount already paid.

The source of data used as inputs for the assumptions are typically internal to the Company, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information.

The Company pays particular attention to current trends. In early years, where there is insufficient information to make a reliable estimate of claims development, prudent assumptions are used.

The estimation of incurred but not reported ("IBNR") claims is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to the Company until many years after the occurrence of the event which gave rise to the claim.

Each notified claim is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) General insurance business (continued)

Provisions for unexpired risks and insurance claims (continued)

Claims liabilities (continued)

The provision estimation differs by class of business due to a number of reasons, including but not limited to:

- Differences in the terms and conditions of the insurance contracts;
- Differences in the complexity of claims;
- The severity of individual claims; and
- Difference in the period between the occurrence and reporting of claims.

The claims for liability class of business will typically display greater variation between initial estimates and the actual outcome because there is a greater degree of difficulty in estimating the IBNR provisions. For the other classes of business, claims are typically reported reasonably soon after the claim event, and hence tend to display lower levels of variability.

The cost of outstanding claims and the IBNR provisions are estimated using a range of statistical methods. Such method extrapolates the development of paid and incurred claims for each accident year based upon the observed development of earlier years and expected loss ratios.

In carrying out this valuation exercise, three main methods have been applied:

(i) Chain Ladder method (CL) based on paid and incurred claims
(ii) Bornhuetter-Ferguson method (BF) based on paid and incurred claims
(iii) Expected Loss Ratio method (ELR)

In the valuation, Incurred Chain Ladder method is mostly relied on to derive the best estimate of claims liabilities. The BF and ELR methods were also used where appropriate.

CL method selects the LDFs that appropriately account for the loss development process. For each accident year of each business class, the IBNR is calculated by the following formula:

Cumulative Paid/Incurred To Date × Cumulative LDF - Cumulative Incurred To Date

The BF method is a reserving method that combines both the Chain Ladder and Expected Loss Ratio methods in estimating ultimate losses. The BF method can be applied on both paid and incurred claims data. Expected Loss Ratio (ELR) is selected for the unpaid portion and made the appropriate adjustment allowing for claims inflation and premium rate changes. For each accident, the IBNR is calculated by the following formula:

(1 - 1/LDF) x initial expected loss ratio x earned premium

3. **Critical accounting judgements and key sources of estimation uncertainty** (continued)

(b) General insurance business (continued)

Provisions for unexpired risks and insurance claims (continued)

Claims liabilities (continued)

To the extent that these methods use historical claims development information, the Company assumes that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods.

Such reason includes:

- Economic, legal, political and social trends (resulting, for example, in a difference in expected levels of inflation);
- Changes in the mix of insurance contracts incepted; and
- The impact of large losses.

The assumption that has the greatest effect on the measurement of general insurance contract provisions is generally the excepted loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to premiums.

Sensitivity analysis

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of claim liabilities and premium liabilities as at 31 December 2018. In this context, the total claim liabilities and premium liabilities are defined as the total claim and premium liabilities for the Singapore Insurance Fund business and Offshore Insurance Fund business combined, including the provision for adverse deviation (this is referred to as the “base scenario” in the sensitivity analysis summary).

To test the sensitivity of the claim and premium liabilities net of reinsurance recoveries to the changes in the significant assumptions, simultaneous changes in the assumptions for all durations were considered. The level of change for the assumptions ranges from 1% to 5%. The result after each change in assumption is then compared to the base scenario, net of reinsurance recoveries.

The sensitivity values shown are independent of changes to other assumptions items. In practice, a combination of adverse and favourable changes could occur. The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) General insurance business (continued)

Provisions for unexpired risks and insurance claims (continued)

Sensitivity analysis (continued)

The sensitivity analysis was performed on the premiums and claims liabilities net of reinsurance recoveries, based on changes in assumptions that may affect the level of liabilities. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full. The assumptions considered in the sensitivity analysis are as follows:

- Indirect Claims Handling Expenses ("ICHE");
- Management Expense Rate;
- Provision for Adverse Deviation ("PAD"); and
- Ultimate Loss Ratio.

The results of the sensitivity analysis and the impact of the premium liabilities and claim liabilities are as follows:

Assumption	Change in assumption	Decrease/(increase) in profit or loss	
		2018	2017
		$'000	$'000
Ultimate Loss Ratio	+ 1% points	**1,201**	1,192
Ultimate Loss Ratio	- 1% points	**(1,088)**	(1,045)
Indirect Claims Handling Expenses	+ 1% points	**754**	809
Indirect Claims Handling Expenses	- 1% points	**(754)**	(809)
Provision for Adverse Deviation	+ 1% points	**829**	975
Provision for Adverse Deviation	- 1% points	**(829)**	(975)

4. Insurance and financial risk management

4.1 Enterprise Risk Management

The Company has an Enterprise Risk Management ("ERM") framework, which is a company-wide approach to identify, assess, measure, monitor, control and mitigate risks that arises from the company's business activities. The Company adopts three lines of defence model in its risk management framework.

The Company's Board of Directors is ultimately responsible for the ERM framework. The Company's senior management oversees the functioning of the framework, and establishes risk management objectives, risk appetite and risk tolerance statements. The Company has a Risk Management Committee that periodically reviews all risks identified by business units, ensures adequate controls are in place to mitigate them, and monitors the adherence to established risk limits.

4. Insurance and financial risk management (continued)

4.1 Enterprise Risk Management (continued)

The lines of defence are:

- First line defence – Business Units' primary responsibility is to identify, assess, measure, and control risks affecting their day-to-day business. They report to senior management on matters in the daily business operation.
- Second line defence – Risk and Compliance department reviews risk assessment outcomes by first line and the review whether the implementation of internal controls are adequate and effective to mitigate the relevant risks. The department also monitors the risk exposure against the Company's risk tolerance or limits and reports to senior management on the overall company risk profile.
- Third line defence – Internal Audit reports to senior management to provide independent and objective assurance on the Company's effectiveness and compliance of the risk management framework, policies and procedures.

The Company' risk management process includes i) Risk Identification, ii) Risk Assessment and Measurement, iii) Risk Controls and Mitigation, and iv) Risk Monitoring and Review. Business Units as first line of defence, evaluate the risks arising from their processes based on this, and they are subject to second and third lines of defences' review and validation.

Asset-liability management ("ALM")

Part of management's strategy in the management of risks is to holistically manage its assets and liabilities. A different approach is adopted for life and general business in consideration to the very different nature of the two.

The Company adopts Singapore's Risk Based Capital ("RBC") regime as a basis to measure assets and liabilities for ALM purposes. The Company holds capital in accordance with the regulatory requirements of the RBC regime for any mismatch between assets and liabilities.

(a) Life insurance business ALM

The Company conducts its asset-liability management for the life insurance business through the following:

- Development of the strategic asset allocation ("SAA") with consideration for the required return on liabilities, risk return characteristics of each asset class, duration, nature and currency of the assets and liabilities, and the impact and sensitivity of solvency position. All investment activities must adhere to the SAA.

- Design and pricing of new products with consideration for the underlying assets backing the product and the characteristics of those assets, including the level of uncertainty in investment returns, duration, nature and currency of assets and liabilities, and liquidity considerations.

4. Insurance and financial risk management (continued)

4.1 Enterprise Risk Management (continued)

(a) Life insurance business ALM (continued)

- Maintenance of a satisfactory liquidity position to meet liability cash flows, whether arising from expected (e.g. maturities) or unexpected (e.g. surge in policyholder surrenders) sources.

(b) General insurance business ALM

The Company proactively manages its financial position using an approach that balances quality, diversification, liquidity and investment return. The goal of the investment process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis. The investment portfolio is managed by the Company's investment manager under the close supervision of the Chief Executive and the investment committee. The Company also holds investment portfolios with asset management companies, one of which is a subsidiary of the holding company. The monthly management report submitted to the holding company includes the performance of the investment portfolios. The holding company also reviews the investment guidelines and limits on a periodic basis, and provides oversight on the asset/liability management process.

4.2 Insurance risk

(a) Life Insurance

The Company is exposed to life insurance risk when it signs a contract with the insured party for a premium amount and in return promises to pay a sum of money if a specified event occurs within the time frame stipulated in the contract. The terms of acceptance of such risks are generally long term in nature. These risks accepted by the Company are mortality risk, longevity risk and persistency risk. In general, payment occurs upon death, surrender, or survival of the policyholder, depending on the type of policy.

The Company has implemented underwriting and claims management guidelines and procedures to manage such insurance risk. It also considers its reinsurance coverage to manage its overall risk exposure according to the risk appetite.

Mortality risks are selected through underwriting and appropriate premiums are charged based on the level of risks that applicants carry. The levels of mortality risks are determined by age, gender, and underwriting experience. For death covers, the Company transfers insurance risk in excess of its retention limit to its appointed reinsurers on a per life basis. The current retention limit for life insurance is set at $ 100,000 per life.

4. **Insurance and financial risk management** (continued)

4.2 **Insurance risk** (continued)

(a) Life insurance (continued)

Mortality risk is also managed through appropriate claim management procedures that detect and address potential fraudulent claims. The results of experience reviews of mortality, longevity and persistency are used to decide on the bases for reserving and pricing of products.

Lapse rates are evaluated prudently through the pricing of new products, product design, and regular monitoring of persistency experience.

Additionally, the Company also perform regular stress tests to assess its ability to withstand adverse deviations in various parameters, including insurance assumptions.

(b) General Insurance

The key insurance risks for general insurance contracts arise from uncertainty in the timing and amount of claims. The Company addresses these risks through its underwriting and reinsurance strategy.

The Company also monitors and reacts to changes in the general economic and commercial environment in which it operates, especially in Singapore where the Company underwrites the majority of its insurance risks.

Underwriting strategy

The underwriting strategy of the Company is to seek diversity to ensure a balanced portfolio. The underwriting department prepares business plans every year that establishes the classes of business and industry sectors in which the Company is prepared to underwrite. The strategy is cascaded to individual underwriters through detailed underwriting authorities that set out the limit that any one underwriter can write by line, size, class of business and industry in order to ensure appropriate risk selection within the portfolio of business to be underwritten.

For general insurance contracts that are annual in nature, the underwriting department has the right to refuse renewal or change the terms and conditions of the contracts at renewal.

The general insurance underwriting function's performance and adherence to the underwriting guidelines/ authority limits are measured on a periodic basis.

4. Insurance and financial risk management (continued)

4.2 Insurance risk (continued)

(b) General Insurance (continued)

Reinsurance strategy

Ceded insurances contain credit risks, and such reinsurance recoverable is reported after impairment provisions as a result of occurred recognised asset. The Company monitors the financial condition of reinsurers on an on-going basis and reviews its reinsurance arrangements periodically.

As the Company is required to monitor its solvency margin and capital adequacy ratio under the Risk-Based Capital Framework introduced by the Monetary Authority of Singapore (the "MAS"), the Company deals mainly with reinsurers approved by the immediate holding company with good credit ratings. The Life Insurance Underwriting, Reinsurance and Claims Committee reviews and approves the reinsurance programmes to ensure that the appropriate type, mix, and risk retention limits of reinsurance arrangements and reinsurers are used. Prior approval is required to be sought from the Chief Executive and management for any deviations.

(c) Interaction between insurance risk and capital adequacy

The insurance risk that the Company is exposed to directly impacts its capital adequacy levels. Insurance risks where the expected pay-out is estimated with a high degree of uncertainty would require a higher level of provision of adverse deviation. The RBC regime which the Company operates in also prescribes higher capital requirements in areas where insurance risk is higher, for example when premium rates are guaranteed and non-reviewable.

4.3 Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contracts tranche.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geographic or demographic trend or a particular group of companies that belong to the same shareholder.

4. Insurance and financial risk management (continued)

4.3 Concentrations of insurance risk (continued)

The Company's key methods in managing these risks are as follows:

Firstly, the risk is managed through appropriate underwriting procedures. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed.

Secondly, the risk is managed through the use of reinsurance. The Company enters into treaty arrangements with reputable reinsurers that provide protection on the insurance business written by the Company above a certain net retention of risk. The costs and benefits associated with the reinsurance programmes are being reviewed periodically. For general insurance, the Company has also obtained excess of loss reinsurance coverage in addition to the treaty arrangements. For life insurance, the Company has not entered into a catastrophe reinsurance arrangement as at end of 2018 in view of its small portfolio.

For general insurance activities, the Company is also exposed to geographical concentration risks as its primary market is Singapore. In addition, there is also some concentration risk in terms of lines of business, where the Company is more susceptible to adverse experience in subsets of the portfolio where most of the business is written.

The following tables disclose the concentration of gross and net written premiums in relation to the type of general insurance risk accepted by the Company:

	31 December 2018		31 December 2017	
	Gross written premium	**Net written premium**	Gross written premium	Net written premium
	$	**$**	$	$
Lines of business				
- Motor	**37,418,952**	**36,801,854**	38,578,274	37,852,553
- Workmen's compensation	**11,894,377**	**10,617,599**	10,359,689	9,695,215
- Marine cargo	**4,339,180**	**1,768,324**	3,029,773	1,615,394
- Marine hull	**1,536,098**	**1,322,983**	1,237,162	1,048,743
- Fire	**19,696,202**	**9,482,910**	12,652,685	5,715,080
- Bonds	**14,130,254**	**10,656,353**	12,417,914	10,392,421
- Personal accident	**779,997**	**716,338**	634,397	569,314
- Health	**5,581,216**	**5,296,052**	3,943,732	3,943,742
- Public liability	**1,266,133**	**310,773**	1,044,893	302,096
- Engineering/CAR/EAR	**3,553,097**	**240,558**	2,774,846	843,684
- Professional indemnity	**95,048**	**12,396**	23,802	5,619
- Trade Credit	**926,762**	**(73,523)**	685,122	(52,238)
- Others	**5,512,406**	**4,338,570**	5,080,511	4,025,635
	106,729,722	**81,491,187**	92,462,800	75,957,258

4. Insurance and financial risk management (continued)

4.3 Concentrations of insurance risk (continued)

The Company sets out the total aggregate exposure that it is prepared to accept in relation to concentration of risks based on the guidelines given by The Monetary Authority of Singapore under the Risk-Based Capital Framework. It monitors these exposures both at the time of underwriting a risk, and on a quarterly basis by reviewing reports which show the key aggregations of risks to which the Company is exposed.

Claims development

The table details the claims development for accident years 2009 to 2018.

(i) Analysis of claims development - gross of reinsurance (S$ '000)

	Accident year										
	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	**2018 $'000**	Total $'000
Estimate of cumulative claims:											
At end of accident year	42,134	42,189	45,527	42,904	49,167	57,566	53,185	58,954	78,522	**69,052**	
- One year later	34,888	35,138	40,576	38,254	45,846	56,659	50,628	57,784	**83,033**		
- Two years later	35,065	32,657	38,986	34,711	42,003	53,162	43,454	**52,870**			
- Three years later	34,774	30,983	37,442	34,438	39,478	48,985	**41,403**				
- Four years later	33,172	29,683	38,047	32,937	36,987	**50,905**					
- Five years later	31,506	29,698	35,008	31,305	**35,631**						
- Six years later	30,310	26,449	32,445	**29,926**							
- Seven years later	29,436	26,268	**31,771**								
- Eight years later	29,246	**26,267**									
- Nine years later	**29,217**										
Current cumulative ultimate claims incurred	29,217	26,267	31,771	29,926	35,631	50,905	41,403	52,870	83,033	69,052	**450,075**
Cumulative payments	29,068	25,992	31,569	28,848	33,486	41,990	37,465	42,360	46,945	26,573	**344,296**
Estimate of claims reserves	149	275	202	1,078	2,145	8,915	3,938	10,510	36,088	42,479	**105,779**
Indirect claims expenses											**2,059**
Best estimate of claims liabilities											**107,838**
Estimated claims for prior accident years											**226**
Provision for adverse deviation											**12,232**
Gross provision for insurance claims determined by appointed actuary											**120,296**
Additional provision for insurance claims by the insurer											**69**
Gross provision for insurance claims											**120,365**

4. Insurance and financial risk management (continued)

4.3 Concentrations of insurance risk (continued)

(ii) Analysis of claims development - net of reinsurance (S$ ‘000)

	Accident year										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**	$'000
Estimate of cumulative claims:											
At end of accident year	36,237	34,684	32,789	35,938	41,097	45,913	45,672	54,772	63,422	**55,445**	
- One year later	28,858	27,588	29,469	32,023	38,501	45,843	43,067	53,663	**68,155**		
- Two years later	27,650	27,257	28,789	29,167	35,805	42,686	36,698	**49,362**			
- Three years later	27,980	26,576	27,622	28,740	33,479	39,659	**35,203**				
- Four years later	27,438	25,460	27,941	27,238	31,759	**37,171**					
- Five years later	26,367	25,469	25,870	26,311	**30,559**						
- Six years later	25,240	22,567	23,850	**25,506**							
- Seven years later	24,409	22,391	**23,695**								
- Eight years later	24,228	**22,391**									
- Nine years later	**24,199**										
Current cumulative ultimate claims incurred	24,199	22,391	23,695	25,506	30,559	37,171	35,203	49,362	68,155	55,445	**371,686**
Cumulative payments	24,067	22,131	23,621	25,064	29,336	35,283	31,878	40,030	42,569	21,676	**295,655**
Estimate of claims reserves	132	260	74	442	1,223	1,888	3,325	9,332	25,586	33,769	**76,031**
Indirect claims expenses											**2,059**
Best estimate of claims liabilities											**78,090**
Estimated claims for prior accident years											**218**
Provision for adverse deviation											**7,222**
Net provision for insurance claims determined by appointed actuary											**85,530**
Additional provision for insurance claims by the insurer											**56**
Net provision for insurance claims											**85,586**

4. **Insurance and financial risk management** (continued)

4.4 Financial instruments, financial risk and capital risk management

(a) Categories of financial instruments

	2018	2017
	$'000	$'000
Financial assets		
Fair value through profit or loss (FVTPL)	**125,584,773**	77,109,481
Available-for-sale financial assets	**32,330,398**	49,751,243
Held-to-maturity financial assets	**28,748,351**	60,456,692
Loans and receivables		
- Cash and cash equivalents	**87,371,826**	51,621,005
- Amount due from related companies	**562,295**	1,090,076
- Deposits, prepayments and other receivables (except prepayments, club memberships and GST recoverables)	**1,083,927**	1,485,662
- Insurance receivables	**10,384,210**	10,551,786
Derivative receivables	**336,985**	1,138,541
	286,402,765	253,204,486
Financial liabilities		
Insurance payables	**8,129,686**	3,676,023
Other payables and accruals (except provision for bonus, funds received from commuted reinsurance arrangement, employee leave entitlement and GST payable)	**13,071,638**	11,386,759
Amount due to related companies	**3,344,086**	1,857,472
Derivative payables	**580,895**	18,773
	25,126,305	16,939,027

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Company does not have any financial instruments which are subject to offsetting, enforceable master netting agreements or similar netting agreements.

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives

The Company has to meet substantial long-term liabilities to policyholders for claims and maturity payments and to ensure that adequate liquidity is available to meet short-term claims, solvency margin and capital adequacy for existing and new business.

The Company's Risk Management and Investment Committees manage such financial risks. The Risk

Management Committee sets the relevant financial risk policies and procedures and reviews them periodically. The financial risk management process addresses the mitigating of the risks due to uncertainties of the financial market to minimise the adverse impact of these risks on the financial performance of the Company, including the matching the timing of cash flows from assets and liabilities. The Investment Committee sets the strategic and tactical asset allocations that are consistent with the asset/liability management requirements and approves relevant investment guidelines and procedures.

The Company's financial risk management policies and procedures covering specific areas, such as market risk (including foreign exchange risk, interest rate risk and equity price risk), credit risk and liquidity risk. Financial risk management is carried out by the individual risk owners under these policies and procedures approved by the Risk Management Committee.

The financial risks measurement have been expanded to cover life business. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Interest rate risk management

The Company is exposed to interest-rate risk primarily through investments in interest-earning financial assets by the insurance funds and policy liabilities in those funds which are guaranteed. The interest-rate risk arises from not holding assets that match policy liabilities fully. The Investment Committee monitors such interest-rate risk arising from asset-liability tenure mismatch actively to limit the extent to which solvency can be affected by an adverse movement in interest rates.

The long duration of policy liabilities in the insurance funds and the uncertainty of the cash flows of these funds mean interest rate risk cannot be completely eliminated. The Company aims to match the guaranteed liabilities of insurance funds' tenures with assets' tenures as much as possible. However, the Company does not hedge against such exposures.

Summary quantitative data of the Company's interest-bearing financial instruments can be found in Note 4.6.

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(ii) Foreign currency risk management

During the ordinary course of business, the Company engages in foreign currency denominated transactions. As a result, the Company is exposed to movements in foreign currency exchange rates.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities categorised by currency are as follows:

	SGD $'000	USD $'000	HKD $'000	CNY $'000	Others $'000	Total $'000
2018						
Assets						
Equity securities at FVTPL		11,425	549		4,845	16,819
Unit trusts at FVTPL	3,992	3,830	13,946	-	-	21,768
Debt securities at FVTPL	5,060	81,153	-	-	785	86,998
AFS equity securities	6,261	-	4,699	-	-	10,960
AFS debt securities	2,819	18,551	-	-	-	21,370
HTM debt securities	3,500	25,248	-	-	-	28,748
Cash and cash equivalents	69,682	13,231	4,459	-	-	87,372
Amount due from related companies	539	45	(39)	-	17	562
Deposits and other receivables	464	550	-	70	-	1,084
Receivables arising from insurance contracts	4,829	3,352	-	9	80	8,270
Receivables arising from reinsurance contracts	2,114	-	-	-	-	2,114
Total assets	**99,260**	**157,385**	**23,614**	**79**	**5,727**	**286,065**
Liabilities						
Insurance payables	5,667	2,415	-	(4)	52	8,130
Amount due to related companies	2,280	407	202	117	338	3,344
Other payables and accruals	13,009	57	6	-	-	13,072
Total liabilities	**20,956**	**2,879**	**208**	**113**	**390**	**24,546**
Net financial assets/ (financial liabilities)	78,304	154,507	23,406	(34)	5,337	261,519
Less: Net financial assets/ (financial liabilities) denominated in the Company's currency	(78,304)					(78,304)
Less: Currency forwards	-	(82,609)	-	-	-	(82,609)
Currency exposures	**-**	**71,898**	**23,406**	**(34)**	**5,337**	**100,606**

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(ii) Foreign currency risk management (continued)

	SGD $'000	USD $'000	HKD $'000	CNY $'000	Others $'000	Total $'000
2017						
Assets						
Equity securities at FVTPL	-	11,740	147	-	4,723	16,610
Unit trusts at FVTPL	4,238	2,047	14,500	-	-	20,785
Debt securities at FVTPL	5,161	33,187	-	-	1,366	39,714
AFS equity securities	8,784	87	6,437	-	-	15,308
AFS debt securities	16,711	16,257	-	1,475	-	34,443
HTM debt securities	38,101	19,695	-	2,661	-	60,457
Cash and cash equivalents	38,991	7,201	5,384	-	45	51,621
Amount due from related companies	204	883	(2)	-	5	1,090
Deposits and other receivables	956	436	-	94	-	1,486
Receivables arising from insurance contracts	7,450	1,866	-	5	694	10,015
Receivables arising from reinsurance contracts	458	-	-	-	79	537
Total assets	**121,054**	**93,399**	**26,466**	**4,235**	**6,912**	**252,066**
Liabilities						
Insurance payables	1,571	2,107	-	-6	4	3,676
Amount due to related companies	903	183	152	-	619	1,857
Other payables and accruals	11,498	-	3	-	-	11,501
Total liabilities	**13,972**	**2,290**	**155**	**-6**	**623**	**17,034**
Net financial assets/ (financial liabilities)	107,082	91,109	26,311	4,241	6,289	235,032
Less: Net financial assets/ (financial liabilities) denominated in the Company's currency	(107,082)	-	-	-	-	(107,082)
Less: Currency forwards	-	(32,963)	-	-	(1,408)	(34,371)
Currency exposures	**-**	58,146	26,311	4,241	4,881	93,579

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(ii) Foreign currency risk management (continued)

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of the Company. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency weakens by 10% against the functional currency, profit before tax and other equity will increase/(decrease) by:

	2018		2017	
	Profit before tax $'000	Other equity $'000	Profit before tax $'000	Other equity $'000
US Dollar impact	**(7,190)**	**(1,143)**	(6,205)	(1,183)
Hong Kong Dollar impact	**(2,341)**	**(842)**	(2,631)	(1,054)
Chinese Yuan impact	**3**	**-**	(424)	-

If the relevant foreign currency strengthen by 10% against the functional currency, profit before tax and other equity will increase / (decrease) by:

	2018		2017	
	Profit before tax $'000	Other equity $'000	Profit before tax $'000	Other equity $'000
US Dollar impact	**7,190**	**1,143**	6,205	1,183
Hong Kong Dollar impact	**2,341**	**842**	2,631	1,054
Chinese Yuan impact	**(3)**	**-**	424	-

The above assessment does not take into account the impact of exchange rate movements in outstanding loss reserves. The company measures its overall required reserving in its functional currency and does not separately assess the impact of exchange rate movements on this balance sheet item.

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The counterparties include security issuers, derivatives transactional counterparties, policyholders, reinsurers, brokers and other intermediaries.

Credit risk management is performed in the management of the Company's investments and business activities, which includes the monitoring of established credit quality controls, and exposures against the credit risk limits. The Risk Management Committee reviews such credit risk management framework periodically, and provides oversight of the credit risk taken by the Company.

The Company extends credit to its General Insurance' brokers, agents and corporate customers based on normal commercial terms. The outstanding balances are closely monitored and ageing information of major debtors are highlighted in the Company's monthly Credit Control Committee.

In addition, the credit control committee approves and reviews the General Insurance' intermediaries and corporate customers' credit limits.

The carrying amount of claims recoverable from reinsurers, investments in debt securities, insurance and other receivables, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

The Company also has exposure to credit risk to reinsurers generally and also to specific reinsurers. The Reinsurance Department is responsible for setting guidelines about the quality of General Insurance' reinsurers used. The Reinsurance Department and the Finance Department work closely to monitor the recovery from these reinsurers.

In relation to the life reinsurers, the Life Underwriting, Reinsurance and Claims Committee reviews and approves new and modifications to life reinsurance programmes to manage the credit exposure.

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(iii) Credit risk management (continued)

At the end of the reporting period, there is no significant concentration of credit risk and exposures are well spread. The Company's exposure to credit risk relating to its financial assets is summarised below:

	Neither past-due nor impaired				
	Grade (BBB- to AAA)	Grade (C to BB)	Not rated	Past due but not impaired	Total
	$	$	$	$	$
2018					
Cash and cash equivalents	52,894,785	-	34,477,041	-	87,371,826
Amount due from related companies	-	-	361,175	201,119	562,294
Deposits and other receivables	648,896	92,290	342,742	-	1,083,928
Receivables arising from insurance contracts	138,711	-	2,834,445	5,297,458	8,270,614
Receivables arising from reinsurance contracts	6,727	-	121,086	1,985,783	2,113,596
Equity securities at FVTPL	-	-	16,818,937	-	16,818,937
Available-for-sale equity securities	-	-	10,959,994	-	10,959,994
Unit trusts	-	-	21,768,325	-	21,768,325
Debt securities at FVTPL	69,575,847	361,141	17,060,522	-	86,997,511
Available-for-sale debt securities	18,551,274	-	2,819,130	-	21,370,404
Held-to-maturity debt securities	21,304,305	3,944,046	3,500,000	-	28,748,351
Derivative receivable	336,985	-	-	-	336,985
	163,457,530	**4,397,477**	**111,063,397**	**7,484,360**	**286,402,765**
2017					
Cash and cash equivalents	46,234,944	-	5,386,061	-	51,621,005
Amount due from related companies	-	-	1,090,076	-	1,090,076
Deposits and other receivables	642,297	154,069	689,296	-	1,485,662
Receivables arising from insurance contracts	168,482	-	5,460,586	4,385,780	10,014,841
Receivables arising from reinsurance contracts	-	-	79,217	457,711	536,928
Equity securities at FVTPL	-	-	15,308,213	-	15,308,213
Available-for-sale equity securities	-	-	16,609,770	-	16,609,770
Unit trusts	-	-	20,785,081	-	20,785,081
Debt securities at FVTPL	18,246,345	-	16,196,685	-	34,443,030
Available-for-sale debt securities	25,680,179	-	14,034,451	-	39,714,630
Held-to-maturity debt securities	27,976,219	267,625	32,212,848	-	60,456,692
Derivative receivable	1,138,541	-	-	-	1,138,541
	120,087,007	421,694	127,852,284	4,843,491	253,204,476

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(iii) Credit risk management (continued)

Age analysis of financial assets past-due but not impaired:

	< 6 mths $	6 mths to 12 mths $	Total $
2018			
Receivables arising from insurance contracts	4,990,253	307,205	5,297,458
Receivables arising from reinsurance contracts	867,474	1,118,309	1,985,783
	5,857,727	**1,425,514**	**7,283,241**
2017			
Receivables arising from insurance contracts	4,195,216	190,564	4,385,780
Receivables arising from reinsurance contracts	452,788	4,923	457,711
	4,648,004	195,487	4,843,491

Receivables from insurance and reinsurance contracts amounting to $479,025 and $122,680 (2017: $181,136 and $38,914), respectively have been impaired.

The Company has not recognised an allowance for doubtful receivables for the remaining financial assets as there has not been a significant change in credit quality and the amounts are still considered recoverable.

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(iv) *Liquidity risk management*

An important aspect of the Company's management of assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. The Company is exposed to liquidity risk when it is unable to meet its obligations at a reasonable cost. In addition, the Company could experience unexpected cash demands from huge amount of life policies' surrenders arising from adverse market conditions and publicity. Thus, the Company may have to sell off assets to fulfil such obligations. The Company maintains cash and liquid deposits deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash requirements. In normal circumstances, the majority of claims are settled with the bank balances and cash deposits available. The Company also constantly reviews its investment portfolio allocation to ensure that there are sufficient cash and liquid deposits to meet its estimated cash outflow from its insurance contracts. The Company monitors the liquidity risk through the periodic tracking of the liquidity of relevant insurance funds and through the performance of liquidity stress tests. Details of the contractual maturities for financial assets and liabilities can be found in Note 4.6.

(v) *Equity price risk management*

The Company is exposed to equity risks arising from equity investments classified as held-for-trading and available-for-sale financial assets. Available-for-sale equity investments are held for strategic rather than trading purposes. The Company does not actively trade available-for-sale financial assets.

Further details of these equity investments can be found in Note 10 to the financial statements.

The sensitivity analysis on the exposure to equity price risks at the end of the reporting period can be found in Note 4.7.

4.5 Fair value of financial assets and financial liabilities

The Company's assets measured at fair value are its available-for-sale financial assets, fair value through profit and loss financial assets and derivative financial instruments, which are classified by level of the following fair value measurement hierarchy:

4. Insurance and financial risk management (continued)

4.5 Fair value of financial assets and financial liabilities (continued)

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/ Financial liabilities	Fair value as at ($'000)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	2018		2017					
	Assets	Liabilities	Assets	Liabilities				
Investment securities at FVTPL (see note 10)								
1) Listed equity securities	**16,819**	**-**	16,610	-	Level 1	Quoted bid prices in an active market	N/A	N/A
2) Government debt securities	**-**	**-**	-	-	Level 1	Quoted bid prices in an active market	N/A	N/A
3) Corporate debt securities	**86,998**	**-**	39,715	-	Level 2	Quoted prices from fund managers or custodians	N/A	N/A
4) Unit trusts	**21,768**	**-**	20,785	-	Level 2	Quoted prices from fund managers or custodians	N/A	N/A
Derivative financial instruments (see note 11)								
1) Foreign currency forward contracts	**337**	**(581)**	1,139	(19)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Available-for-sale financial assets (see note 10)								
1) Listed equity securities	**10,960**	**-**	14,805	-	Level 1	Quoted bid prices in an active market	N/A	N/A
2) Unlisted equity securities	**-**	**-**	503	-	Level 2	Quoted prices from fund managers or custodians	N/A	N/A
3) Corporate Debt securities	**21,370**	**-**	34,443	-	Level 2	Quoted prices from fund managers or custodians	N/A	N/A

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in the period.

4. Insurance and financial risk management (continued)

4.5 Fair value of financial assets and financial liabilities (continued)

Fair value of the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, management considers that the carrying amount of financial assets and financial liabilities of the Company recorded at amortised cost in the financial statements approximate their fair values:

	2018		2017	
	Carrying amount	Fair Value	Carrying amount	Fair value
	$	$	$	$
Financial Instruments				
Held-to maturity investments:				
Corporate bonds	**28,748,351**	**27,353,842**	60,456,692	62,119,659

4.6 Liquidity and interest rate risk analysis

Financial assets

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Effective interest rate	Within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2018						
Debt securities at FVTPL - Fixed rate debt securities	4.78	6,318,119	24,896,005	64,790,546	(9,007,159)	86,997,511
Available-for-sale debt securities - Fixed rate corporate bonds	3.69	6,961,016	23,775,467	1,212,918	(10,578,996)	21,370,405
Held-to-maturity debt securities - Fixed rate corporate bonds	5.30	3,535,669	8,076,190	17,491,752	(355,260)	28,748,351
Fixed rate short-term bank deposits	0.76	33,676,914	1,335,164	-	(262,860)	34,749,218
		50,491,717	**58,082,826**	**83,495,216**	**(20,204,275)**	**171,865,485**

4. Insurance and financial risk management (continued)

4.6 Liquidity and interest rate risk analysis (continued)

Financial assets (continued)

	Effective interest rate %	Within 1 year $	Within 2 to 5 years $	After 5 years $	Adjustment $	Total $
2017						
Debt securities at FVTPL						
- Fixed rate debt securities	3.40	3,180,034	15,421,302	20,832,385	280,909	39,714,630
Available-for-sale debt securities						
- Fixed rate corporate bonds	4.12	14,992,509	19,817,702	8,785,804	(9,152,985)	34,443,030
Held-to-maturity debt securities						
- Fixed rate corporate bonds	4.66	32,289,052	27,478,884	15,649,494	(14,960,738)	60,456,692
Fixed rate short-term bank deposits	0.43	38,551,257	112,821	-	(164,027)	38,500,051
		89,012,852	**62,830,709**	**45,267,683**	**(23,996,841)**	**173,114,403**

4.7 Sensitivity analysis

In managing its interest rate and currency risks, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings to the extent possible. Over the longer term, however, any prolonged adverse changes in foreign exchange and interest rates would have an impact on earnings.

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 financial assets and liabilities whose fair values are recorded in the statement of comprehensive income) and other equity (that reflects changes in fair value of available-for-sale financial assets).

Variables	Change in variable	Profit before tax **2018** **$**	Profit before tax 2017 $	Other equity **2018** **$**	Other equity 2017 $
Equity prices	+10%	**1,681,894**	1,660,977	**1,095,999**	1,530,821
Equity prices	-10%	**(1,681,894)**	(1,660,977)	**(1,095,999)**	(1,530,821)
Unit trust prices	+10%	**2,176,833**	2,078,508		
Unit trust prices	-10%	**(2,176,833)**	(2,078,508)		
Interest rate	+100bps	**(1,718,655)**	(1,731,144)		
Interest rate	-100bps	**1,718,655**	1,731,144		

4.8 Capital management policies and objectives

The Company manages capital in accordance with its Board approved Capital Management Policy. The key objectives for managing capital are as follows:

- Ensure obligations to policyholders are met with a high degree of certainty;
- Support the business strategy to achieve its commercial objectives; and
- Meet regulators' expectations on capital adequacy.

An insurer carrying on insurance business in Singapore is required to maintain fund solvency margins and a capital adequacy ratio as stipulated in the Insurance (Valuation and Capital) Regulations 2004. For each Insurance Fund, the insurer is required to maintain the financial resources at all times not less than the total risk requirement of the fund. The capital adequacy requirement of a registered insurer shall at all times be such that the financial resources of the insurer are not less than:

(i) The sum of:

- The aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act; and

- Where the insurer is incorporated in Singapore, the total risk requirement arising from the assets and liabilities of the insurer that do not belong to any insurance fund established and maintain under the Insurance Act;

(ii) Minimum amount of $5 million,

whichever is higher.

Internally, the Company uses the statutory capital requirements described above for its capital adequacy assessments, and sets its own minimum capital position with consideration for the above objectives.

The Company's capital adequacy ratio as at 31 December 2018 is 241%, which is the ratio of available capital of $187 million to the total risk requirement of $77.7 million.

5. Holding company and related company transactions

The Company is a subsidiary of China Taiping International Company Limited, incorporated in Hong Kong SAR. The Company's ultimate holding corporation is China Taiping Insurance Group Co, incorporated in Beijing, China. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, the Company had the following significant transactions with its immediate holding company and related companies:

	2018	2017
	$	$
Companies within the group:		
Gross premium written	**(3,167,523)**	(2,829,322)
Written premium ceded	**5,694,016**	4,964,495
Commission received	**(1,194,438)**	(1,353,599)
Commission paid	**265,292**	217,017
Claims recovery	**(3,342,899)**	(1,565,202)
Claims paid	**168,569**	496,278
Interest on reinsurance deposit	**3,126**	1,244
Investment expense	**198,633**	236,968
Bond Interest received	**(12,430)**	(11,271)
Head Office Management Expense	**48,699**	-

Key management personnel

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors, the chief executive and certain executive officers are considered as key management personnel of the Company.

Short-term employee benefits paid/payable to key management personnel (included in staff costs) was $1,773,941 (2017: $1,360,000).

6. Cash and cash equivalents

	General Insurance		Life Insurance		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Cash at banks and in hand	**14,835,949**	6,747,348	**1,357,082**	-	**16,193,031**	6,747,348
Short-term bank deposits	**23,649,909**	38,500,051	**11,099,309**	-	**34,749,218**	38,500,051
Cash managed by investment manager	**6,415,939**	6,373,606	**30,013,638**	-	**36,429,577**	6,373,606
	44,901,797	51,621,005	**42,470,029**	-	**87,371,826**	51,621,005

6. Cash and cash equivalents (continued)

Short-term bank deposits are considered cash and cash equivalents as they can be withdrawn at any point in time and are subject to an insignificant risk of change in value.

Bank deposits include $8,839,140 (2017: $7,186,992) held by the Company as cash collateral in respect of insurance bonds issued on behalf of customers and for credit terms granted to agents (Note 16).

7. Amounts due from (to) related companies

	2018	2017
	$	$
Amounts due from related companies		
- Trade	**537,797**	1,051,223
- Reinsurance deposits	**24,683**	38,853
Allowance for doubtful insurance receivables:		
- insurance contracts	**(185)**	-
	562,295	1,090,076
Amounts due to related companies:		
- Trade	**2,505,892**	1,053,153
- Reinsurance deposits	**838,194**	804,319
	3,344,086	1,857,472

Amounts due from (to) related companies are unsecured, interest-free and repayable on demand.

8. Deposits, prepayments and other receivables

	General Insurance		Life Insurance		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Accrued interest receivable:						
- Debt securities	**684,443**	1,175,371	**-**	-	**684,443**	1,175,371
- Fixed deposits	**112,464**	191,060	**8,363**	-	**120,827**	191,060
Deposits	**219,444**	37,790	**-**	-	**219,444**	37,790
Prepayments	**166,174**	252,329	**-**	-	**166,174**	252,329
GST recoverables	**6**	7,947	**16,924**	-	**16,930**	7,947
Sundry receivables	**59,213**	81,441	**-**	-	**59,213**	81,441
	1,241,744	1,745,938	**25,287**	-	**1,267,031**	1,745,938

The carrying amounts of deposits, prepayments and other receivables approximate their fair values and are denominated in Singapore dollars.

9. Insurance receivables

	2018	2017
	$	$
Receivables arising from insurance contracts	**8,749,639**	10,195,994
Receivables arising from reinsurance contracts	**2,115,190**	496,625
Reinsurance deposits	**121,086**	79,217
	10,985,915	10,771,836
Allowance for doubtful insurance receivables:		
- insurance contracts	**(479,025)**	(181,136)
- reinsurance contracts	**(122,680)**	(38,914)
	(601,705)	(220,050)
	10,384,210	10,551,786

The Company has fully provided for all receivables over 12 months based on estimated irrecoverable amounts determined by reference to past default experience.

Movement in the allowance for doubtful debts:

	2018	2017
	$	$
Balance at beginning of financial year	**220,050**	461,057
Charged/(credited)to profit or loss	**381,655**	(241,007)
Balance at end of financial year	**601,705**	220,050

10. Investments in securities

	2018	2017
	$	$
<u>Equity securities at fair value through profit or loss</u>		
Listed	**16,818,937**	16,609,770
<u>Equity securities available-for-sale</u>		
Listed	**10,959,993**	14,804,608
Unlisted	**-**	503,605
	10,959,993	15,308,213
Total equity securities	**27,778,930**	31,917,983

10. Investments in securities (continued)

	2018	2017
	$	$
Debt securities at fair value through profit or loss		
Corporate bonds	**86,997,511**	39,714,630
Debt securities available-for-sale		
Corporate bonds	**21,370,405**	34,443,030
Held to maturity investments		
Corporate bonds	**28,748,351**	60,456,692
Total debt securities	**137,116,267**	134,614,352
Unit trust at fair value through profit or loss		
Unit trusts	**21,768,325**	20,785,081

Investment in securities is classified as follows:

	2018	2017
	$	$
Current		
- Equity securities	**27,778,930**	31,917,983
- Debt securities	**9,729,007**	29,715,002
- Unit trusts	**21,768,325**	20,785,081
	59,276,262	82,418,066
Non-current		
- Debt securities	**127,387,260**	104,899,350

The investments above include investments in quoted equity securities and unit trusts that offer the Company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The weighted average effective interest rate of debt securities at the end of the reporting period and the periods in which they mature are disclosed in Note 4.6.

11. Derivative financial instruments

The table below sets out the notional principal amounts and the positive and negative fair values of the Company's outstanding derivative financial instruments at the end of the year. Positive and negative fair values represent the marked-to-market effect of the derivative financial instruments, recognised in profit or loss.

Contract or underlying principal amount	Contract or underlying principal amount $	Year-end positive fair value $	Year-end negative fair value $
2018			
Foreign currency forward contracts	**82,608,508**	**336,985**	**(580,895)**
2017			
Foreign currency forward contracts	34,370,600	1,138,541	(18,773)

12. Property and equipment

	Freehold properties $	Leasehold properties $	Furniture, fixtures and equipment $	Computers $	Motor vehicles $	Total $
Cost:						
At 1 January 2018	-	47,244,078	1,889,838	2,618,903	699,963	52,452,782
Additions	-	-	671,706	2,620,855	-	3,292,561
Disposals						-
At 31 December 2018	-	47,244,078	2,561,544	5,239,758	699,963	55,745,343
Accumulated depreciation:						
At 1 January 2018	-	4,724,409	1,503,941	1,826,365	666,850	8,721,565
Depreciation	-	944,882	486,550	859,008	11,038	2,301,478
Disposals	-					-
At 31 December 2018	-	5,669,291	1,990,491	2,685,373	677,888	11,023,043
Carrying amount:						
At 31 December 2018	**-**	**41,574,787**	**571,053**	**2,554,385**	**22,075**	**44,722,300**
Cost:						
At 1 January 2017	-	47,244,078	1,837,564	2,005,799	699,963	51,787,404
Additions	-	-	52,644	613,104	-	665,748
Disposals	-	-	(370)	-	-	(370)
At 31 December 2017	-	47,244,078	1,889,838	2,618,903	699,963	52,452,782
Accumulated depreciation:						
At 1 January 2017	-	3,779,527	1,152,102	1,454,319	655,813	7,041,761
Depreciation	-	944,882	352,209	372,046	11,037	1,680,174
Disposals	-	-	(370)	-	-	(370)
At 31 December 2017	-	4,724,409	1,503,941	1,826,365	666,850	8,721,565
Carrying amount:						
At 31 December 2017	**-**	**42,519,669**	**385,897**	**792,538**	**33,113**	**43,731,217**

13. Investment property

	Freehold properties $	Leasehold properties $	Total $
Cost:			
At 1 January 2018 and at 31 December 2018	16,310,089	10,000,000	26,310,089
Accumulated depreciation			
At 1 January 2018	7,971,563	5,467,305	13,438,868
Depreciation	317,089	251,816	568,905
At 31 December 2018	8,288,652	5,719,121	14,007,773
Carrying amount:			
At 31 December 2018	8,021,437	4,280,879	12,302,316
Fair value (level 2):			
At 31 December 2018	**36,440,000**	**21,800,000**	**58,240,000**
Cost:			
At 1 January 2017 and at 31 December 2017	16,310,089	10,000,000	26,310,089
Accumulated depreciation			
At 1 January 2017	7,654,474	5,215,489	12,869,963
Depreciation	317,089	251,816	568,905
At 31 December 2017	7,971,563	5,467,305	13,438,868
Carrying amount:			
At 31 December 2017	8,338,526	4,532,695	12,871,221
Fair value (level 2):			
At 31 December 2017	30,700,000	16,930,000	47,630,000

The fair values of the Company's investment property as at 31 December 2018 and 31 December 2017 have been determined on the basis of valuations carried out at the respective year end dates by independent valuers having an appropriate recognized professional qualification and recent experience in the location and category of the properties being valued, and not related to the Company. The fair value was determined based on a market comparable approach that reflects recent transaction prices for similar properties and, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property rental income from the Company's investment property all of which are leased out under operating leases, amounted to $1,440,655 (2017: $1,292,430). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to $368,483 (2017: $410,037).

14. Insurance contracts provisions

	2018 $	2017 $
Gross		
Current:		
Provision for unexpired risks – general insurance	**30,295,960**	31,343,236
Provision for insurance claims – general insurance	**75,777,968**	76,700,027
	106,073,928	108,043,263
Non-current:		
Provision for unexpired risks – general insurance	**34,886,215**	32,764,754
Provision for insurance claims – general insurance	**44,587,163**	46,644,340
Gross insurance contract liabilities – Life insurance	**27,046,404**	-
	106,519,782	79,409,094
Total insurance contracts provisions, gross	**212,593,710**	187,452,357
Recoverable from reinsurers		
Current:		
Provision for unexpired risks – general insurance	**7,610,196**	6,444,522
Provision for insurance claims – general insurance	**24,753,124**	20,890,974
	32,363,320	27,335,496
Non-current:		
Provision for unexpired risks – general insurance	**5,265,898**	3,862,774
Provision for insurance claims – general insurance	**10,025,616**	6,698,799
	15,291,514	10,561,573
Total reinsurers' share of insurance contracts provisions	**47,654,834**	37,897,069
Net		
Current:		
Provision for unexpired risks – general insurance	**22,685,764**	24,898,714
Provision for insurance claims – general insurance	**51,024,844**	55,809,053
	73,710,608	80,707,767
Non-current:		
Provision for unexpired risks – general insurance	**29,620,317**	28,901,980
Provision for insurance claims – general insurance	**34,561,547**	39,945,541
Insurance contract liabilities – Life insurance	**27,046,404**	-
	91,228,268	68,847,521
Total insurance contract provisions, net	**164,938,876**	149,555,288

14. Insurance contracts provisions (continued)

(a) Movement in insurance contract liabilities (gross of reinsurance) for life insurance business

	2018
Beginning of financial year	**-**
Changes in assumptions	**-**
Changes in risk-free discount rates	**-**
Other movements	**27,046,404**
End of financial year	**27,046,404**

(b) Movement in insurance contract liabilities for general insurance business

	Gross $	Reinsurance $	Net $
2018			
Beginning of financial year	64,107,990	(10,307,296)	53,800,694
Premiums written	106,729,722	(25,238,535)	81,491,187
Premiums earned	(105,655,537)	22,669,736	(82,985,801)
End of financial year	**65,182,175**	**(12,876,095)**	**52,306,080**
2017			
Beginning of financial year	67,705,729	(10,951,925)	56,753,804
Premiums written	92,462,800	(16,505,542)	75,957,258
Premiums earned	(96,060,539)	17,150,171	(78,910,368)
End of financial year	64,107,990	(10,307,296)	53,800,694

	Gross $	Reinsurance $	Net $
2018			
Beginning of financial year	123,344,367	(27,589,773)	95,754,594
Claims paid	(68,020,606)	8,951,580	(59,069,026)
Claims incurred	65,155,738	(16,140,546)	49,015,192
Outstanding claim received - treaty inward portfolio transfer	(114,367)	-	(114,367)
End of financial year	**120,365,132**	**(34,778,739)**	**85,586,393**
2017			
Beginning of financial year	115,503,065	(20,393,509)	95,109,556
Claims paid	(51,802,862)	6,517,515	(45,285,347)
Claims incurred	59,529,797	(13,713,779)	45,816,018
Outstanding claim received - treaty inward portfolio transfer	114,367	-	114,367
End of financial year	123,344,367	(27,589,773)	95,754,594

15. Insurance payables

	2018 $	2017 $
Payables arising from insurance contracts	**133,970**	162,344
Payables arising from reinsurance contracts	**7,652,261**	3,134,152
Reinsurance deposits	**343,455**	379,527
	8,129,686	3,676,023

Insurance payables principally comprise amounts outstanding from insurance and reinsurance contracts.

16. Other payables and accruals

	General Insurance		Life Insurance		Total	
	2018 $	2017 $	**2018 $**	2017 $	**2018 $**	2017 $
Accrued expenses	**4,972,033**	4,848,762	**1,679,400**	-	**6,651,433**	4,848,762
Collateral deposits held	**8,839,140**	7,186,992	**-**	-	**8,839,140**	7,186,992
Funds received for commuted reinsurance arrangements	**76,702**	73,330	**-**	-	**76,702**	73,330
GST payable	**457,577**	356,136	**-**	-	**457,577**	356,136
Sundry payables	**802,625**	1,101,005	**1,440**	-	**804,065**	1,101,005
Employee leave entitlement	**194,040**	175,000	**113,960**	-	**308,000**	175,000
	15,342,117	13,741,225	**1,794,800**	-	**17,136,917**	13,741,225
Current	**6,426,275**	6,480,903	**1,794,800**	-	**8,221,075**	6,480,903
Non-current	**8,915,842**	7,260,322	**-**	-	**8,915,842**	7,260,322
	15,342,117	13,741,225	**1,794,800**	-	**17,136,917**	13,741,225

Accrued expenses principally comprise of accruals for operating expenses. Collateral deposits are held in respect of insurance bonds issued on behalf of customers and for credit terms granted to agents.

Funds received for commuted reinsurance arrangements pertain to amounts held in view of the commutation of reinsurance arrangements in the event of future claims by insured parties.

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation $	Available for sale investments $	Others $	Total $
At 1 January 2017	(70,428)	67,724	168,744	166,040
Credited to other comprehensive income for the year	-	(213,559)	-	(213,559)
At 31 December 2017	(70,428)	(145,835)	168,744	(47,519)
Credited to other comprehensive income for the year	-	252,565	371,000	623,565
At 31 December 2018	**(70,428)**	**106,730**	**539,744**	**576,046**

Certain deferred tax assets and liabilities have been offset in accordance with the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2018 $	2017 $
Deferred tax (liabilities)/assets	**576,046**	(47,519)

18 Share capital

	2018 $	2017 $
Issued and fully paid:		
At the beginning of the year	**80,000,000**	80,000,000
New shares issued	**40,000,000**	-
At the end of the year	**120,000,000**	80,000,000

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

19. Net written premiums

	General Insurance		Life Insurance		Total	
	2018 $	2017 $	**2018 $**	2017 $	**2018 $**	2017 $
Gross written premiums	**106,729,722**	92,462,800	**240,000**	-	**106,969,722**	92,462,800
Less: Premiums ceded to reinsurers	**(25,238,535)**	(16,505,542)	**-**		**(25,238,535)**	(16,505,542)
Net written premiums	**81,491,187**	75,957,258	**240,000**	-	**81,731,187**	75,957,258

20. Commission income

	2018 $	2017 $
Reinsurance commission income	**4,431,900**	3,298,725
Profit commission income	**821,283**	922,956
	5,253,183	4,221,681

21. Net investment income

	2018 $	2017 $
Interest income from available-for-sale financial assets:		
- Corporate bonds	**1,115,686**	1,728,106
Interest income from held to maturity investments:		
- Corporate bonds	**2,258,157**	2,920,193
Interest income from short-term bank deposits	**618,177**	493,778
Interest income from financial assets at fair value through profit or loss:		
- Corporate bonds	**815,285**	708,293
	4,807,305	5,850,370
Dividend income	**899,956**	555,568
Net fair value gains/(losses) of financial assets at fair value through profit or loss:		
- Unit trusts	**(743,892)**	(739,089)
- Corporate bonds	**1,326,355**	(822,495)
- Equities	**(1,570,040)**	1,911,709
- Derivative financial instruments	**(1,363,678)**	1,981,402
(Loss)/(gains) on disposal of available-for-sale equities	**(1,694,411)**	(172,500)
(Loss)/gain on disposal of available-for-sale debt securities	**(79,503)**	484,701
Gain on disposal of held to maturity debt securities	**269,921**	41,250
Loss on disposal of unit trusts at fair value through profit or loss	**-**	(68,034)
Impairment (loss) on available-for-sale equities	**(264,000)**	(396,085)
Impairment (loss) on available-for-sale debts securities	**-**	(1,980,270)
	1,588,013	6,646,527

22. Other income - net

	2018 $	2017 $
Rental income from investment property	**1,440,655**	1,292,430
Foreign exchange gain (net)	**-**	-
Miscellaneous income	**149,292**	-
Write back of doubtful debts	**-**	251,551
Loss on disposal of property and equipment	**330**	-
	1,590,277	1,543,981

23. Staff costs

	General Insurance		Life Insurance		Total	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Wages and salaries	**7,232,197**	6,430,238	**918,736**	-	**8,150,933**	6,430,238
Cost of defined contribution plans	**973,126**	790,629	**80,392**	-	**1,053,518**	790,629
Other staff benefits	**2,951,953**	2,071,724	**1,232,861**	-	**4,184,814**	2,071,724
	11,157,276	9,292,591	**2,231,989**	-	**13,389,265**	9,292,591

24. Other operating expenses

	2018 $	2017 $
Advertisement expenses	**70,012**	161,160
Associations, levy and subscription fees	**61,324**	195,678
Non recoverable GST	**45,110**	59,070
Credit card charges	**312,067**	386,402
Bank charges	**169,271**	283,196
Maintenance fee	**368,483**	391,989
Property tax	**250,652**	246,372
License fees	**101,245**	70,000
Write back of doubtful accounts, net	**381,840**	(241,007)
Management fee paid to immediate holding company	**-**	2,653
Intergroup Audit Service Fee (note 5)	**48,699**	
Interest expense	**16,506**	17,313
Investment expense	**252,014**	277,549
Rental expense	**74,985**	161,600
Foreign exchange loss (net)	**330,258**	3,313,984
Other expenses	**2,167,280**	1,844,625
	4,649,746	7,170,584

25. Income tax

	2018 **$**	2017 $
Current income tax expense for the year	**614,000**	1,396,000
Overprovision of tax expense for prior year	**-**	-
	614,000	1,396,000

The tax on profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2018 **$**	2017 $
Profit/(loss) before income tax	**(26,794,337)**	7,885,340
Income tax expense calculated at 17% (2017: 17%)	**(4,555,037)**	1,340,508
Effects of:		
- revenue that is exempt from taxation	**(25,925)**	(25,925)
- expenses that are not deductible in determining taxable profit	**5,770,647**	273,853
- income subject to a concessionary tax rate of 10%	**(559,735)**	(211,596)
- over provision of tax in prior years		-
- others	**(15,950)**	19,160
Income tax expense recognised in profit or loss	**614,000**	1,396,000

26. Dividends

	2018 **$**	2017 $
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year	**1,925,635**	3,427,200

27. Operating lease commitments

The Company as lessee

	2018 **$**	2017 $
Minimum lease payments recognised as an expense during the year	**201,785**	161,600

27. Operating lease commitments (continued)

Future minimum lease payments under operating leases are as follows:

	2018	2017
	$	$
Within one year	**792,116**	115,620
More than one year	**1,283,528**	-
	2,075,644	115,620

Operating lease payments represent rental payable by the Company for certain of its office premises and equipments. Leases are negotiated for an average of 3 years and rentals are fixed for an average of 3 years.

<u>The Company as lessor</u>

The Company rents out its investment property (Note 13) in Singapore under operating leases. Property rental income earned during the year was $1,440,655 (2017: $1,292,430). Leases are negotiated for an average of 3 years and rentals are fixed for an average of 3 years.

At the end of the reporting period, the Company has contracted with tenants for the following future minimum lease payments:

	2018	2017
	$	$
Within one year	**1,397,393**	1,311,796
More than one year	**2,042,637**	531,557
	3,440,030	1,843,353

28. Disclosure on temporary exemption from IFRS 9

(i) The table below presents the fair value of the following groups of financial assets under IFRS 9 as at 31 December 2018 and fair value changes for the year ended 31 December 2018:

	Fair value as at 31 December 2018 $	Fair value losses for the year ended 31 December 2018 $
Financial assets with contractual terms that give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding ("SPPI")	**105,724,658**	**(22,170)**
Other financial assets	**180,678,107**	**(4,097,078)**
	286,402,765	**(4,119,248)**

(ii) The table below presents the credit risk exposure for aforementioned financial assets with contractual terms that give rise on SPPI:

	Fair value as at 31 December 2018 $	Fair value losses for the year ended 31 December 2018 $
Below BBB or not rated	**6,319,130**	**(22,170)**

For financial assets measured at amortised cost, in relation to cash and cash equivalents, amount due from related companies, deposits and other receivables, receivables arising from insurance contracts and receivables arising from reinsurance contracts, carrying amount represents amount before adjusting for the impairment allowance. The credit risk exposure for these financial assets are disclosed in Note 4.4(c).

29. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting year beginning on or after 1 January 2019 and which the Company has not early adopted:

- *FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)*

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply 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).

  The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of $2,075,644. However, the Company has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

  The Company does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. New or revised accounting standards and interpretations (continued)

- *FRS 123 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)*

  The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

  (i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

  (ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

  (iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

  (iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

  (v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

  The Company does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

30. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of China Taiping Insurance (Singapore) Pte. Ltd.

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