ANNUAL REPORT 2019

Singapore Reinsurance Corporation Limited

CONTENTS

CHAIRMAN'S STATEMENT

Operationally, the year under review was a demanding one. Extreme weather-related events took centre stage. Although 2019 in terms of total insured loss estimate for NAT CAT perils was much lower than the prior two years, it was significant in that the top two costliest insured loss events, associated with wet perils (namely, typhoons Hagibis and Faxai), both occurred in Japan. On the other extreme end, the year ended with the bombardment of headline-breaking news related to the devastating effects of the bushfires in Australia.

Reinsurance Operations

Against this backdrop, the Group's gross premium income increased by 14.6% to S$238 million for the year ended 31 December 2019. Premiums from the Singapore market alone represented 32.9% of gross premium (2018: 30.3%), while the premium contribution from the top 3 overseas territories was as follows:

Territory	Gross Premium Written
Outside Singapore	67.1%
of which the top 3 overseas markets remained unchanged:	
Malaysia	30.9%
China	8.8%
Hong Kong	4.8%

Fire was the predominant class contributing 52.5% of gross premium income, followed by Accident (including Casualty), 40.4% and Marine, 7.1%.

As a consequence of the relatively high frequency and severity of NAT CAT losses in Asia in the year under review, compounded by rising concentration of exposures in cities in Asia, the net claim incurred rose 13.4% to S$41 million in 2019 and it represented an incurred loss ratio of 63.1%, a 7.9-percentage-points improvement compared to the 71% incurred loss ratio in 2018.

Simultaneously, net commission expense rose 22.4% to S$14.7 million in 2019 on the back of the premium growth, although the commission expense ratio of 22.7% of net written premium in 2019 was 1.0-percentage-point lower than the preceding year (2018: 23.7%). On account of the higher net premium revenue, the Group's reinsurance management expense ratio (as percentage of net written premium) fell to 11.8% in 2019 (2018: 15.1%). Overall, benefiting from the relatively modest premium income derived from Japan, the Group recorded a lower underwriting loss of S$3.4 million in 2019, equivalent to a deficit ratio of 5.3% (of net written premium), compared to the S$4.8 million underwriting loss or 9.4% deficit ratio (of net written premium) a year ago.

The Group generated a lower net investment income of S$14.1 million in 2019 (2018: S$16 million) which represented an annual rate of return of 3.1% on market value (2018: 3.7%). The reduction in net investment income was largely due to lower revaluation surplus for property investments. The investment asset allocation for 2019 remained stable and the breakdown was as follows:

Assets	Total Investment Allocation
Fixed Income Investment	45.7%
Cash and Cash equivalents	22.9%
Properties	19.7%
Equities	11.7%

The Group's total assets, which comprised the sum of shareholders' and insurance funds, amounted to a credible S$883.1 million, 8% higher than a year earlier. The NAV rose to 45.1 cents per share, up from 43.5 cents per share in 2018.

Taking into consideration the operating performance for the year under review, your Board is recommending a final dividend of 0.8 cent (2018: 0.8 cent) per share. Added to the interim dividend of 0.5 cent per share, the total dividend of 1.3 cents (2018: 1.3 cents) is equivalent to 4.4% dividend yield (2018: 4.6%) and represented an 80% pay-out ratio (as a percentage of Net Profit after Tax).

During the year under review, independent international rating agency A.M. Best once again affirmed your Company's financial strength rating of A- (Excellent) with Stable outlook.

Subsidiaries

Collectively, the subsidiaries' turnover fell 11.7% to S$5.2 million and reported a pre-tax loss of S$61,000.

By virtue of the continued tough operating environment for (re)insurers and its heavy reliance on customers in the (re)insurance segment, INS Communications Private Limited (INS), the publishing and conferencing arm of the Group, reported an operating loss for 2019, the first time ever in more than two decades. This was largely due to a significant drop in number of delegates attending conferences. However, the brand power of Asia Insurance Review (AIR), the flagship product of the subsidiary remained entrenched in the insurance community. The subsidiary continued to re-invent itself and explore new business both locally and overseas. Digital and social media while providing new opportunities for the subsidiary also present huge challenges as new entrants with no legacy issues can easily foray into the field. In that regard, competition in this arena has increased.

Despite the increasingly more challenging environment, INS remains committed to serving the insurance industry by extending its repertoire of product and service offerings to the insurance industry in Asia and the Middle East.

SR-China Advisory Services Co Ltd, incorporated in Shanghai, focuses on managing the Company's investments in China. It is not a profit centre.

Outlook

The (re)insurance arena is still plagued with excess capacity even though there has been some contraction with the pull-back by Lloyd's syndicates, as well as companies going into M&As or runoff. Loss-making markets and lines of business have started to see some correction in premium rates albeit slowly, but this is not consistently seen across all markets. The profitability of fresh entrants propelled by new technology with the likes of FinTech and InsureTech would take time to bear fruit. Web-based malicious threats and cyber-attacks in the digital era are now the norm so there is ever-growing need to invest in new or upgraded IT software to ensure a decent level of cyber hygiene is achieved. Your Company, being a financial institution and mindful of potential reputational risks from cyber security breaches, is likewise subjected to specific compliance standards.

CHAIRMAN'S STATEMENT

Amid worsening extreme weather conditions resulting from climate change, the balancing between ensuring adequate retro protections to limit exposures on the one hand and the need to contain the rising costs on the other has become a daunting challenge to underwriters. It has also rendered it well-nigh impossible to achieve underwriting profitability. Given the continuing geo-political and economic uncertainties globally compounded by COVID-19 virus outbreak, the full impact of which is as yet unquantifiable, the financial markets globally will inevitably face heightened volatility. In the circumstance the prudential management of the Company's investments is crucial to ensure positive returns in keeping with the past.

During the period under review, under the guidance of the Board, Management has continued to strengthen its governance by improving its systems of controls and ensuring compliance with applicable rules, laws and regulations. Mindful of the importance of Sustainability, various administrative measures have been introduced.

With the deadline for the new international financial reporting standard for insurance contracts (otherwise known as IFRS17) looming nearer, the Company's management team is spending considerable time and effort to review off-the-shelf IT software which can hopefully be integrated with the existing systems. At the same time, work processes would have to be revamped and staff re-trained to ensure the Company can be operationally ready to meet the new accounting standards. It is an uphill task but we are rising to the challenge.

Lastly, on behalf of the Board, I would like to express our appreciation to Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore and his team for their sound leadership in this digital era and encouragement to the financial sector as a whole to rise higher including through FinTech. We appreciate the support of our stakeholders including our shareholders, cedants, brokers, reinsurers, other business partners and our management and staff for their belief in the Company.

Ramaswamy Athappan
Chairman

Singapore
25 February 2020

CORPORATE DATA

Board of Directors

Ramaswamy Athappan (Chairman) *B Eng, AFII*
David Chan Mun Wai (Deputy Chairman) *BBA, Chartered Insurer (FCII)*
Dileep Nair *B Eng, MPA*
Peter Sim Swee Yam *LLB*
Ong Eng Yaw *LLB (2nd Class Upper Division), M Sc (Investment Management), MBA*

Audit Committee

Dileep Nair (Chairman)
Ramaswamy Athappan
David Chan Mun Wai
Peter Sim Swee Yam
Ong Eng Yaw

Executive Committee

Ramaswamy Athappan (Chairman)
David Chan Mun Wai (Deputy Chairman)
Dileep Nair
Peter Sim Swee Yam
Ong Eng Yaw

Remuneration Committee

Peter Sim Swee Yam (Chairman)
Ramaswamy Athappan
David Chan Mun Wai
Dileep Nair
Ong Eng Yaw

Nominating Committee

Ong Eng Yaw (Chairman)
Ramaswamy Athappan
David Chan Mun Wai
Dileep Nair
Peter Sim Swee Yam

Investment Committee

Hwang Soo Jin (Chairman)
Ramaswamy Athappan
David Chan Mun Wai
Dileep Nair
Peter Sim Swee Yam
Ong Eng Yaw
Theresa Wee Sui Ling
Carlene Lim Lay Hoon

CORPORATE DATA

Joint Company Secretaries
Ong Beng Hong
Tan Swee Gek

Auditors
KPMG LLP
Public Accountants and Chartered Accountants
Partner: Goh Kim Chuah
(since Financial Year Ended 31 December 2016)

Share Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Independent Scrutineers
DrewCorp Services Pte Ltd
10 Collyer Quay #10-10
Ocean Financial Centre
Singapore 049315

Bankers
Citibank, N.A.
DBS Bank Ltd
CIMB Bank Berhad, Singapore Branch

Registered Office and Correspondence Address
85 Amoy Street, Singapore 069904
Tel: (65) 6324 7388 Fax: (65) 6224 8910
Email: enquiry@singre.com.sg
Company Registration No. 197300016C

Labuan Branch
Level 11(B), Block 4 Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Labuan Federal Territory, Malaysia
Tel: (087) 412 389 Fax: (087) 422 389
Email: labuan@singre.com.sg

Subsidiaries
Singapore-Re Management Services Private Limited
INS Communications Private Limited
SR-China Advisory Services Co Ltd

Corporate Website
www.singre.com.sg

DIRECTORS' PROFILE

RAMASWAMY ATHAPPAN, 74

B Eng, AFII
Non-Executive and Non-Independent Director/Chairman

Mr Athappan was appointed to the Board on 1 August 1988 and became Chairman of the Board on 1 January 2008. He is also the Chairman of the Executive Committee and a member of the Audit, Nominating, Remuneration and Investment Committees.

Mr Athappan, with more than 40 years of experience in insurance and finance, is the Chief Executive Officer of MS First Capital Insurance Limited and Chairman of Fairfax Asia Limited. He is also Director of a few other insurance companies and property development companies incorporated in various countries in Asia.

He holds a Bachelor in Engineering (Electrical), First Class degree from Coimbatore Institute of Technology, Madras University and is a member of the Insurance Institute of India.

DAVID CHAN MUN WAI, 66

BBA, Chartered Insurer (FCII)
Non-Executive and Non-Independent Director/Deputy Chairman

Mr Chan was appointed to the Board on 28 December 1998 and became Deputy Chairman of the Board and the Executive Committee on 1 January 2008. He is also a member of the Audit, Nominating, Remuneration and Investment Committees.

Mr Chan is the Managing Director of United Overseas Insurance Limited. He graduated with a Bachelor of Business Administration from the University of Singapore (now known as National University of Singapore) and is also a Chartered Insurer and a Fellow of the Chartered Insurance Institute, UK.

Other key information regarding the Director is set out below:

Present Directorships or Chairmanships in Other Listed Companies	Directorships or Chairmanships in Other Listed Companies from 1 January 2017 to 31 December 2019
– United Overseas Insurance Limited	– United Overseas Insurance Limited

DIRECTORS' PROFILE

DILEEP NAIR, 69

B Eng, MPA

Non-Executive and Independent Director

Mr Dileep Nair was appointed to the Board on 20 October 2015. He was appointed Chairman of the Audit Committee on 6 January 2016. He is also a member of the Nominating, Remuneration, Executive and Investment Committees.

Mr Nair was Singapore's non-resident High Commissioner to Ghana till end 2016. Mr Nair currently sits on the Board of Thakral Corporation Ltd and Keppel DC REIT Management Pte. Ltd. He is also a Board member of Health Sciences Authority of Singapore.

He graduated with a Bachelor of Engineering (Magna cum Laude) from McGill University, Canada and has a Master in Public Administration from Harvard University, USA. He was awarded the Public Administration Medal (Silver) by the Singapore Government and the Friendship Medal by the Government of Laos.

Other key information regarding the Director is set out below:

Present Directorships or Chairmanships in Other Listed Companies	Directorships or Chairmanships in Other Listed Companies from 1 January 2017 to 31 December 2019
– Thakral Corporation Ltd – Keppel DC REIT Management Pte. Ltd.	– Thakral Corporation Ltd – Keppel DC REIT Management Pte. Ltd.

PETER SIM SWEE YAM, 64

LLB

Non-Executive and Independent Director

Mr Sim was appointed to the Board on 24 August 2015. He was appointed Chairman of the Remuneration Committee on 6 January 2016. He is also a member of the Audit, Nominating, Executive and Investment Committees.

Mr Sim practices in his own law firm, Sim Law Practice LLC. He is also an independent director of Lum Chang Holdings Limited, Mun Siong Engineering Limited, Haw Par Corporation Limited and ST Group Food Industries Limited. He also sits on the Board of Singapore Heart Foundation and Young Men's Christian Association (YMCA) of Singapore. He was previously an independent director of Latitude Tree International Group Ltd and Marco Polo Marine Limited.

He graduated with a Bachelor of Law from the University of Singapore (now known as National University of Singapore) and was admitted to the Singapore Bar in 1981. Mr Sim was awarded the Pingat Bakti Masyarakat in August 2000 and the Bintang Bakti Masyarakat in August 2008.

Other key information regarding the Director is set out below:

Present Directorships or Chairmanships in Other Listed Companies	Directorships or Chairmanships in Other Listed Companies from 1 January 2017 to 31 December 2019
– Lum Chang Holdings Limited – Mun Siong Engineering Limited – Haw Par Corporation Limited – ST Group Food Industries Limited	– Lum Chang Holdings Limited – Mun Siong Engineering Limited – Haw Par Corporation Limited – ST Group Food Industries Limited

DIRECTORS' PROFILE

ONG ENG YAW, 47

LLB (2nd Class Upper Div.), M Sc (Invt. Management), MBA

Non-Executive and Independent Director

Mr Ong was appointed to the Board on 24 August 2015. He was appointed Chairman of the Nominating Committee on 6 January 2016. He is also a member of the Audit, Remuneration, Executive and Investment Committees.

Mr Ong currently holds the position of Senior Vice President (Real Estate) at Hwa Hong Corporation Limited. His prior work experience in OCBC Bank, Vickers Ballas, DBS Bank, CIMB Group and Parkway Life Real Estate Investment Trust has given him breadth of exposure in corporate finance, investment and real estate development.

He graduated with a Bachelor of Law (Second Class Upper Division) degree from University College London and holds a Master of Science (Investment Management) from the Cass Business School and a Master of Business Administration from INSEAD.

Other key information regarding the Director is set out below:

Present Directorships or Chairmanships in Other Listed Companies	Directorships or Chairmanships in Other Listed Companies from 1 January 2017 to 31 December 2019
– MTQ Corporation Limited	– MTQ Corporation Limited

MANAGEMENT DATA

SINGAPORE REINSURANCE CORPORATION LIMITED

Theresa Wee Sui Ling *B Soc Sc (Hons), Chartered Insurer, GDFM*
Chief General Manager/Chief Executive

Carlene Lim Lay Hoon *BBA, CA*
Financial Controller
Finance, Investment, Administration and Human Resource

Mervyn Low Cheng Chwee *BA, Dip CII*
General Manager
Operations

Cheng Yiina *B Sc (Hons)*
Assistant General Manager
Systems

Ho Wing Hoong *LLB (Hons)*
Assistant General Manager
Operations

Yap Sock Cheen Dip *BA, Dip Admin Mgmt*
Assistant General Manager
Operations

Lee Fon Yin *BB (Acc), CRMA, Dip Banking & Finance*
Head, Internal Audit
Internal Audit and Compliance

Grace Loh Chit Hiang
Senior Manager
Operations Administration and Corporate Secretarial

Cheah Sooi Ping *B Sc (Comp Sc)*
Senior Manager
Systems

MANAGEMENT DATA

INS COMMUNICATIONS PRIVATE LIMITED

Mokanasivam Subramaniam *LLB (Hons)*
Managing Director

Sheela Suppiah-Raj *MA*
General Manager
Business Development

Koh Earn Chor *B Econs*
Senior Manager
Business Development

Chau Bee Pen *BA, BA (Multimedia Design)*
Manager
Publishing

Paul McNamara *BA (Hons), Politics, Philosophy, Economics*
Manager
Editor

Jennifer Chee
Manager
Administration

SR-CHINA ADVISORY SERVICES CO LTD

Chin Tsu-Kuang *MA, Marine Law (Wales)*
Director

SENIOR MANAGEMENT'S PROFILE

THERESA WEE SUI LING

Chief General Manager/Chief Executive

Ms Theresa Wee Sui Ling joined the Company on 4 July 1990, and was appointed Chief General Manager in 2005 and Chief Executive in 2014. She is a member of the Investment Committee.

Ms Wee graduated with a Bachelor of Social Science (Honours) from the National University of Singapore and holds a Graduate Diploma in Financial Management from the Singapore Institute of Management. She is also a Chartered Insurer of the Chartered Insurance Institute, UK.

CARLENE LIM LAY HOON

Financial Controller (Finance, Investment, Administration and Human Resource)

Ms Carlene Lim Lay Hoon joined the Company on 13 August 1990 and was appointed Financial Controller in 2011. She is responsible for the Group's Financial, Investment, Administrative and Human Resource functions. She is also a member of the Investment Committee.

Ms Lim graduated with a Bachelor of Business Administration from the National University of Singapore and is a member of the Institute of Singapore Chartered Accountants.

MERVYN LOW CHENG CHWEE

General Manager (Operations)

Mr Mervyn Low Cheng Chwee re-joined the Company on 11 September 2012 as General Manager. He is responsible for the Treaty and Facultative Underwriting operations. Mr Low was previously with the Corporation from 1991 to 2010 and was responsible for the Underwriting, China Affairs and Human Resource operations.

Mr Low graduated with a Bachelor of Arts from the National University of Singapore and holds a diploma from the Chartered Insurance Institute, UK.

SENIOR MANAGEMENT'S PROFILE

CHENG YIINA

Assistant General Manager (Systems)

Ms Cheng Yiina joined the Company on 4 July 1991 and was appointed Assistant General Manager in 1999. She is responsible for the Group's Information Technology requirements.

Ms Cheng graduated with a Bachelor of Science (Honours) from the Oxford Brookes University, UK.

HO WING HOONG

Assistant General Manager (Operations)

Mr Ho Wing Hoong joined the Company on 24 January 2011 as Assistant General Manager. He is responsible for the Treaty and Facultative Underwriting operations.

Mr Ho holds a Bachelor of Law (Honours) from the University of Wolverhampton, UK.

YAP SOCK CHEEN

Assistant General Manager (Treaty Administration and Claims)

Ms Yap Sock Cheen joined the Company on 28 March 1980 and was appointed Assistant General Manager in 2012. She is responsible for the Treaty Administration and Claims operations.

Ms Yap holds a Diploma in Business Administration and Diploma in Administration Management.

GROUP ACTIVITIES

SR-China Advisory Services Co Ltd manages the Company's properties and other investments in China.


Shanghai Panorama

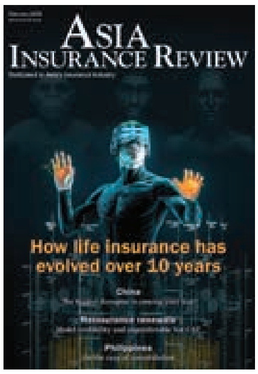

Dalian Asia Pacific International Centre

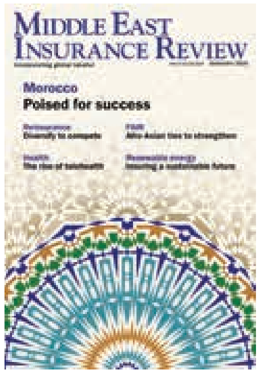

Beijing New World Square

INS Communications Private Limited (INS), the publishing and conferencing arm of the Group, kept pace with the challenges in the operating environment as well as the disruptive digital era. It has put in place the necessary resources to take advantage of the data-driven digital marketing opportunities as well as allow readers the flexibility of reading as they go.

Given the importance of distribution for the insurance industry, the subsidiary has stepped up its involvement in the life agents community with more activities lined up for agents. The Agents Awards and the Asia Advisers Network are drawing in the numbers.

Despite the ever-increasing competition in the digital space with lower entry requirements, INS' flagship publication, Asia Insurance Review (**AIR**) remains pre-eminent as the "voice of the insurance industry in Asia". The latest additions include the e-weekly Africa and AIR+, an extra but much needed subscription service to bring in-depth reports and analysis to clients online more frequently on a weekly basis in between the monthly Print editions. AIR's e-daily remains unparalleled as a dedicated free news service to the industry globally. It brings Asia to the world and is most sought after, contributing to making AIR's website among the top three insurance websites globally as defined by google statistics. AIR remains active on Twitter and Linked-In too.





Magazines

Despite the tensions in the Middle East, the subsidiary's Middle East publication, Middle East Insurance Review (**MEIR**), entrenched its position as the leading professional insurance magazine in the region. The subsidiary enjoys significant support from Middle East players.

GROUP ACTIVITIES

In 2019, INS served the insurance industry in the region with some 25 insurance-related events, including conferences, awards, seminars, workshops, and roundtables.

19th Asia CEO Insurance Summit

13th India Rendezvous

In addition, the subsidiary organised the 23rd Asia Insurance Industry Awards, the 4th Asia Trusted Life Agents and Advisers Awards and the 6th Middle East Insurance Industry Awards which recognised and saluted excellence in the respective sectors and regions.


23nd Asia Insurance Industry Awards


4th Asia Trusted Life Agents and Advisers Awards


6th Middle East Insurance Industry Awards

INS' five free online newsletters – the AIR e-daily, MEIR e-daily, Asia Risks, I-Move, e-Africa provide the best news resource to the insurance industry of Asia.

Its various directories – Insurance Directory of Asia, Reinsurance Directory of Asia, MENA Insurance Directory and Global Takaful Directory – remain significant reference points and guides for companies doing business in the regions.

Directories

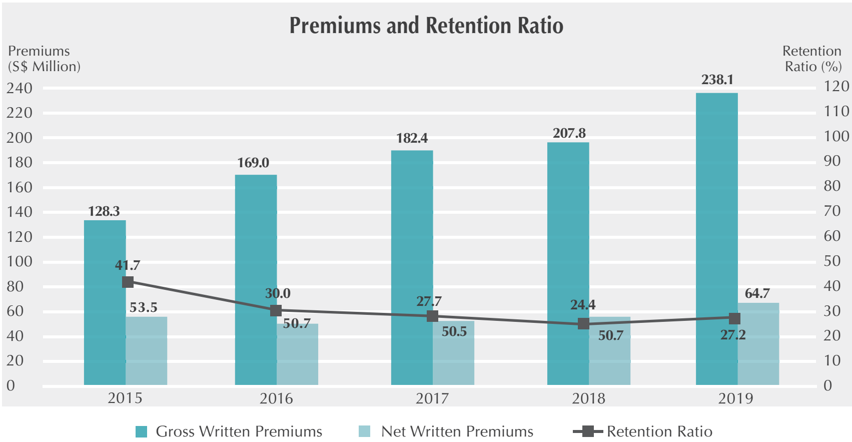
AIR's and MEIR's brand appeal continued in 2019 with the subsidiary working with the several high-profile international bodies, including the insurance industry global think tank Geneva Association, the International Insurance Society and Insurance Development Forum. As a regional publisher, INS works with several government bodies in Asia to promote their specific interest areas.

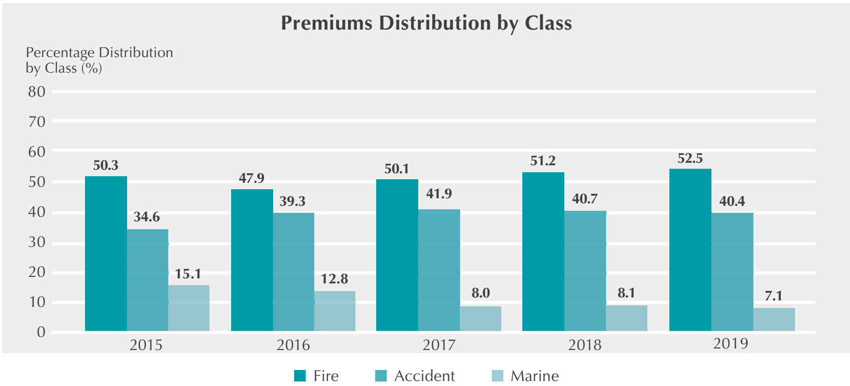
It is actively wooed as the official media partner for all major insurance events in Asia and the Middle East, including the EAIC, (East Asian Insurance Congress), Global Insurance Forum, the SIRC (Singapore International Reinsurance Conference), the GAIF (General Arab Insurance Federation) Conference, FAIR (the Federation of the Afro-Asian Insurers & Reinsurers) Conference and Asian Actuarial Conference.

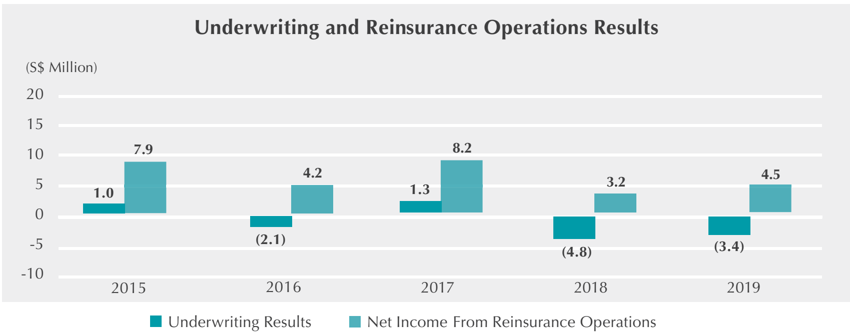
Newsletters

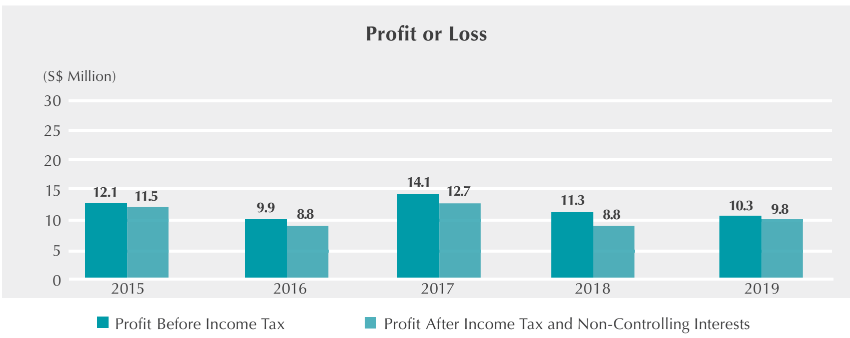
GROUP FINANCIAL HIGHLIGHTS

S$'000	2015	2016	2017	2018	2019
Gross Written Premiums	128,326	169,016	182,447	207,802	**238,144**
Net Written Premiums	53,467	50,722	50,526	50,681	**64,668**
Underwriting Results	950	(2,055)	1,309	(4,769)	**(3,407)**
Net Income From Reinsurance Operations	7,901	4,163	8,183	3,243	**4,470**
Profit Before Income Tax	12,137	9,878	14,056	11,297	**10,286**
Profit After Income Tax And Non-Controlling Interests	11,511	8,842	12,654	8,791	**9,817**
Net Insurance Contract Provisions:					
Outstanding Claims	152,635	152,449	148,289	153,274	**160,307**
Unexpired Risks	20,217	19,074	18,492	18,322	**23,262**
	172,852	171,523	166,781	171,596	**183,569**
% To Net Written Premiums (based on 5-year average of net written premiums)	338.1%	327.4%	315.8%	327.2%	**339.9%**
Shareholders' Funds	231,918	240,836	259,153	263,495	**273,100**
Investment Funds	396,512	411,078	441,005	435,600	**453,169**
Total Assets	680,385	703,246	771,409	817,733	**883,098**
Net Tangible Assets Per Share (cents)	38.32	39.79	42.82	43.54	**45.12**
Earnings Per Share (cents)	1.90	1.46	2.09	1.45	**1.62**
Return On Equity (%)	4.96	3.67	4.88	3.34	**3.59**
Gross Dividend (cents)	1.60	1.30	1.30	1.30	**1.30**
Gross Dividend Yield (%) At Year-End Share Price	4.92	4.26	4.13	4.56	**4.41**
Capital Adequacy Ratio (%)	317.2%	313.9%	345.8%	367.2%	**394.1%**

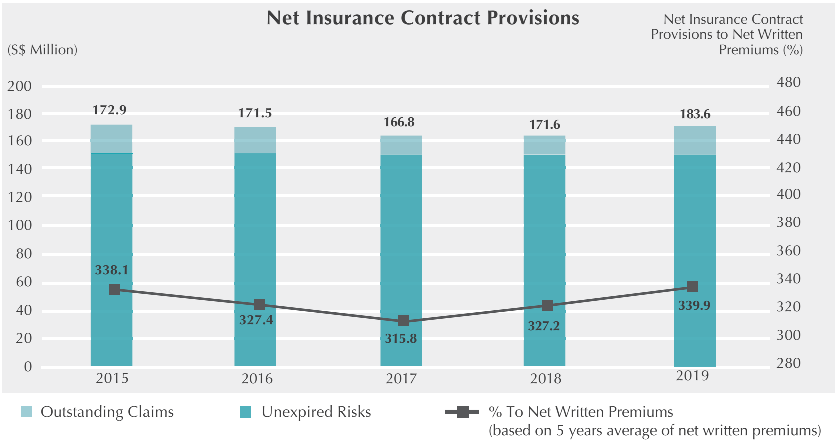

Premiums and Retention Ratio
Premiums (S$ Million)
Retention Ratio (%)
128.3
169.0
182.4
207.8
238.1
41.7
30.0
27.7
24.4
27.2
53.5
50.7
50.5
50.7
64.7
2015
2016
2017
2018
2019
Gross Written Premiums
Net Written Premiums
Retention Ratio

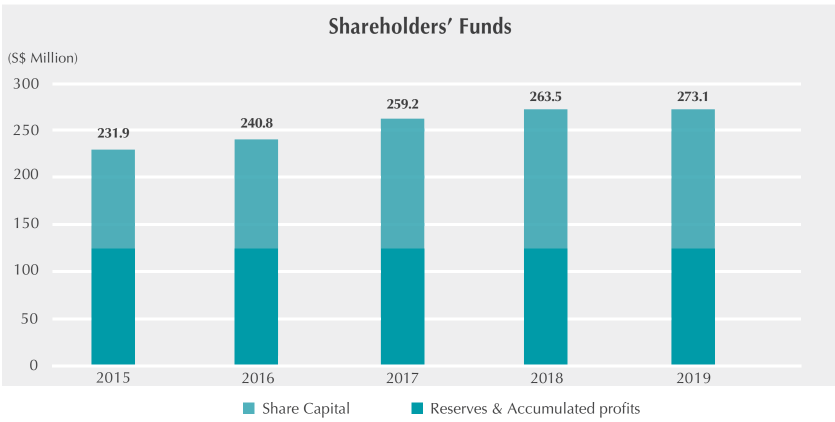

Premiums Distribution by Class
Percentage Distribution by Class (%)
50.3
34.6
15.1
47.9
39.3
12.8
50.1
41.9
8.0
51.2
40.7
8.1
52.5
40.4
7.1
2015
2016
2017
2018
2019
Fire
Accident
Marine

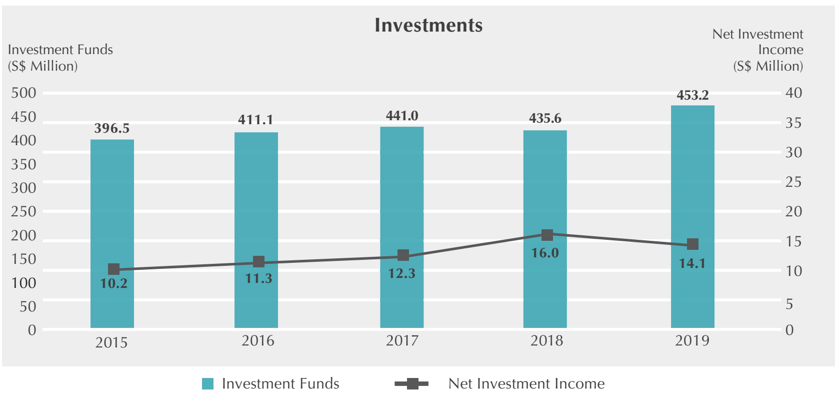

Underwriting and Reinsurance Operations Results
(S$ Million)
1.0
7.9
(2.1)
4.2
1.3
8.2
(4.8)
3.2
(3.4)
4.5
2015
2016
2017
2018
2019
Underwriting Results
Net Income From Reinsurance Operations

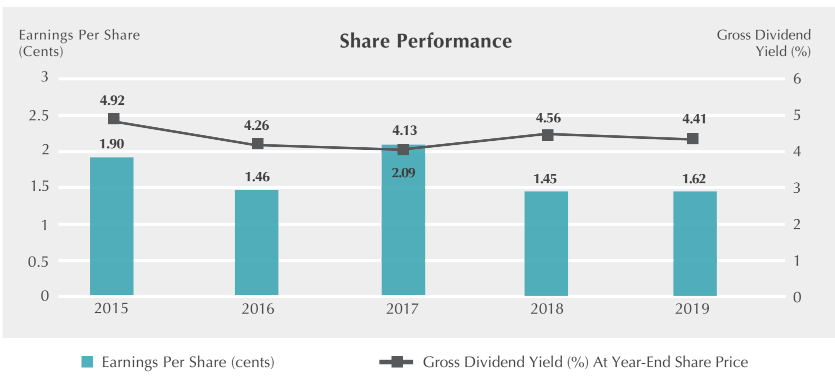

Profit or Loss
(S$ Million)
12.1
11.5
9.9
8.8
14.1
12.7
11.3
8.8
10.3
9.8
2015
2016
2017
2018
2019
Profit Before Income Tax
Profit After Income Tax and Non-Controlling Interests

GROUP FINANCIAL HIGHLIGHTS









CORPORATE GOVERNANCE

The Board is committed to good corporate governance and has adopted policies pursuant to the principles and guidelines in the Code of Corporate Governance issued on 6 August 2018 (**Code**) and the Practice Guidance issued on 6 August 2018 (**Practice Guidance**), the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (**CG Guidelines**) by the Monetary Authority of Singapore (**MAS**) and the Insurance (Corporate Governance) Regulations 2013 (**CG Regulations**) issued on 3 April 2013 and the Singapore Exchange Securities Trading Limited Listing Manual (**SGX Listing Manual**). The Company has put in place an internal guide to ensure good corporate governance in its business practices and activities. The Company believes that it has complied with the spirit and intent of Code, the Practice Guidance and the CG Guidelines and in areas where the Company's practices have deviated from Code, the Practice Guidance and the CG Guidelines, rationale for the same is provided herein.

The Company aims to preserve and enhance shareholder value by ensuring high standards of corporate performance and accountability.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1 of the Code: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board is supported by specialised Board committees to facilitate effective oversight of the Company and supervision of Management and the matters delegated by the Board to such Board committees are listed out in the terms of reference of each Board committee. The Board committees, namely, the Executive Committee (**EXCO**), Audit Committee (**AC**), Nominating Committee (**NC**), Remuneration Committee (**RC**) and Investment Committee (**INV**) meet regularly to consider the audit and risk management processes, investments, remuneration, nomination and other matters. A report on each committee's last meeting is provided at the next Board meeting.

The Board's core responsibilities, apart from statutory and fiduciary duties, include:

- to determine the Group's broad strategic directions, major investment and funding decisions and levels of risk tolerance and risk policies;
- to set the Group's values and standards (including ethical standards), as well as ensure proper accountability within the Company, and obligations to shareholders and other stakeholders are understood and met;
- to approve the financial objectives of the Group and monitor its performance and prospects;
- to ensure the implementation of the Board's overall strategies, including the formulation and proper execution of risk management policies and guidelines set by the Board;
- to approve the nomination of directors to the Board and appointment and removal of senior executives;

CORPORATE GOVERNANCE

- to oversee Management in the design, implementation and monitoring of the risk management and internal control systems;

- to review the adequacy and effectiveness of the Group's internal controls including compliance, operational, financial and information technology (**IT**) controls and risk management systems; and

- to be responsible for the formulation of and compliance with the Group's sustainability policies and practices.

The Board meets at least quarterly to oversee the conduct of business of the Group.

The Board's approval is required for all major matters such as corporate restructuring, mergers and acquisitions, investments, acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's half yearly and annual results, interested person transactions of a material nature, and declaration of interim dividends and proposal of final dividends. In this regard, the Group has adopted internal guidelines which set out specific matters requiring Board approval. These written guidelines also include financial and non-financial limits of authority given to Management to facilitate operational efficiency.

Management provides the Board, EXCO and AC with detailed management accounts of the Group's financial performance, position and prospects on a quarterly basis. Management also provides the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis to enable the Board to make informed decisions and discharge their duties and responsibilities. Such information includes financial management reports, annual budgets and performance against budget, announcement of results, matters requiring the Board's decision and updates on key outstanding issues.

For matters which require the Board's decision outside the pre-agreed meetings, board papers are circulated to the Board for consideration, with discussions taking place between members of the Board and Management directly, before approval is granted.

In addition, the Board as a whole approves the appointment and removal of the Company Secretary. The Company Secretary's responsibilities include advising the Board on corporate and administrative matters, as well as facilitating orientation and assisting with professional development as required. The Board does not require the Company Secretary to attend all Board meetings, and the Company Secretary only attends Board meetings as and when requested by the Board, as the Company maintains an internal corporate secretarial function. The internal corporate secretarial function is responsible for preparing the minutes of Board meetings.

The Board also has separate and independent access to Management, the Company Secretary, and external advisors (where necessary) at the Company's expense. The Company Secretary assists Management to ensure that Board procedures are observed and the Company complies with the requirements of the Companies Act and the SGX Listing Manual. The Chief Executive (**CE**) and Financial Controller (**FC**) provide assistance in the Company Secretarial role and attend the Board meetings. Should the directors, whether as a group or individually, need independent professional advice to carry out their duties, the Company will, upon approval of the Chairman, arrange to appoint a professional advisor to render the advice.

Executive Committee

(Provision 1.4 of the Code – Board Committees with clear written terms of reference)

The EXCO, on behalf of the Board, supervises the Management in its conduct of the Group's business, and in ensuring the implementation of the Board's broad strategies, including the proper execution of risk management policies and guidelines set by the Board.

The EXCO comprises five non-executive directors. The members of the EXCO are:

Ramaswamy Athappan (Chairman)	Non-Independent
David Chan Mun Wai (Deputy Chairman)	Non-Independent
Dileep Nair	Independent
Peter Sim Swee Yam	Independent
Ong Eng Yaw	Independent

The EXCO holds periodic meetings with Management in charge of daily operations.

The principal functions of the EXCO are:

- to supervise Management in its conduct of the Group's business on behalf of the Board; and
- to ensure the implementation of the Board's overall strategies, including the proper execution of risk management policies and guidelines set by the Board.

As at 31 December 2019, the independent directors make up the majority of the EXCO as the Chairman is a non-independent director. Hence, the Company has complied with Guideline 11.12 of the CG Guidelines.

Investment Committee

(Provision 1.4 of the Code – Board Committees with clear written terms of reference)

The INV comprises the following five non-executive directors, the Senior Advisor and two key executives:

Hwang Soo Jin (Chairman)	Senior Advisor
Ramaswamy Athappan	Non-Independent
David Chan Mun Wai	Non-Independent
Dileep Nair	Independent
Peter Sim Swee Yam	Independent
Ong Eng Yaw	Independent
Theresa Wee Sui Ling	Chief Executive
Carlene Lim Lay Hoon	Financial Controller

Periodic meetings are held with Management in charge of investments to discuss key investment issues.

CORPORATE GOVERNANCE

The responsibilities of the INV are:

- to monitor the progress and development of the investment decisions taken by the Group;
- to determine the strategic direction and to identify suitable investment opportunities;
- to oversee the day-to-day investment activities conducted by Management;
- to ensure close coordination between the underwriting and the investment arms of Management so that available funds can be invested promptly and efficiently;
- to ensure judicious management of the investment portfolio in line with the risk appetite of and tolerance limits set by the Board in order that there will always be adequate liquidity to support the underwriting activities;
- to ensure reasonable returns to enable servicing of shareholders' dividends at a consistently credible level; and
- to approve investment proposals submitted by Management as required under established procedure.

<u>Board Orientation and Continual Training and Development</u>
(Provision 1.2 of the Code – Induction, training and development for new and existing directors)

As part of the induction programme for directors new to the reinsurance industry, a briefing on the fundamental aspects of the esoteric business of reinsurance, the Code and the CG Guidelines would be conducted. The Company did not appoint any first-time directors in 2019.

As part and parcel of a training programme introduced by the NC, a series of orientation sessions would be organized for new directors. During such sessions, the experiences of the old directors would be shared with the newcomers. In the process, the new directors' attention would be drawn to the peculiarity of reinsurance accounting, the key risks involved in the business, the risk management process and the related systems of control in place as well as the directors' extent of responsibility for exercising oversight and for complying with regulatory and other requirements. For continuous development, such dialogue sessions outside normal Board meetings will continue to be held at regular intervals.

Directors are encouraged to continually develop and refresh their knowledge and skills, and keep themselves abreast with relevant developments and updates on key legal, regulatory and financial and accounting changes which affect the Group by attending briefings or seminars conducted by external parties.

Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. In 2019, the briefings for Directors focused on:

(1) Cyber Security;
(2) Changes in Corporate Governance with effect from 1 January 2019; and
(3) Changes in Financial Accounting Standards.

Board Composition and Independence

Principle 2 of the Code: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company

The Board comprises five non-executive directors and the members are:

Ramaswamy Athappan (Chairman)	Non-Independent
David Chan Mun Wai (Deputy Chairman)	Non-Independent
Dileep Nair	Independent
Peter Sim Swee Yam	Independent
Ong Eng Yaw	Independent

The Board considers its present number of five directors to be sufficient and appropriate for effective decision-making, taking into account the scope and nature of the Group's operations.

The composition of the Board and the independence of each director are reviewed annually by the NC, based on the Code's, the Practice Guidance's, the CG Guidelines', the CG Regulations' and the SGX Listing Manual's definition of what constitutes an independent director. The NC is satisfied that the Board consists of directors who are professionals of high caliber and as a group, they possess a broad range and appropriate balance of core competencies and experience in insurance, banking, finance, law and business.

The Board is able to exercise objective judgment independently from Management and no individual or small group of individuals dominate the decision making of the Board.

The Board has also conducted a review of the performance of the directors and considers that each of the directors brings invaluable integrity, wisdom and experience to the Board and that they continue to contribute positively to the Board. The Board collectively has the critical skills, experience and expertise needed in charting the strategic direction of the Group. The NC is satisfied that each director is a fit and proper person fully qualified for the office.

All directors, on an ongoing basis, are required to declare any interest which they believe could conflict with the Company's interests. If a potential conflict does arise, the director concerned recuses himself from Board discussions and decisions on the matter being considered.

The non-executive independent directors have no relationship with the Company, its related corporations, its substantial shareholders or its officers which could interfere, or be reasonably perceived to interfere, in their exercising independent business judgement in the best interests of the Company. They are not substantial shareholders and are independent from the substantial shareholders of the Company.

Two of the five directors may not, pursuant to the CG Regulations, be considered independent, namely, Mr Ramaswamy Athappan and Mr David Chan. As Mr Ramaswamy Athappan is the Chief Executive Officer of MS First Capital Insurance Limited and the Chairman of Fairfax Asia Limited, he may not be considered independent by virtue of the business relationship of MS First Capital Insurance Limited with the Company and Fairfax Asia Limited being a substantial shareholder of the Company. As Mr David Chan is the Managing Director of United Overseas Insurance Limited, he may not be considered independent by virtue of the business relationship of United Overseas Insurance Limited with the Company and United Overseas Insurance Limited being a substantial shareholder of the Company.

CORPORATE GOVERNANCE

Given that the business relationship between the Company and insurance companies which some of the directors are employees of are conducted at arms' length and in the ordinary course of business, the Board is satisfied that there is a strong and independent element on the Board and the ability to act in the interests of the Company have not been impeded.

Pursuant to the CG Regulations as well as Provision 2.1 of the Code and Practice Guidance 2, Mr Ramaswamy Athappan is not independent by virtue of Fairfax Asia Limited's substantial shareholding in the Company and Mr David Chan is not independent by virtue of United Overseas Insurance Limited's substantial shareholding in the Company.

As no Director has been employed by the issuer or any of its related corporations for the current or any of the past three financial years, and no employee of the Company and its related corporations in any of the past three financial years is an immediate family member of any of the directors, no Director is considered non-independent for the purposes of Rule 210(5)(d) of the SGX Listing Manual.

In compliance with the CG Regulations, the Code and the Practice Guidance, the NC determined after rigorous review that, except for Mr Ramaswamy Athappan and Mr David Chan, all Board members are considered independent. As at 31 December 2019, the independent directors make up the majority of the Board as the Chairman is a non-independent director and the Board consists only of non-executive directors. Hence, the Company has complied with the CG Regulations, Provisions 2.2 and 2.3 of the Code and Practice Guidance 2.

The non-executive directors meet at least once a year and as and when required without the presence of Management.

<u>Board Diversity Policy</u>
Given the all-embracing nature of general insurance in its wide-ranging scope of services catering to practically every aspect and activity of human endeavours, it is of importance that the leadership of an insurance company collectively is knowledgeable and experienced from diverse backgrounds so as to be able to exercise effective guidance to and oversight on Management in its conduct of business. The Board, being the highest level of authority, must therefore comprise of persons with different expertise and experience. As such, diversity in terms of business experience, skills, age, gender, ethnicity and culture, amongst other desirable qualities, are essential in the selection of candidates for Board appointments.

Given the relatively small size of the Company and consequently the need to limit the number of Board seats, Board diversity in the context of the Company should take into account the talents already available amongst the Company's senior executives. They participate actively at all Board discussions. Their combined wisdom complements that of the directors in ensuring all decisions taken at the Board level are circumspectively considered.

The NC is appointed by the Board to assist in the implementation of this policy. In carrying out its duty, it undertakes an annual review of the efficacy of the composition of the Board and that it remains relevant to the changing circumstances. As and when necessary, suitable suggestions to change the policy will be recommended to the Board.

Currently, whilst there are no women represented on the Board, diversity is achieved by having the CE and FC, who are women, attend all Board meetings. The NC is of the view that the relevance of a potential candidate's skills, experience and ability, among other desirable attributes, are more important factors than age or gender in the consideration for appointment to the Board. However, equal opportunity will continue to be accorded to all potential candidates irrespective of age or gender as and when the occasion arises in the future.

The directors' profile is provided in pages 7 to 10.

The Members' attendance at the Board and Board Committee meetings and general meetings of the Company for the financial year ended 31 December 2019 are as shown below:

Committees	**BOARD**	**EXCO**	**AC**	**NC**	**RC**	**INV**	**GM**
Number of Meetings Held	4	2	4	1	1	2	1
Members	**Number of Meetings Attended**						
Ramaswamy Athappan	4	2	4	1	1	2	1
David Chan Mun Wai	4	2	4	1	1	2	1
Hwang Soo Jin[1]	2	1	0	0	0	2	1
Dileep Nair	4	2	4	1	1	2	1
Peter Sim Swee Yam	4	2	4	1	1	2	1
Ong Eng Yaw	4	2	4	1	1	2	1

Notes:

BOARD – Board of Directors
EXCO – Executive Committee
AC – Audit Committee
NC – Nominating Committee
RC – Remuneration Committee
INV – Investment Committee
GM – General Meeting

[1] Mr Hwang retired as a director on 17 April 2019 and stepped down as a member of the EXCO on 17 April 2019 but continues as Senior Advisor and Consultant to the Company, Chairman of INV and Advisor of AC, NC and RC. The announcement in relation to his cessation of appointment as a director was released via SGXNET on 17 April 2019. His attendance at the meetings set out in the above table are in respect of the meetings Mr Hwang attended as a director before his retirement as a director on 17 April 2019 and he did not attend any of the Board and Board Committee meetings held after his retirement as a director.

CORPORATE GOVERNANCE

Chairman and Chief Executive

Principle 3 of the Code: Clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making

There is a clear division of responsibilities between the non-executive Chairman and the CE who are not related. The CE bears the executive responsibility for the day-to-day operations of the Company while the responsibilities of the Chairman, among other things, are to:

- provide leadership to the Board in the formulation and review of Board policies and to guide Management in striving towards the desired strategic directions set by the Board;
- schedule meetings of the Board to enable it to perform its duties responsibly;
- prepare meeting agenda in consultation with the CE;
- review key proposals before they are presented to the Board for decision;
- exercise control over the quality, quantity and timeliness of the information submitted to the Board;
- encourage constructive relations between the Board and Management;
- facilitate the effective contribution of non-executive directors;
- ensure effective communication with the regulators and shareholders;
- ensure compliance with the Code, CG Guidelines, CG Regulations, SGX Listing Manual and Board policies as well as promote high standards of corporate governance; and
- ensure information the Board receives is comprehensive, accurate and timely to enable effective decision making.

Notwithstanding Provision 3.3 of the Code, the Board is of the view that it is not necessary for the Company to appoint a lead independent director given that the number of directors on the Board is relatively small and the members are well experienced. There is regular and active participation at Board and Board Committee meetings. Non-accessibility by shareholders to the directors has also never been an issue and the Board is available to shareholders when they have concerns. Where contact through normal channels of communication with the Chairman or Management are inappropriate or inadequate, the independent directors are available to meet with shareholders. Furthermore, each of the independent directors, Mr Dileep Nair, Mr Ong Eng Yaw and Mr Peter Sim Swee Yam provide independent leadership on the Board by virtue of their appointment as Chairman of the AC, NC and RC, respectively.

The independent directors meet as and when required without the presence of the other directors and the Management and feedback, if warranted, is given to the Chairman after such meetings.

BOARD MEMBERSHIP

Board Membership

Principle 4 of the Code: Formal and transparent process for the appointment and re-appointment of directors to the Board

The NC in consultation with the Chairman of the Board considers and makes recommendations to the Board concerning the appropriate size and needs of the Board.

New directors are appointed to the Board following recommendation of the NC and approval of the MAS. Regulation 101 of the Company's Constitution requires all new directors to submit themselves for re-election at the next Annual General Meeting (**AGM**) of the Company.

The NC also makes recommendations to the Board in respect of the directors who are eligible to be re-appointed at the AGM of the Company at regular intervals.

Pursuant to Regulation 96 of the Company's Constitution, one-third of the directors, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, retire by rotation at every AGM. Under the Company's Constitution, there is no maximum fixed term or retirement age for non-executive directors.

Pursuant to Regulation 96 of the Company's Constitution, Mr David Chan Mun Wai and Mr Dileep Nair are due to retire at the forthcoming AGM. The NC and the Board have recommended that Mr David Chan Mun Wai and Mr Dileep Nair be re-elected. Pursuant to Rule 720(6) of the SGX Listing Manual, the information as set out in Appendix 7.4.1 of the SGX Listing Manual relating to Mr David Chan Mun Wai and Mr Dileep Nair, who are the Directors seeking re-election at the forthcoming AGM, is set out in pages 170 to 173.

The NC is also of the view that it is not necessary to impose a limit on the number of board representations which directors may hold, as directors have different capabilities and companies have different complexities. The NC is satisfied that each of the directors has been devoting sufficient time and attention to the Company's affairs. The NC is of the view that, notwithstanding the number of directorships and commitments of each director, the duties of all directors have been fully discharged based on the time and commitment by each director to the affairs of the Company. To address the competing time commitments of directors who sit on multiple boards and committees, meeting dates are scheduled in advance before the beginning of every calendar year.

The Board does not have any alternate directors. All directors have dedicated adequate time to the affairs of the Company.

Appointment of New Directors

The search and nomination process for new directors is through contacts and recommendations. When recommending new directors to sit on the Board, the NC strives to ensure that the Board has sufficient number of independent directors with the right expertise, attributes and ability.

CORPORATE GOVERNANCE

The NC will assess potential candidates taking into consideration the individual's background, skills and abilities, such as experience or expertise in some of the following areas: the insurance industry, corporate affairs, government affairs, experience as director, chief executive officer, chief operating officer or chief financial officer of a large company. The NC would also strive to determine whether the candidate is a fit and proper person and able to devote time in carrying out his duties as a director of the Company.

When a candidate meets the assessment criteria set by the NC, the Committee will thereafter make a recommendation to the Board for consideration of the appointment. Upon the Board's endorsement, the Company will then seek MAS's approval accordingly and make the announcement to the Singapore Exchange Securities Trading Limited (**SGX**).

Newly appointed directors will be provided with formal letters of appointment (setting out the directors' roles, duties, obligations and responsibilities, and the expectations of the Company).

Nominating Committee
Principle 4 of the Code: Formal and transparent process for the appointment and re-appointment of directors to the Board

The NC comprises the following five non-executive directors, the majority of whom, including the NC Chairman, are independent as defined in the Code:

Ong Eng Yaw (Chairman)	Independent
Ramaswamy Athappan	Non-Independent
David Chan Mun Wai	Non-Independent
Dileep Nair	Independent
Peter Sim Swee Yam	Independent

As Senior Advisor, Mr Hwang Soo Jin would attend the meeting(s) of the NC as and when so requested, at the invitation of the NC.

The NC holds its meetings annually or as frequently as may be necessary. The NC's primary functions are:

- to review and make recommendations to the Board concerning the size, structure, composition and diversity of the Board and the Board committees;
- to identify potential candidates to fill Board vacancies, if any, as well as put in place plans for succession for directors and the Chairman;
- to review and make recommendations, for the Board's approval, on the appointment of the Group's senior executives and review the succession plans for the CE and key management personnel;
- to review and make recommendations to the Board on the re-appointment of directors taking into consideration the directors' ability to exercise sound judgment, independence, demonstrated leadership, skills and work experience;

- to ensure compliance with the CG Regulations and adhere to the Code and CG Guidelines on the composition of the Board;
- to decide how the Board's and Board committees' performance may be evaluated and propose objective performance criteria for the Board's approval;
- to assess the effectiveness of the Board as a whole and the contribution by individual directors to the effectiveness of the Board;
- to review the ability of directors with multiple board representations to carry out their duties and other principal commitments adequately;
- to review the training and professional development programmes for the Board and the directors;
- to provide its views on the independence of the Board and determine annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in the CG Regulations, Provision 2.1 of the Code, Rule 210(5)(d) of the SGX Listing Manual and Guideline 2.4 of the CG Guidelines;
- to develop a framework to identify the skills that the Board collectively needs in order to discharge the Board's responsibilities effectively, taking into account the complexity of the Company's risk profile, business operations and future business strategy; and
- to assess, on an annual basis, if the Board and the Board committees lack any skills to perform their roles effectively and identify steps to improve the effectiveness of the Board and the Board committees.

Save for Mr Hwang Soo Jin's retirement as a director on 17 April 2019, there was no cessation, resignation or dismissal of any key appointment holder for the financial year ended 31 December 2019. Mr Hwang continues as Senior Advisor and Consultant to the Company, Chairman of INV and Advisor of AC, NC and RC.

BOARD PERFORMANCE

Principle 5 of the Code: Formal annual assessment of the effectiveness of the Board as a whole and the contribution by each director

The NC conducts a formal annual assessment of the performance of the Board as a whole and each Board committee in view of the complementary and collective nature of directors' contributions. The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole and of each Board committee, as well as the contribution by the Chairman and each individual director to the Board.

CORPORATE GOVERNANCE

The evaluation parameters for the Board's and Board committees' performance are based on quantitative and qualitative criteria, which include the level of return on equity, regularity of attendance at meetings, the success of the strategic and long term objectives set by the Board and Board committees, and the effectiveness of the Board and the Board committees in monitoring Management's performance against the goals set by the Board.

The assessment of the contribution of directors is made with reference to a set of common key performance indicators and the skills and experience which the Board is expected to possess. Non-executive directors of the Company constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives, as well as monitor the performance.

The Board is of the opinion that all directors collectively and individually have contributed positively to the growth of the Company during the year and in discharging their duties have conducted themselves diligently in safeguarding the interests of shareholders.

The NC did not engage any external facilitator for the assessment of the Board, the Board committees and each director.

The EXCO, on behalf of the Board, supervises the Management in its conduct of the Group's business, and in ensuring the implementation of the Board's broad strategies, including the proper execution of risk management policies and guidelines set by the Board.

In addition, it has been the Group's practice for the Board Chairman's performance to be appraised annually by the Board without his participation. When the NC is deliberating on the performance of a particular member of the NC, that member recuses himself from the discussion to avoid conflict of interests.

REMUNERATION MATTERS

Remuneration Committee

Principle 6 of the Code: Formal and transparent procedure for fixing the remuneration packages of individual directors and key management staff

The RC comprises the following five non-executive directors, the majority of whom, including the RC Chairman, are independent as defined in the Code:

Peter Sim Swee Yam (Chairman)	Independent
Ramaswamy Athappan	Non-Independent
David Chan Mun Wai	Non-Independent
Dileep Nair	Independent
Ong Eng Yaw	Independent

As Senior Advisor, Mr Hwang Soo Jin would attend the meeting(s) of the RC as and when so requested, at the invitation of the RC.

The RC holds periodic meetings with Management in charge of human resource functions and also has access to the information when clarification and advice is needed.

The principal functions of the RC are:

- to review and recommend to the Board for its endorsement a framework of remuneration for the Board and key management personnel to ensure that it is sufficiently equitable to attract, retain and motivate them to provide good stewardship;

- to review and recommend to the Board the specific remuneration packages for each director and all personnel, in an effort to motivate, retain and create a sense of belonging to facilitate the achievement of strategic objectives and corporate values;

- to exercise oversight of personnel administration executed by Management and to ensure that there is sufficient equitable staff welfare in terms of training, health and safety to attract, retain and motivate personnel; and

- to review all aspects of remuneration, including the Company's obligation in the event of termination of executive directors, if any, and key management personnel's contract of service to ensure that the contract of service contain fair and reasonable clauses.

Level and Mix of Remuneration

Principle 7 of the Code: Level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company

Principle 8 of the Code: Clear disclosure on remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

The Group adopts a remuneration policy that is primarily performance based taking into account each person's job responsibilities, function and market conditions. The remuneration for employees of the Group comprises a fixed component and a performance-related variable component in an effort to link rewards to corporate and individual performance, align their interests with those of shareholders and promote the long-term success of the Company.

The RC sets out the remuneration guidelines and reviews all aspects of the remuneration framework of the Group, including without limitation, directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind.

The RC did not engage any external consultant on the remuneration of the directors and key management personnel.

The fixed component consists of a base salary and fixed allowance. The variable component is in the form of a bonus that is linked to the Group's and the individual's performance. A budget for salary increment and bonus is submitted by the CE to the Board annually. During the course of the year, the salary and bonus proposal would be put forth to the RC for consideration and approval.

CORPORATE GOVERNANCE

The RC reviews the level and mix of remuneration and approves the framework for salary reviews, performance bonus and incentives for the CE and key management personnel of the Group. In setting the remuneration packages, the RC takes into consideration the Company's and the individual's performance, as well as the contribution to revenue and profitability. The Group uses indicators such as key financial metrics (such as, Earnings per Share, Operating Profit ratio) and performance rating of the employees to link remuneration to corporate and individual performance. Salaries are benchmarked against comparable roles in the insurance industry, while bonuses are granted based on the performance of the Company and the individual.

To motivate the non-executive directors and key management personnel to work in alignment with the goals of stakeholders, the Company has viewed leadership, people development, commitment and teamwork as important performance criteria.

The remuneration policies are in line with the strategic objectives and corporate values of the Company, and do not conflict with the Company's objectives and directions. The remuneration practices do not create incentives for excessive or inappropriate risk-taking behaviour. The remuneration policies are also appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The remuneration of the directors is appropriate to their level of contribution and respective responsibilities. Directors are paid an attendance fee for their involvement in the Board and Board committee meetings. Directors who participate in the Board committees receive fees for the additional responsibilities. No director decides his own remuneration. The fees are reviewed by the RC and thereafter submitted to the Board for endorsement. The directors' fees proposed by the Board are subject to shareholders' approval at the Company's AGM.

The Company believes that it is not in its best interest to disclose the precise remuneration of the directors and key management personnel due to the highly competitive market for talent. Accordingly, the Company continues its practice of disclosing the remuneration of directors and key management personnel in bands of S$250,000.

The remuneration of directors for the financial year ended 31 December 2019 is set out below:

Directors	Directors' Fees %	Salary %	Bonus %	Other Fees, Allowances & Benefits[3] %	Total %
Ramaswamy Athappan	100	0	0	0	100
Hwang Soo Jin[2]	12	0	0	88	100
David Chan Mun Wai	100	0	0	0	100
Dileep Nair	100	0	0	0	100
Peter Sim Swee Yam	100	0	0	0	100
Ong Eng Yaw	100	0	0	0	100

2 Mr Hwang retired as a director on 17 April 2019. The above relates to his remuneration from 1 January 2019 to 16 April 2019

3 Other fees, allowances and benefits include advisor fees and out-of-pocket allowances

The following information relates to directors' remuneration:

Remuneration Bands	Number of Directors in Remuneration Bands 2019	2018
S$250,000 to S$499,999	**1**	2
Below S$250,000	**5**	4
Total	**6**	6

The aggregate amount of remuneration paid/accrued to directors is S$683,723.00.

The remuneration of key management personnel for the financial year ended 31 December 2019 is set out below:

Key Management Personnel	Directors' Fees[4] %	Salary %	Bonus %	Other Fees, Allowances & Benefits[5] %	Total %
Theresa Wee Sui Ling	1	78	14	7	100
Subramaniam Mokanasivam	1	83	7	9	100
Carlene Lim Lay Hoon	0	82	15	3	100
Mervyn Low Cheng Chwee	0	78	14	8	100
Cheng Yiina	0	82	14	4	100
Ho Wing Hoong	0	80	14	6	100
Yap Sock Cheen	0	85	15	–	100

4 Including directors' fees paid to key management personnel in respect of their appointment to the Subsidiaries' Boards

5 Other fees, allowances and benefits include transport, entertainment allowances and long service awards

The following information relates to key management personnel's remuneration:

Remuneration Bands	Number of Senior Management in Remuneration Bands 2019	2018
S$250,000 to S$499,999	**2**	2
Below S$250,000	**5**	6
Total	**7**	8

The aggregate amount of remuneration paid/accrued to the key management personnel is S$1,678,575.00.

Having reviewed and considered the variable components of the key management personnel, which are moderate, the RC is of the view that there is no need to institute contractual provisions to allow the Company to reclaim incentive components of the key management personnel's remuneration paid in prior years in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss.

CORPORATE GOVERNANCE

There are no termination, retirement and post-employment benefits granted to directors, the CE and the key management personnel.

Currently, no long-term share based incentive scheme has been adopted by the Company. Nevertheless, the RC reviews from time to time the appropriateness of adopting a long-term incentive scheme and whether executive directors, if any, and key management personnel should be eligible for long-term incentive schemes, taking into account the costs and benefits of adopting such proposed long-term incentive scheme.

The Company did not and does not employ any immediate family member of any director or the CE whose remuneration for the financial year ended 31 December 2019 exceeds S$50,000.

ACCOUNTABILITY AND AUDIT

Audit Committee

Principle 10 of the Code: Establishment of Audit Committee which discharges its duties objectively

The AC comprises five non-executive directors, the majority of whom, including the AC Chairman, are independent directors as defined in the Code.

The Board is of view that the members of the AC have the financial management expertise and experience to discharge the AC's responsibilities. The members of the AC are:

Dileep Nair (Chairman)	Independent
Ramaswamy Athappan	Non-Independent
David Chan Mun Wai	Non-Independent
Peter Sim Swee Yam	Independent
Ong Eng Yaw	Independent

As Senior Advisor, Mr Hwang Soo Jin would attend the meeting(s) of the AC as and when so requested, at the invitation of the AC.

The AC holds quarterly meetings each year and discharges the following responsibilities:

- to evaluate the adequacy and effectiveness of internal controls, including compliance, financial, operational and IT controls of the Company (carried out internally or with the assistance of competent third parties) and provide their assessment to the Board annually on the effectiveness and adequacy of the controls;

  [Note: The Board retains the responsibility for the review of the effectiveness of the system of internal controls and must form its own opinion despite aspects of the review being delegated to the AC.]

- to review the adequacy and effectiveness of the Group's risk management systems as delegated by the Board;

- to ensure compliance with legal and regulatory requirements and review reports received from regulators and the SGX;

- to review the financial accounts of the Company and Group each quarter in conjunction with the external auditors' comments thereon prior to their submission to the Board for adoption;

- to review the assurance from the CE and FC on the financial records and financial statements;

- to review, guide and ensure compliance with the Group's sustainability policies and practices;

- to review the adequacy, effectiveness and independence of the external audit and the Company's internal audit function;

- to review and approve the audit scope/plans of the external and internal auditors, the results of the auditors' examinations and evaluation of the Company's system of internal accounting controls, and the Management's response to their recommendations;

- to make recommendations to the Board on the appointment/re-appointment and removal of external auditors, the external audit fees and the terms of engagement of external auditors;

- to evaluate external auditors' objectivity and independence including the provision of non-audit services;

- to review legal and regulatory matters that may have material impact on the financial statements and reports received from regulators;

- to review and consider if interested person transactions are on normal commercial terms and not prejudicial to the Company's interests;

- to report to the Board regularly on the exercise of its duties, identifying matters which it considers require action or improvement, and making recommendations as to the steps to be taken;

- to review the assistance and co-operation given by the Company's officers to the external and internal auditors;

- to have authority to investigate any matter within its terms of reference, full access to and co-operation by Management and reasonable resources (including obtaining professional advice) to enable it to discharge its functions properly;

- to oversee and guide Management in:

  (a) the establishment and the operation of an independent enterprise-wide risk management system and

  (b) the adequacy of the risk management function, ensuring that it is sufficiently resourced to monitor risk and that it has appropriate independent reporting lines;

CORPORATE GOVERNANCE

- to assist the Board in determining the Company's overall risk tolerance and risk policies;

- to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance; and

- to review the Company's whistle-blowing policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on and to ensure that the Company publicly discloses, and clearly communicates to employees, the existence of the Company's whistle-blowing policy and the procedures for raising such concerns.

None of the members of the AC is a former partner or director of the Company's existing auditing firm or auditing corporation.

The AC conducts a review on the adequacy and effectiveness of the internal audit function annually, to ensure that the Company maintains an effective internal audit function that is adequately staffed and independent of the activities it audits. The AC is satisfied that the internal audit function is independent, effective, adequately resourced and has the appropriate standing within the Group.

The internal audit function is overseen by the Company's internal auditor, whose qualifications are provided on page 11. The internal auditor has unfettered access to the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company. The internal auditor is accountable to the AC and provides reports to the AC regularly.

Internal audit activities are conducted in relation to nationally or internationally recognized standards such as the Institute of Internal Auditors Professional Practice of Internal Auditing.

The AC meets with the external and internal auditors, without the presence of Management, at least annually. It has explicit authority to investigate any matter, full access to and co-operation by Management and other employees, and full discretion to invite any director to attend the meetings.

The Committee has reviewed the non-audit services provided by the external auditors in the financial year ended 31 December 2019 and is satisfied that such services would not affect the independence of the external auditors. The external auditors, on an annual basis, have also provided a written confirmation of their independence to the AC.

The AC has reviewed the financial statements, the internal and external audit plans and reports, the external auditor's evaluation of the system of internal accounting controls, the scope and result of internal and external audit procedures, the significant findings of audit investigations and interested person transactions. The reviews were made with the internal and external auditors, the FC, CE and other management staff, as appropriate.

Comments on Key Audit Matters (**KAms**)
In reviewing the Independent Auditors' Report, the AC notes with satisfaction that for the 4th year running there is no apparent weakness found in the Company's systems and procedures of controls and that there is no breach in operational compliance with applicable laws, rules and regulations. In particular, the KAms relating to estimation of premium, commission expense and outstanding claims provision, the external auditor has found the methodologies adopted and the assumptions used to arrive at the final figures to be appropriate in ensuring reasonableness in the overall valuation. In view of the sensitive nature of these key areas in the Company's core operation, the AC will continue to monitor closely on a regular basis the submissions from Management prior to adoption in the final accounts. As the processes involved considerable degree of judgmental decision based on technical expertise and relevant experience, the AC will ensure that Management is equipped with adequate resources and that the system and procedure remain relevant and efficacious at all times in keeping with changes in the operating environment.

Finally, it should be noted that in the course of the AC's deliberation, the Management has been called upon to account for the assumptions used and the methodologies adopted where necessary and in all cases its response has been found satisfactory.

INTERNAL CONTROLS
Principle 9 of the Code: Sound system of risk management and internal controls

The Board determines the Company's risk tolerance and policies and oversees Management in the design, implementation and monitoring of the internal controls. The Board exercises oversight on Management through the AC on the adequacy and effectiveness of the Company's systems of internal controls in compliance, operational, financial, IT and risk management. The AC reviews regularly with Management and auditors, both internal and external, the continued development in the measures taken by Management to further strengthen internal controls. In particular, the AC satisfies itself of the adequacy in the documentation of operating procedures and their compliance and amendments made to meet changing circumstances. The AC undertakes a review of the effectiveness of the internal control systems and reports its findings to the Board for endorsement annually.

The Board believes that the recognition of the importance of internal controls is a matter of corporate culture that calls for common commitment at all levels of the Company from Board to Management and staff. The Board recognises that the system of internal controls can only provide reasonable assurance but cannot totally eliminate the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. In order to minimise such occurrence, continued strengthening of internal controls to meet the challenges of a rapidly changing operating environment should be part and parcel of daily business process to be pursued relentlessly.

The AC has reviewed, and the Board has received, the assurance given by the CE and the FC on the following:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) that the Company's risk management and systems of internal controls are adequate and effective.

CORPORATE GOVERNANCE

During the year under review, in compliance with Rule 1207(10) of the SGX Listing Manual, the Board, based on reports from both internal and external auditors as well as the AC, is of the opinion, with the concurrence of the AC, that the internal controls, including financial, operational, compliance and IT controls, and risk management systems in all aspects of the Company's operations are adequate and effective to safeguard shareholders' interest.

Whistle-blowing policy

In addition, the Company has a whistle-blowing protection policy that sets out the business practice and ethical conduct expected of all employees. The purpose of the policy is to encourage the reporting in good faith of suspected reportable conduct by establishing clearly defined processes through which such reports may be made with confidence to the AC. All employees and other persons making such reports will be treated fairly and protected from reprisal. All reports received are accorded confidentiality and independently investigated by the Internal Audit Head and reported to the AC. The whistle-blowing policy and procedures are incorporated in the Employee Handbook. New employees are briefed on the policy during their orientation.

RISK MANAGEMENT

Principle 9 of the Code: Sound system of risk management and internal controls

Given the special nature of reinsurance business, the Board is firmly of the conviction that risk management is synonymous with the process of underwriting. Consequently, it believes that the thrust for the continued development in the measures taken to strengthen risk management should be left with Management. The Board however, exercises oversight on the adequacy and effectiveness of the Group's risk management system and ultimately determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. To facilitate closer monitoring, the Board has delegated the review of the adequacy and effectiveness of the risk management system to the AC. In carrying out its duty, the Company has established a Risk Management Review Committee (**RMRC**) at the management level with the General Manager (Operations) designated as Risk Management Officer and the RMRC reporting to the AC. The RMRC meets regularly and its responsibilities are:

- to identify, assess and monitor all reasonably foreseeable and material risks that the Company is or may be exposed to;
- to review and recommend risk management measures to address the key risks; and
- to support the AC in the review of the adequacy and effectiveness of the risk management measures implemented.

The AC in turn meets with Management and the auditors to review the reports submitted by the RMRC in order to satisfy itself of the continued adequacy of the risk management system. Once a year, based upon predetermined criteria, the AC assesses the effectiveness of the system and submits its findings to the Board for endorsement if appropriate.

The principal risks facing the Company and how they are being managed or mitigated are provided in Note 31 of the Financial Statements.

For the year under review, based on reports from both internal and external auditors as well as the AC, the Board is satisfied that the risk management system maintained by the Management is adequate and effective to meet the needs of the Company in its current business environment.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11 of the Code: Shareholder Rights and Conduct of General Meetings
Principle 12 of the Code: Engagement with Shareholders

In presenting the half yearly and annual financial statements to shareholders, it is the aim of the Board to provide the shareholders with a balanced, comprehensive and understandable assessment of the Group's performance, financial position and prospects.

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company is made available to shareholders of the Company. This is done through the Company's annual reports, half yearly and annual financial announcements and press releases disclosed through SGXNET which are also posted on the Company's website at http://www.singre.com.sg (**Corporate Website**). The Company has in place an Investor Relations Policy which allows for an ongoing exchange of views to actively engage and promote regular, effective and fair communication with shareholders and sets out the mechanism through which information is conveyed to shareholders and through which shareholders may initiate ad hoc communication with the Company from time to time.

Where disclosure is inadvertently made to a selected group, the Company will make the same disclosure publicly as soon as practicable for it to do so.

Shareholders are given opportunities to participate in and vote at the Company's general meetings and are kept informed of the rules governing the Company's general meetings. The Board, including the Chairman and Management, are present at these meetings to address queries that shareholders may have. A representative of the external auditors is also present to assist the Board in addressing relevant queries by shareholders. The Constitution allows a member of the Company to appoint one or two proxies to attend and vote at general meetings. In addition, a member of the Company who is a relevant intermediary may appoint more than two proxies to attend and vote at general meetings, but such proxies must be appointed to exercise the rights attached to a specified number of shares. The term "relevant intermediary" is for this purpose defined under the Companies Act and includes the Central Provident Fund Board, banks and capital market services licence holders which provide custodial services. Allowing multiple proxies for such members will facilitate indirect investors attending and voting at shareholder meetings and encourages more active shareholder participation.

Separate resolutions on each distinct issue are tabled at general meetings.

The Company Secretary and/or a representative from the Company Secretary's office prepares the minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. The minutes of such meetings are then circulated to the Board for approval. Thereafter, the finalised minutes are published on the Corporate Website as soon as practicable.

CORPORATE GOVERNANCE

In compliance with Rule 730A(2) of the SGX Listing Manual, resolutions tabled at general meetings will be put to vote by poll. To enhance transparency and efficiency in the voting process and results, electronic poll voting is conducted. The Company appoints an independent external party as scrutineer for the electronic poll voting process. The results showing the number of votes cast for and against each resolution and the respective percentages are announced via the SGXNET on the same day as the general meeting.

Dividend Policy

The Company intends to pay dividends annually in two instalments, with a target aggregate dividend pay-out ratio of at least 50% of the Company's profit after income tax. The interim dividends will be declared and paid following the publication of our financial results for the first half of each year while the final dividend will be paid after the approval by shareholders at the AGM. There can be no assurance that in any given year a dividend will be proposed or declared. The payment of dividends, if any, and the amounts and timing thereof, will depend on a number of factors, including future profits, financial conditions, general economic and business conditions, and future prospects and such other factors as the Board may deem relevant, as well as other legal and regulatory requirements.

In compliance with Rule 704(24) of the SGX Listing Manual, in the event that the Board decides not to declare or recommend a dividend, the Company will expressly disclose the reason(s) for the decision together with the announcement of the relevant financial statements.

ENGAGEMENT WITH STAKEHOLDERS

Principle 13 of the Code: Inclusive approach by considering and balancing the needs and interests of material stakeholders

The Company engages regularly with its key stakeholders, namely the Board, Regulators, Intermediaries, Shareholders, Investors, Employees, Cedants and Rating Agencies. Interactions with stakeholders would be in the form of:

- regular feedback and consultation with regulatory bodies;
- industry gatherings and market visits with intermediaries, cedants and retrocessionaires;
- general meetings, SGX Announcements and annual reports are carried out for shareholders and investors;
- meetings with rating agencies; and
- orientation programme, performance reviews and bonding activities with employees.

The Company maintains a Corporate Website to update and communicate with stakeholders.

INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the SGX Listing Manual on interested person transactions, the Board and AC regularly reviews if the Company enters into any interested person transaction and if it does, to ensure that the Company complies with the requisite rules under Chapter 9.

No interested person transactions were entered into during the financial year ended 31 December 2019.

DEALINGS IN SECURITIES OF THE COMPANY

The Group provides guidance to its directors and employees on the implications of insider trading. It has adopted a code of conduct for dealings in securities of the Company in compliance with the Best Practices Guide on Dealings in Securities as set out in Rule 1207(19) of the SGX Listing Manual.

The Company prohibits its directors and employees from trading in the Company's securities for the period commencing one month before the announcement of half yearly and year-end results.

CORPORATE GOVERNANCE

SUMMARY OF DISCLOSURES

Rule 710 of the SGX Listing Manual requires SGX-listed companies to describe their corporate governance practices with specific reference to the principles and the provisions of the Code in their annual reports. This summary of disclosures describes the Company's corporate governance practices with specific reference to the principles and provisions of the Code.

Board Matters	
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Provision 1.2	Page 24
Provision 1.3	Page 22
Provision 1.4	Page 23, 30-33 & 36-38
Provision 1.5	Page 27
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Managing Stakeholders Relationships	
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SUSTAINABILITY REPORT

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SUSTAINABILITY REPORT

A MESSAGE FROM OUR BOARD

Dear Stakeholders,

2019 marked the close of the hottest decade during which 7 out of the 10 hottest years on record took place since 2010. With governments lacking the political will to effectively impede the rate of global carbon emissions, reaching daily temperature highs of 35 to 37 degree Celsius could well become the norm by 2100. The effects of global warming on rising sea levels and extreme weather patterns have been consistently expounded on by many independent global bodies, scientists and NGOs and their warnings cannot be ignored.

Reinsurance, which is Singapore Reinsurance Corporation Limited (**SingRe**)'s core focus, by its nature is the business of providing protection against damages due to both natural and man-made events. Therefore, both as a company and individuals, we are concerned about changing climatic patterns and its repercussions on mankind and the core business.

SingRe continues to operates in a highly challenging operating environment but remains committed to achieving sustainability of its business. We also strive for the longer term goal of a more eco-friendly organisation and believe that SingRe in its own small way contribute as an enabler toward a more sustainable society locally and globally.

Following the identification of the Environment, Social and Governance (**ESG**) factors that are material to the organisation and its stakeholders, SingRe's sustainability strategy and targets were formalised in 2017 and will be progressively integrated into the overall business strategy. The targets are reviewed by the Board who oversees Management and monitors the identified key ESG factors namely, Economic Performance, Climate Change, Occupational Health and Safety, Training and Education, Community Engagement, Cyber Security and Corporate Governance. The Board's view on performance with respect to targets will be discussed on a regular basis.

At the working level, a Sustainability Committee has been set up to monitor sustainability strategies and performance through quarterly meetings, regular updates and stakeholder engagements; to align SingRe's efforts with governmental commitments, where plausible; and, to strengthen and integrate its approach to managing social and environmental factors.

Our stakeholders' interests influence our strategy. In our view, we can make the biggest difference by continually looking at ways to improve operating efficiency. There is little doubt that digitalisation presents opportunities for SingRe in the areas of business growth and operational efficiency. Intelligent processes and changing laws to address risks associated with greater reliance on automation and digitalisation open channels for new (re)insurance products. Also, faster and more detailed analysis of large amounts of data (data analytics) could improve productivity and transparency. However, as a "wholesaler" of insurance products, we take a pragmatic approach towards digitalisation: strictly business-driven in an effort to contribute to the bottom-line.

The Board of Directors, together with Management, is cognizant of the fact that more can be done to achieve greater sustainable impact for a better world. The journey to transform business sustainability is one we are committed to. By improving sustainability standards and practices, it will ultimately create a stronger and more resilient organisation, and support Management's goal to deepen its involvement in the insurance industry in terms of sustainable profitability and responsibility.

ABOUT THIS REPORT

SingRe's Sustainability Report, developed in accordance with the Global Reporting Initiative (**GRI**) Standards 2016: Core option, is formed with reference to the primary components set out in SGX Listing Rule 711B on a 'Comply or Explain' basis. Please refer to the GRI Content Index at the end of this report for the relevant references.

Scope of The Report and Period

SingRe's Sustainability Report provides an update on the Group's sustainability journey and focuses on the period from 1 January 2019 to 31 December 2019. The report also covers SingRe's core subsidiary, INS Communications Private Limited (**INS**). It is considered material to the Group since the nature of INS's business is the role of facilitator in the area of (re)insurance publishing and reporting, seminars/conferences, education and information exchange. INS contributes to SingRe's efforts to integrate sustainability in its value-chain and reliance on digitalization is fast growing and brings a new environmental footprint to map. Leveraging on its publishing and conferencing experience, INS has become more entrenched within the Agents community which would to some extent provide better outreach to the man-in-the-street and small-and-medium sized enterprises.

Material topics boundaries are defined and contents of this report are developed by placing reliance on the GRI reporting principles. In the whole sustainability materiality process, SingRe takes into consideration the key stakeholders' interests. The Group continually seeks to enhance the accuracy, completeness and coverage of its sustainability practices and reporting, and welcomes feedback and suggestions for improvements.

SingRe has not sought external independent assurance for this reporting period, which may be considered in the future as its sustainability efforts gain momentum.

Please write to enquiry@singre.com.sg if there are queries or feedback on this sustainability report.

SUSTAINABILITY REPORT

MANAGING SUSTAINABILITY

SUSTAINABILITY GOVERNANCE STRUCTURE

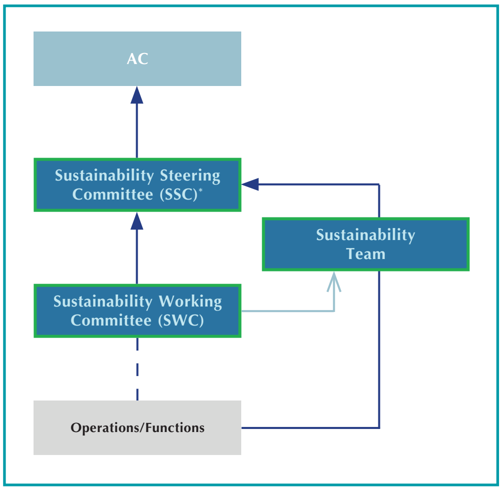

Figure 1: SingRe Sustainability Governance Structure

The Board assumes ultimate responsibility for the sustainability objectives and reporting. It has entrusted the Audit Committee (**AC**) with the responsibility of assisting it to fulfil the Group's sustainability reporting requirements. The personal commitment and influence of the Board help promote responsible, sustainable behaviour across the Group. Sustainability is a two-way street, therefore SingRe seeks and encourages dialogue and openness as it strives to learn from others.

Who's involved?

Strategy and progress in meeting SingRe's sustainability goals are reviewed and discussed by the Sustainability Steering Committee (**SSC**). SingRe's SSC comprises SingRe's core management team.

Beneath this is the Sustainability Working Committee (**SWC**) responsible for implementing, managing and developing specific elements of the strategy. In between SSC quarterly meetings, SWC members remain actively engaged in executing the Sustainability Initiatives.

Within SingRe, employees have a significant role to play in delivering its sustainability commitments. Their involvement in the day-to-day running of business puts them in a pivotal position to identify issues and potential risks and brainstorm solutions. This is why SingRe encourages and enables information sharing between all levels of the business hierarchy.

SingRe's Sustainability Steering Committee

The SSC's primary function is to monitor the progress and provide guidance in the day-to-day execution of the Group's sustainability efforts based on the Board's strategic direction. The Committee makes a conscious effort to review all policies and procedures related to ESG factors on a regular basis, including evaluating the effectiveness of existing sustainability practices. The SSC is assisted by the Corporate Secretarial team in the communication and coordination with shareholders, customers and/or employees on sustainability issues.

SUSTAINABILITY ACROSS THE VALUE CHAIN

Sustainability Strategy

SingRe aspires to continuously promote and integrate sustainability in its business operations and dealings with its stakeholders. As such, SingRe is committed towards incorporating ESG aspects in the Group's value and supply chain as sustainability efforts progressively mature. The Group believes that management of material ESG factors will eventually yield organisational excellence and deliver positive business results for stakeholders.

In the 2019 Sustainability Report, relevant goals, strategies and measurement of performance are outlined through various key initiatives introduced by SingRe across its operations. SingRe plans to extend its pledge to sustainable business practices across its value chain, from subsidiaries to vendors, where practicable and meaningful. The Group does so not simply to counter the social and environmental risks but rather because of the rewards integrated sustainability practices can deliver.

As a reinsurance company, SingRe does not have an extensive supply chain. Its core business does not require the company to buy raw materials, semi-finished goods or energy like a manufacturing entity. Nevertheless, to conduct its business activities, the Group requires a variety of goods and services. Although SingRe has embarked on its journey towards greater sustainability awareness, the sustainability efforts would require time to filter through all levels of its value chain.

SUSTAINABILITY REPORT

MATERIALITY AND STAKEHOLDER ENGAGEMENT

SingRe recognises that through dialogue with stakeholders it would be in a better position to anticipate and respond to sustainability challenges as they arise. Regular engagement with key stakeholders is achieved through the below matrix. SingRe welcomes feedback from business partners, investors, regulators and the Board.

Stakeholder Group	Engagement mode
Board of Directors	• Ongoing communication • Quarterly Board meetings
Regulators	• Feedback/consultation with regulatory bodies • Annual reports • Audit reports
Intermediaries	• Annual General Meetings • Corporate enquiries • Industry gatherings
Shareholders	• Annual General Meetings • Investor meetings • Company visits • Corporate website
Investors	• Annual General Meetings • Annual reports • SGXNet announcements
Employees	• Orientation programme • Performance and career development reviews • Learning and Development • Staff bonding activities
Clients	• Interactions at office • Marketing and advertising campaigns • Website and social media channels • Events and seminars
Rating agency	• Engagement meetings with rating agencies at least once a year

Figure 2: Summary of Stakeholder Engagement

SingRe seeks to join forces with its stakeholders in order to tackle some of the major challenges in the insurance industry – challenges that no company can solve on its own and affects everyone in the value chain. The Group aims to reinforce its sustainability commitment by more regular engagements with its key internal and external stakeholders in a bid to broaden its outreach of sustainability awareness and understand their expectations.

MATERIALITY ASSESSMENT

To define materiality of the ESG factors, the relevance of each GRI topic-specific standard and industry benchmark was assessed based on two criteria: "Importance of (the ESG factor) to Stakeholders" and its "Significance to (SingRe's) Business".

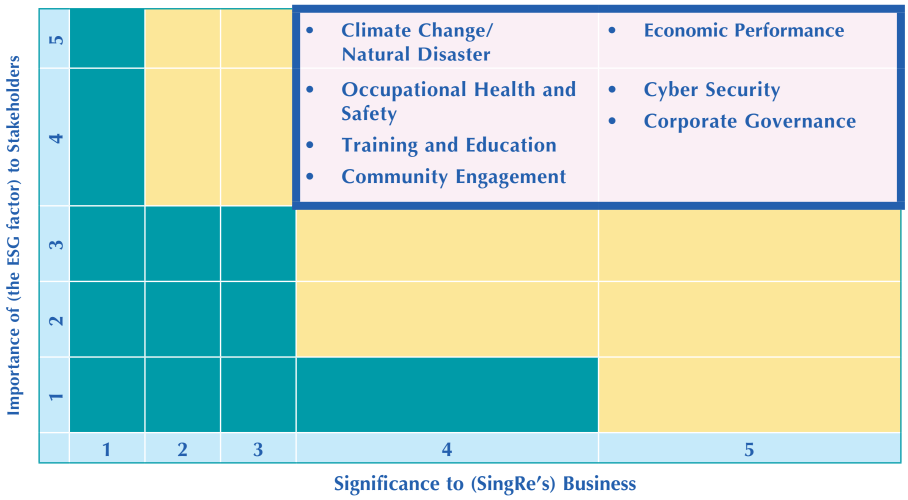

Figure 3: Materiality Matrix

Using this analysis framework, SingRe has identified seven ESG factors that could have a material impact on the earnings or valuation of SingRe, taking into account the business environment, the Group's business objectives and importance to the stakeholders. The relevance of these factors, as well as SingRe's performance against targets set, will be formally reassessed on a yearly basis. During the course of the year, Management had assessed and confirmed that there were no changes in the ESG factors.

SUSTAINABILITY REPORT

MATERIAL FACTORS – ECONOMIC

Building Long-Term Value

Profit and value-creation are the cornerstones of SingRe's sustainable development as an organisation. Sustainability of long-term profitability and generating shareholders' value are essential pillars. This is in the best interest of SingRe's clients, shareholders, employees and business partners. SingRe's financial goals are to:

(1) achieve a reasonable return on capital;

(2) pay decent dividends to its shareholders;

(3) give assurance to customers that SingRe is a partner that is financially sound; and

(4) provide a financially stable and safe organisation for employees to work in.

The ESG factors embedded in SingRe's core business activities are broad-based and are taken into consideration in the business decisions, profitability assessment and productivity and cost saving efforts as the organisation adapts to an ever changing and highly competitive operating environment.

On the underwriting front, with excessive (re)insurance capacity and availability of alternative capital globally, achieving decent underwriting margin remains challenging. It would probably take a cataclysmic insured loss or a spate of major loss events to stem the soft market cycle. Nevertheless, the Company remains bottom-line focused and strives to achieve better operational efficiency.

- The Group's premium revenue rose 14.6% to S$238.1 million (2018: S$207.8 million) for the year ended 31 December 2019.

- 2019 recorded an lower underwriting deficit of S$3.4 million (2018: S$4.8 million deficit) due to higher net earned premiums but partly offset by higher advised outstanding losses and IBNR loss reserve provision, as well as case reserves set aside for recent natural peril losses in Asia.

- The Group's net investment income fell 12.3% to S$14.1 million in 2019 (2018: S$16 million) primarily due to lower revaluation surplus on property investments.

- Operating costs (including employee wages and benefits) declined by 2.4% to S$13.2 million (2018: S$13.5 million).

- The Group's pre-tax profit fell 8.9% to S$10.3 million (2018: S$11.3 million).

- Total dividend payment in 2019 was S$7.9 million (2018: S$7.9 million).

- Total assets amounted to S$883.1 million (2018: S$817.7 million) and NAV was 45 cents per share (2018: 43.5 cents).

- Total accumulated profit and reserves (ie. Economic Value Retained) in 2019 strengthened to S$149.8 million (2018: S$140.2 million).

SingRe is committed to achieving long-term economic viability through disciplined underwriting and investment management. The key financial indicators for the Group to manage are:

- Operating Result Ratio (Net Profit before Income Tax/Net Premium Written)

- Dividend Yield to Shareholders

- Insurance Contracts Provision Ratio

- Return on Capital

SingRe's Financial Strength Rating of A-(Excellent) was re-affirmed by A M Best during the year under review. Further details on our economic value can be found throughout the Annual Report. SingRe's financial statements can be found on pages 79 to 161.

SUSTAINABILITY REPORT

MATERIAL FACTORS – ENVIRONMENTAL

Environmental Conservation

The United Nations, at the Climate Action Summit in 2019, iterated the need for global leaders to develop concrete and realistic national climate plans as they work collectively towards "reducing greenhouse gas emissions by 45% over the next decade, and to net zero emission by 2050". With global carbon gas emissions continuing to rise, there is widespread concern that the higher temperatures will have life-threatening impact on health and food security, through air pollution, heatwaves, rising sea levels and adverse changes in weather patterns.

The insurance industry also noticed discernible changes in the claims pattern particularly for weather-related events. The challenges of climate change and unpredictable weather patterns are unavoidable in the Company's business operations. SingRe attempts to manage its exposure to climate change by monitoring catastrophe accumulation and buying adequate retrocession protections. The Company also strives for a lower carbon footprint within its establishment by minimising printing, encouraging paper recycling, ensuring efficient water and energy usage for the protection of the environment.

The Company has implemented paperless meeting for all Board and Board Committee meetings and this is expected to be adopted for internal meetings as well. The Company also utilises Forest Stewardship Council (**FSC**) certified paper for its printing needs.

A working group within SingRe had been formed to brainstorm on ways to make the office more environmentally friendly. Tips and reminders have been communicated to all staff to do their part in making the office more "green" based on the 4-R principles (Reduce, Reuse, Recycle and ReVitalise).

The Energy Market Authority of Singapore (**EMA**) in its policy paper in 2018 iterated EMA's vision and regulatory framework which encourages the deployment of Energy Storage Systems (**ESS**) to raise the reliance on renewable energy, whilst also keeping pace with technological advancements. Such "green initiatives" would help to reduce Singapore's carbon footprint. On the business front, SingRe is monitoring such technological developments and underwriting ESS albeit carefully.

A long-term challenge

Climate change presents a long-term challenge for governments, corporates and society as a whole since losses from floods, storms, earthquakes, droughts and other natural perils can have drastic repercussions and costs on economies, entities and individuals. SingRe continually monitors the disruptive and sometimes opportunistic impact of climate change and has to carefully manage the implications on its reinsurance business. In addition, SingRe monitors advancements in "Green Finance" practices and products within the finance industry as actively advocated by the Singapore regulators with the vision of plausibly participating in Green Finance investment products in the medium to long term.

SingRe will continue to engage business partners, higher-learning institutes, rating agencies, as well as relevant governmental authorities, in an effort to enhance its climate-related risk knowledge and where viable, incorporate the values into its ESG process.

FY 2019 Performance	FY 2020 Target
Losses reported within the year were well within our retrocession protections demonstrating the total coverage was adequate.	Adequacy of retrocession protections to address the worst-case loss accumulation in a single loss event arising from a major natural disaster.
Capital adequacy ratio of 394.1% was achieved.	Capital adequacy ratio to remain above internal benchmark of minimum 150% after the worst-case loss scenario occurs.

SUSTAINABILITY REPORT

MATERIAL FACTORS – SOCIAL

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety concerns all organisations and employees. Any plans to move SingRe's business forward have to start with its people therefore employee safety and well-being are priority concerns. Any down time due to an accident or illness can lead to business disruptions. SingRe periodically assesses potential health and safety risks, takes preventive measures and raises employee safety awareness through educational talks conducted by subject experts. For instance, SingRe conducts regular Disaster Recovery simulation exercise on Emergency Preparedness and Cyber Risks training. Fire Safety Awareness talks are also organised in the workplace.

SingRe's corporate values are stated in the Employee Handbook. SingRe provides employees with a caring and secure environment with adequate training to enable them to contribute effectively towards meeting the Company's corporate goals. SingRe treasures its employees and recognises they are important assets to the Company. If personnel are clocking excessive overtime or too many days of medical leave, the matter is investigated or reviewed.

Occupational Health and Safety Performance

There has been no work-related fatality since 1973.

	HEALTH AND SAFETY INDICATORS[1]	ACTUAL FY 2019*	TARGET FY 2020
1	WORKPLACE INJURY RATE (WIR)	Zero	Zero
2	OCCUPATIONAL DISEASE INCIDENCE RATE (ODIR)	Zero	Zero
3	ACCIDENT FREQUENCY RATE (AFR)	Zero	Zero
4	ACCIDENT SEVERITY RATE (ASR)	Zero	Zero

Table 4: SingRe's Safety Indicators

* Note: SingRe's health and safety definitions are adopted from the Singapore Workplace Safety and Health (**WSH**) Institute's Guidance on Workplace Safety and Health Reporting. Refer to the Workplace Safety Manual for details.

[1] Data had been compiled by Human Resources and received by the SWC.

The Company complies with local legislation covering workplace safety and health. The Workplace Safety and Health Act is the key legislation to effect the principles of the Occupational Safety and Health framework. SingRe has implemented various programmes to maintain workplace safety for its employees and some examples are:

- Regular servicing and checks on fire, security detection, heating, ventilation and air conditioning systems and lift maintenance.
- Talks on Fire Safety and Preventive Awareness and SG Secure Program.
- Sponsorship to attend the Occupational First Aid with CPR+AED[2] workshop conducted by the Singapore First Aid Training Centre.
- Employees can claim for flu vaccination costs up to a certain amount per year.
- Staff are encouraged to go for Health Screening as part of the Company's medical benefits.

Always Striving To Do Better

SingRe values the contribution and cares for the physical and mental well-being of its employees. With the majority of the Company's workforce aged above 35 years, SingRe is well aware of the need to provide a safe and secure working environment for its employees in line with applicable local standards in the maintenance of heritage buildings. To ensure the success of its Health and Safety policy, SingRe wishes to implement and strengthen the following initiatives during the upcoming financial year:

- To organise Health and Safety talks for all employees at least annually
- To look at improving air quality within the office premises
- To encourage employees to improve their general well-being, both physically and mentally, through regular exercise

FY 2019 Performance	FY 2020 Target	Key Initiatives to be implemented
0 fatal or serious work-related incidents	0 fatal or serious work-related incidents	To organise health & safety talks for all employees
0 case of Work Injury related incidents to be reported to Manpower Ministry	0 case of Work Injury related incidents to be reported to Manpower Ministry	To encourage employees to improve their general well-being, both physically and mentally, through regular exercise

[2] Cardiopulmonary resuscitation (**CPR**) and Automated External Defibrillator (**AED**).

SUSTAINABILITY REPORT

TRAINING AND EDUCATION

Enhancing learning and development and ensuring all people are afforded a high standard of education has been reaffirmed as a key global goal of development under the post-2015 development agenda[3]. To effectively promote these principles throughout the organisation, the Group believes the development of its human capital and a culture of learning will enhance job skills, deepen employee contribution and instil greater work satisfaction. Better skilled employees will also improve work efficiency. Enhancement of the skills of employees through continuous learning and development initiatives will raise the professional standards of SingRe's team and give stakeholders more confidence when dealing with the Company's representatives.

Measuring SingRe's Effort

Quantifying and improving the quality of the Group's learning and education efforts is an increasingly important goal in SingRe. Management measures the average training hours provided for each employee through the year and this is applicable to senior management, executives and non-executive employees.

Some of SingRe's key policies related to training and education can be found in the Employee Handbook. On-the-job training and mentoring are provided thereby enabling a smooth transition into the workplace. To encourage employees to pursue higher educational qualifications, SingRe sponsors employees for technical training and present "Qualification Awards" to those who have successfully completed their part-time studies. In 2019, the Company organised the Microsoft Excel Course (Level 2 and 3) for its employees.

[3] The Post-2015 Development Agenda refers to a process led by the United Nations that aims to help define the future global development framework that will succeed the Millennium Development Goals.

Preparing For The Future

Employee engagement and development is a priority concern for the Group. SingRe's staff are encouraged to put forth their educational and work aspirations in their appraisal review and training opportunities are available to those keen on continual skills development. There are monetary incentives/awards given to employees who complete professional courses or higher education that would enhance their personal development.

FY 2019 Performance	FY 2020 Target	Key Initiatives to be implemented
Conducted in-house and external trainings for employees	Enhance in-house and external trainings to refresh or re-train employees	Work with external consultants/training centres. Encourage employees to attend courses to upgrade skills
50% of employees received at least 7 training hours[4]	Increase the number of employees with at least 10 training hours	Work with external consultants/training centres. Encourage employees to attend courses to upgrade skills

[4] Data had been compiled by Human Resources and received by the SWC.

SUSTAINABILITY REPORT

COMMUNITY ENGAGEMENT

Contribution towards the community's interests and well-being builds goodwill and positive sentiment towards the business. Community engagement helps to enhance the Company's profile and build employees' sense of belonging.

To fulfil its responsibility as a good corporate citizen, SingRe contributes to various charitable causes. On 30 May 2019, 24 staff volunteers visited the Lions Home for the Elderly. Altogether, 26 Residents from the Lions Home and Senior Daycare Centre were entertained with songs performed by staff volunteers, followed by afternoon tea snacks. The residents participated enthusiastically in table games comprising Memory Games, Jigsaw Puzzle and Bingo. The staff volunteers were glad to have had the opportunity to mingle with and help the senior residents during the games.

In conjunction with World Charity Day on 5 September 2019, 20 Staff volunteers from our Group spent a few hours to pack food donations into cartons at the Food Bank Singapore warehouse to be delivered to two beneficiaries. Food Bank Singapore is a charitable organisation with a vision to play a key role in the reduction of food wastage within the whole supply chain. It acquires donated food from farms, manufacturers, distributors, retail stores, consumers, and other sources, and make the food available to those in need through a network of beneficiaries.

FY 2019 Performance	FY 2020 Target	Key Initiatives to be implemented
At least 44% of the employee had volunteered in the community engagement activities organised by the Company during the year.	Increase employee volunteer participation ratio in community initiatives by 5% in 2020.	Encourage staff to brainstorm ideas on new areas of community engagement and how to raise volunteerism.

Visit to the Lions Home for the Elderly on 30 May 2019

SUSTAINABILITY REPORT

Staff volunteering at FoodBank on 5 September 2019

Over the years, SingRe also played a small part in helping to nurture future insurance professionals by contributing to an endowment fund which is used to award Book Prizes to tertiary students who study insurance-related subjects at the Nanyang Technological University. In 2019, Mr Nahshon Lee Hwee, an undergraduate from Nanyang Technological University received the Singapore Reinsurance Book Prize for Academic Year 2018-2019 in his pursuit of a Double Degree in Bachelor of Accountancy and Bachelor of Business.

SingRe also supports local culture and conservation by owning and having its corporate office in properties under conservation. In conjunction with the Singapore Reinsurers' Association 40th Anniversary Charity Golf 2019, the Company gave cash donation in support of the emergency relief efforts of "Save the Children", a leading independent international NGO, whose aim is to improve the lives of children through better education, health care, and economic opportunities, as well as to provide emergency aid in natural disasters, war and other conflicts.

MATERIAL FACTORS – GOVERNANCE

CORPORATE GOVERNANCE

The Board and Management are committed to achieving a high standard of corporate governance for the long-term sustainability of the Company in an effort to safeguard shareholders' interests and raise their confidence in the Company. Good governance practices give assurance to business partners that the Company is able to provide a financially secure environment that its employees are proud of.

Board's Responsibility

The Board's core responsibilities include the review and approval of the Group's corporate strategies and direction. The Board sets the Group's ethos and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met.

Remuneration Policy

The Group adopts a remuneration policy that is primarily performance based taking into account each person's job responsibilities and function, bearing in mind the market conditions. The remuneration policy is in line with the strategic objectives and corporate values of the Company.

Integrity And Ethics

The Company has a whistle-blower protection policy to ensure that any hint of suspected unethical or illegal activity is investigated. The Employee Handbook outlines the ethical conduct expected of all employees. All directors and key management personnel, are also required to declare any interest which they believe could conflict with the Company's interests.

SUSTAINABILITY REPORT

Risk Management Practices

The Board determines the Company's risk tolerance levels and oversees Management in the design, implementation and monitoring of the internal controls. Given the special nature of reinsurance business, the Board is firmly of the conviction that risk management is synonymous with the process of underwriting and ensuring adequacy of retrocession protection. The Group is committed to ensuring that business is conducted in compliance with legal, ethical and professional best practices.

FY 2019 Performance	FY 2020 Target	Key Initiatives to be implemented
No known breach of MAS and Labuan FSA corporate governance regulations	No breach of material MAS/ SGX/Labuan FSA corporate governance guidelines	To look at potential areas of improvement in an effort to raise SingRe's Governance and Transparency Index ranking.

For more details on our Corporate Governance disclosure, please refer to the Corporate Governance report available on pages 21 to 44 of this Annual Report, as well as our Corporate website.

CYBER SECURITY

With increasing concerns about threats to data confidentiality, integrity and availability, it is vital to ensure SingRe's IT network, digital information databases and assets/devices are adequately protected to minimise business disruption, reputational damage, litigation and other liabilities that may arise following a cyber-breach or cyber-attack. Besides potentially impacting the Company's reputation, revenue and profits, Cyber Security risk may expose the Company to regulatory action and loss of confidence or trust from business partners.

There are no known incidents of loss of client data due to cyber breaches recorded by SingRe in 2019. The design of SingRe's cyber security programme is geared towards meeting regulatory requirements applicable to the Group. Nevertheless, SingRe does not adopt a standard one-size-fit-all approach and its cyber security efforts take into account its relatively small size and IT infrastructure. The Group has implemented various systems to reinforce infrastructure and network security, reliability, resiliency and recoverability. The Group has a Personal Data Protection (**PDP**) policy which stipulates the code of conduct when using, storing and transferring personal data. A briefing on the "Cyber Security Threats and Landscape" for the Board was conducted on 4 November 2019.

Managing Cyber Security

Preventive and detective measures that are implemented to address cyber security include the following:

- Firewalls are deployed to protect network perimeters from attacks and malicious traffic, as well as to secure web access
- All incoming emails are scanned for security risks and quarantined if suspected spam mails are detected
- Security tools are implemented for protection of network devices, servers, desktops, databases, folders and files
- Security updates/patches/fixes released by third party software vendors are applied in a timely manner

FY 2019 performance	FY 2020 Target	Key Initiatives to be implemented
Zero system downtime due to cyber-attacks.	Zero system downtime due to cyber-attacks that impact more than 20% of the network devices or employees for each incident.	SingRe reviews its cyber security defence system regularly and evaluates new solutions/security products to strengthen monitoring, detection and mitigation of cyber threats.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: Core option.

General Disclosures		
Organisational Profile		
102-1	Name of the organisation	Pages 46 & 47
102-2	Activities, brands, products, and services	Pages 46 & 47
102-3	Location of headquarters	Page 6
102-4	Location of operations	Page 6
102-5	Ownership and legal form	Page 162
102-6	Market served	Page 129
102-7	Scale of Organisation	Page 129
102-8	Information on employees and other workers	Pages 11 to 14
102-9	Supply chain	Page 49
102-10	Significant changes to the organisation and its supply chain	Page 49 No significant changes to the structure, ownership, supply chain occurred during the FY.
102-11	Precautionary principle or approach	Pages 40, 130 to 142
102-12	External initiatives	Not applicable, SingRe does not subscribe or endorse any external activities.
Strategy		
102-14	Statement from senior decision-maker	Page 46
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Page 46
Governance		
102-18	Governance structure	Page 48

Stakeholder Engagement		
102-40	List of stakeholder groups	Page 50
102-41	Collective bargaining agreements	There are no collective bargaining agreements in place.
102-42	Identifying and selecting stakeholders	Page 50
102-43	Approach to stakeholder engagement	Page 50
102-44	Key topics and concerns raised	Page 51
Reporting Practices		
102-45	Entities included in the consolidated financial statements	Page 106
102-46	Defining report content and topic Boundaries	Page 47
102-47	List of material topics	Page 51
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	Page 47
102-51	Date of most recent report	Sustainability Report 2018
102-52	Reporting cycle	Page 47
102-53	Contact point for questions regarding the report	Page 47
102-54	Claims of reporting in accordance with the GRI Standards	Page 47
102-55	GRI content index	Pages 66 to 68
102-56	External assurance	Page 47
Material Topics[5]		
Economic Performance		
103-1	Explanation of the material topic and its Boundary	Pages 2, 3 & 52
103-2	The management approach and its components	Pages 2, 3, 52 & 53

[5] Three of the ESG Factors identified as material to SingRe – Climate Conservative, Corporate Governance and Cyber Security are not part of GRI topic-specific standards and are excluded from the GRI index.

SUSTAINABILITY REPORT

103-3	Evaluation of the management approach	Pages 52 & 53
201-1	Direct economic value generated and distributed	Pages 2, 3, 52 & 53
Occupational Health and Safety		
103-1	Explanation of the material topic and its Boundary	Pages 56 & 57
103-2	The management approach and its components	Pages 56 & 57
103-3	Evaluation of the management approach	Pages 56 & 57
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 57
Training and Education		
103-1	Explanation of the material topic and its Boundary	Pages 58 & 59
103-2	The management approach and its components	Pages 58 & 59
103-3	Evaluation of the management approach	Pages 58 & 59
404-3	Percentage of employees receiving regular performance and career development reviews	Page 59
Community Engagement		
403-1	Explanation of the material topic and its Boundary	Pages 60 & 63
403-2	The management approach and its components	Pages 60 & 63
403-3	Evaluation of the management approach	Pages 60 & 63
404-3	Operation with local community engagement, impact assessments, and development programs	Pages 60 to 63

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 77 to 159 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International); 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Ramaswamy Athappan
David Chan Mun Wai
Hwang Soo Jin (Resigned on 17 April 2019)
Dileep Nair
Peter Sim Swee Yam
Ong Eng Yaw

Mr David Chan and Mr Dileep Nair retire by rotation at the forthcoming Annual General Meeting ("AGM") in accordance with Regulation 96 of the Company's Constitution and, being eligible, offer themselves for re-election.

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

	Holdings in the name of the directors, spouse or infant children		Other holdings in which directors are deemed to have an interest	
Number of ordinary shares	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Ramaswamy Athappan	178,732	178,732	–	–
David Chan Mun Wai	73,205	73,205	–	–

DIRECTORS' STATEMENT

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2020.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

Share options

During the financial year:

(a) there were no options granted to any person to take up unissued shares in the Company or its subsidiaries and there were no shares issued by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiaries; and

(b) no options have been granted to controlling shareholders, their associates, or employees of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option granted by the Company or its subsidiaries as at the end of the financial year.

Audit Committee

The members of the Audit Committee during the year and at the date of this statement are:

Dileep Nair (Chairman)
Ramaswamy Athappan
David Chan Mun Wai
Peter Sim Swee Yam
Ong Eng Yaw

The members of the Audit Committee are all non-executive directors and perform the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee held four meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's internal and external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

– assistance and co-operation provided by the Company's officers to the internal and external auditors;

– quarterly financial information and annual financial statements of the Group and the Company prior to submission to the directors of the Company for adoption;

– the Company's corporate governance processes;

– current and impending changes in accounting requirements and insurance regulation;

– interested person transactions as defined in Chapter 9 of the SGX Listing Manual; and

– independence of external auditors with regard to the provision of non-audit services.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

Internal controls

The Board of Directors ("the Board") believes that the recognition of the importance of internal controls is a matter of corporate culture that calls for common commitment at all levels of the Company from Board to management and staff. The Board recognises that the system of internal controls can only provide reasonable assurance but cannot totally eliminate the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. The continued strengthening of internal controls to meet the challenges of a rapidly changing operating environment should be part and parcel of daily business process to be pursued relentlessly.

During the year under review, the Board is satisfied based on statement from both internal and external auditors as well as the Audit Committee that the internal controls in all aspects of the Company's operations are adequate and effective to safeguard shareholders' interest. Both the Chief Executive and the Financial Controller have also given their assurance:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) that the Company's systems of internal controls are adequate and effective.

DIRECTORS' STATEMENT

Risk management

For the year under review, based on statement from both internal and external auditors as well as the Audit Committee, the Board is satisfied that the risk management system maintained by the Management is adequate and effective to meet the needs of the Company in its current business environment.

The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees. The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

In appointing our auditors of the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Ramaswamy Athappan
Director

David Chan Mun Wai
Director

25 February 2020

INDEPENDENT AUDITORS' REPORT

Members of Singapore Reinsurance Corporation Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Singapore Reinsurance Corporation Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 79 to 161.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, the statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Company for the year ended on that date.

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 '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Recording of gross written premiums ($238 million), gross claims incurred ($157 million) and commission expenses ($49 million)
(Refer to Note 16 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
Premium closings, claims notifications and statement of accounts (SOAs) from cedants that are used to record premiums, claims and commission may not be received on a timely basis and may require significant efforts to verify prior to recording or estimating the accruals in the accounting records. Bilateral cessions premiums, claims and commissions expenses, to the extent not advised by cedants by the financial year-end are estimated on a cedant-by-cedant basis using comparative information adjusted for revisions in cession terms and conditions as described in Note 16 to the financial statements. Unprocessed premiums at the reporting date for treaty and facultative business are assessed for their significance to the financial statements to determine if they need to be recorded.	We assessed the reasonableness of premiums, claims and commissions recorded by performing the following procedures: For bilateral cession business where premiums, claims and commissions were estimated, • updating our understanding on the Group's process for estimating the premiums, claims and commissions; • evaluating the Group's quantification of the premiums, claims and commissions not advised at the reporting date; and • comparing prior year estimates with actuals to assess the reliability of the Group's estimates. For unprocessed premium closings, claims notifications and SOAs, we evaluated the Group's assessment of the significance at the reporting date to ascertain that they do not have a material impact on the financial statements.
	Findings
	For estimates relating to the bilateral cession business, we did not identify any significant changes in the estimation process. We found the assumptions and resulting estimates to be balanced. We have also assessed that Note 16 appropriately disclosed the process, assumptions and judgments involved and the sensitivity to the changes in key assumptions. For the unprocessed premiums, we independently verified and agreed with Group's assessment that the unprocessed premiums have no material impact on the financial statements.

Valuation of insurance contract provisions –
Gross outstanding claims ($429 million); Gross unexpired risk ($82 million)
(Refer to Notes 10 and 16 to the financial statements)

The key audit matter	***How the matter was addressed in our audit***
Valuation of insurance contract liabilities is inherently judgmental and subjective. The methodologies and assumptions adopted are crucial to the valuation of the liabilities so that sufficient provisions are held to meet all obligations including those to cover claims which have been incurred but not reported. The estimation of insurance contract liabilities are subjected to various assumptions applied, including, most importantly, the Ultimate Loss Ratio. Management judgment is applied in setting these assumptions. Changes in these assumptions used could result in a material impact to valuation of insurance contract liabilities and the related movements in the income statement.	We assessed whether the valuation of insurance contract provisions is reasonable by performing the following procedures: • evaluating the underwriting and claims processes and the consistency of those policies; • assessing the design and operating effectiveness of controls over the approval and recording of premiums and claims reported and paid, which form the basis upon which insurance contract provisions are estimated; • testing the completeness and accuracy of data used in the valuation of insurance contract provisions; • discussing with both the management and the Certifying Actuary on the methodologies and assumptions adopted; and • involving our actuarial specialists to assess the appropriateness of reserving methodologies, key assumptions used; and the reasonableness of the valuation performed by the Certifying Actuary.
	Findings
	Based on our above procedures, we found the methodologies and assumptions used in the valuation by the Certifying Actuary to be balanced. We noted that the insurance contract liabilities maintained in the Group's financial statements were higher than those assessed by the independent actuary due to more prudent assumptions used by the Group, which is consistent with prior years. We also found that Note 16 provides appropriate disclosures on the estimates involved in the valuation process.

INDEPENDENT AUDITORS' REPORT

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

Other than the Directors' Statement which we obtained prior to the date of this auditors' report, the other sections included in the annual report are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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 SFRS(I)s, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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 controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group 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.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Goh Kim Chuah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 February 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Assets					
Property, plant and equipment	4	**54,946**	51,755	**54,852**	51,662
Investment properties	5	**34,771**	33,767	**34,771**	33,767
Interest in subsidiaries	7	**–**	–	**1,123**	1,091
Reinsurers' share of insurance contract provisions for:					
– outstanding claims	10	**268,553**	232,994	**268,553**	232,994
– unexpired risks	10	**58,272**	55,407	**58,272**	55,407
Financial assets	8	**260,253**	263,392	**260,253**	263,392
Club membership		**15**	15	**–**	–
Insurance receivables	11	**99,225**	90,173	**99,225**	90,173
Other receivables	12	**3,418**	3,089	**4,030**	2,727
Cash and cash equivalents	13	**103,645**	87,141	**100,252**	84,779
Total assets		**883,098**	817,733	**881,331**	815,992
Equity attributable to equity holders of the Company					
Share capital	14	**123,300**	123,300	**123,300**	123,300
Reserves	15	**54,916**	47,261	**54,916**	47,261
Accumulated profits		**94,884**	92,934	**94,695**	92,707
		273,100	263,495	**272,911**	263,268
Non-controlling interests		**226**	232	**–**	–
Total equity		**273,326**	263,727	**272,911**	263,268
Liabilities					
Insurance contract provisions for:					
– outstanding claims	10	**428,860**	386,268	**428,860**	386,268
– unexpired risks	10	**81,534**	73,729	**81,534**	73,729
Deferred taxation	9	**3,935**	3,407	**3,935**	3,407
Insurance payables	17	**90,709**	86,396	**90,709**	86,396
Other payables	18	**3,588**	3,143	**2,246**	1,899
Current tax payable		**1,146**	1,063	**1,136**	1,025
Total liabilities		**609,772**	554,006	**608,420**	552,724
Total equity and liabilities		**883,098**	817,733	**881,331**	815,992

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

STATEMENTS OF PROFIT OR LOSS

Year ended 31 December 2019

		Group		Company	
	Note	**2019**	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
Reinsurance operations:					
Gross written premiums		**238,144**	207,802	**238,144**	207,802
Reinsurance premiums		**(173,476)**	(157,121)	**(173,476)**	(157,121)
Net written premiums		**64,668**	50,681	**64,668**	50,681
Gross transfer to provision for unexpired risks	10	**(7,805)**	(9,084)	**(7,805)**	(9,084)
Reinsurance transfer from provision for unexpired risks	10	**2,865**	9,254	**2,865**	9,254
Net earned premiums		**59,728**	50,851	**59,728**	50,851
Gross claims incurred	10	**(156,954)**	(122,143)	**(156,954)**	(122,143)
Reinsurers' share of claims incurred	10	**116,163**	86,182	**116,163**	86,182
Net claims incurred		**(40,791)**	(35,961)	**(40,791)**	(35,961)
Commission expense		**(48,845)**	(60,857)	**(48,845)**	(60,857)
Commission income		**34,148**	48,854	**34,148**	48,854
Net commission expense		**(14,697)**	(12,003)	**(14,697)**	(12,003)
Management expenses	23	**(7,647)**	(7,656)	**(7,647)**	(7,656)
Underwriting results		**(3,407)**	(4,769)	**(3,407)**	(4,769)
Net investment income	21	**7,877**	8,012	**7,877**	8,012
Net income from reinsurance operations (I)		**4,470**	3,243	**4,470**	3,243
Non-reinsurance operations:					
Net investment income	21	**6,190**	8,024	**6,254**	8,590
Other operating income	22	**5,195**	5,915	**9**	13
Management expenses	23	**(5,569)**	(5,885)	**(398)**	(458)
Net income from non-reinsurance operations (II)		**5,816**	8,054	**5,865**	8,145
Profit before income tax (I) + (II)	26	**10,286**	11,297	**10,335**	11,388
Income tax expense	27	**(475)**	(2,436)	**(480)**	(2,476)
Profit for the year		**9,811**	8,861	**9,855**	8,912
Attributable to:					
Equity holders of the Company		**9,817**	8,791	**9,855**	8,912
Non-controlling interests		**(6)**	70	**–**	–
Profit for the year		**9,811**	8,861	**9,855**	8,912
Basic and diluted earnings per share (cents)	28	**1.62**	1.45		

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

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Profit for the year		**9,811**	8,861	**9,855**	8,912
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Revaluation of property, plant and equipment	4	**3,318**	9,618	**3,318**	9,618
Tax on items that will not be reclassified to profit or loss		**–**	–	**–**	–
		3,318	9,618	**3,318**	9,618
Items that are or may be reclassified subsequently to profit or loss:					
Available-for-sale financial assets:					
– Reclassification of gain on sale of investments to profit or loss	21	**(1,345)**	(1,210)	**(1,345)**	(1,210)
– Reclassification of impairment on investments to profit or loss	26	**984**	1,094	**984**	1,094
– Change in fair value of investments		**5,621**	(7,320)	**5,621**	(7,320)
Tax on items that are or may be reclassified subsequently to profit or loss		**(923)**	1,236	**(923)**	1,236
		4,337	(6,200)	**4,337**	(6,200)
Other comprehensive income for the year, net of income tax		**7,655**	3,418	**7,655**	3,418
Total comprehensive income for the year		**17,466**	12,279	**17,510**	12,330
Attributable to:					
Equity holders of the Company		**17,472**	12,209	**17,510**	12,330
Non-controlling interests		**(6)**	70	**–**	–
Total comprehensive income for the year		**17,466**	12,279	**17,510**	12,330

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital $'000	Fair value reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group							
At 1 January 2018	123,300	12,807	31,036	92,010	259,153	252	259,405
Total comprehensive income for the year							
Profit for the year	–	–	–	8,791	8,791	70	8,861
Other comprehensive income:							
Revaluation of property, plant and equipment	–	–	9,618	–	9,618	–	9,618
Available-for-sale financial assets:							
– Reclassification of gain on sale of investments to profit or loss	–	(1,210)	–	–	(1,210)	–	(1,210)
– Reclassification of impairment on investments to profit or loss	–	1,094	–	–	1,094	–	1,094
– Change in fair value of investments	–	(7,320)	–	–	(7,320)	–	(7,320)
Income tax relating to components of other comprehensive income	–	1,236	–	–	1,236	–	1,236
Total other comprehensive income, net of income tax	–	(6,200)	9,618	–	3,418	–	3,418
Total comprehensive income for the year	–	(6,200)	9,618	8,791	12,209	70	12,279
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Final dividend of 0.8 cent per share tax exempt (one-tier) paid in respect of year 2017	–	–	–	(4,841)	(4,841)	–	(4,841)
Interim dividend of 0.5 cent per share tax exempt (one-tier) paid in respect of year 2018	–	–	–	(3,026)	(3,026)	–	(3,026)
Dividend paid to non-controlling interests	–	–	–	–	–	(90)	(90)
Total contributions by and distributions to owners	–	–	–	(7,867)	(7,867)	(90)	(7,957)
At 31 December 2018	123,300	6,607	40,654	92,934	263,495	232	263,727

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

	Share capital $'000	Fair value reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group							
At 1 January 2019	**123,300**	**6,607**	**40,654**	**92,934**	**263,495**	**232**	**263,727**
Total comprehensive income for the year							
Profit for the year	–	–	–	9,817	9,817	(6)	9,811
Other comprehensive income:							
Revaluation of property, plant and equipment	–	–	3,318	–	3,318	–	3,318
Available-for-sale financial assets:							
– Reclassification of gain on sale of investments to profit or loss	–	(1,345)	–	–	(1,345)	–	(1,345)
– Reclassification of impairment on investments to profit or loss	–	984	–	–	984	–	984
– Change in fair value of investments	–	5,621	–	–	5,621	–	5,621
Income tax relating to components of other comprehensive income	–	(923)	–	–	(923)	–	(923)
Total other comprehensive income, net of income tax	–	4,337	3,318	–	7,655	–	7,655
Total comprehensive income for the year	–	4,337	3,318	9,817	17,472	(6)	17,466
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Final dividend of 0.8 cent per share tax exempt (one-tier) paid in respect of year 2018	–	–	–	(4,841)	(4,841)	–	(4,841)
Interim dividend of 0.5 cent per share tax exempt (one-tier) paid in respect of year 2019	–	–	–	(3,026)	(3,026)	–	(3,026)
Total contributions by and distributions to owners	–	–	–	(7,867)	(7,867)	–	(7,867)
At 31 December 2019	123,300	10,944	43,972	94,884	273,100	226	273,326

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital $'000	Fair value reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total $'000
Company					
At 1 January 2018	123,300	12,807	31,036	91,662	258,805
Total comprehensive income for the year					
Profit for the year	–	–	–	8,912	8,912
Other comprehensive income:					
Revaluation of property, plant and equipment	–	–	9,618	–	9,618
Available-for-sale financial assets:					
– Reclassification of gain on sale of investments to profit or loss	–	(1,210)	–	–	(1,210)
– Reclassification of impairment on investments to profit or loss	–	1,094	–	–	1,094
– Change in fair value of investments	–	(7,320)	–	–	(7,320)
Income tax relating to components of other comprehensive income	–	1,236	–	–	1,236
Total other comprehensive income, net of income tax	–	(6,200)	9,618	–	3,418
Total comprehensive income for the year	–	(6,200)	9,618	8,912	12,330
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Final dividend of 0.8 cent per share tax exempt (one-tier) paid in respect of year 2017	–	–	–	(4,841)	(4,841)
Interim dividend of 0.5 cent per share tax exempt (one-tier) paid in respect of year 2018	–	–	–	(3,026)	(3,026)
Total contributions by and distributions to owners	–	–	–	(7,867)	(7,867)
At 31 December 2018	123,300	6,607	40,654	92,707	263,268

	Share capital $'000	Fair value reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total $'000
Company					
At 1 January 2019	123,300	6,607	40,654	92,707	263,268
Total comprehensive income for the year					
Profit for the year	–	–	–	9,855	9,855
Other comprehensive income:					
Revaluation of property, plant and equipment	–	–	3,318	–	3,318
Available-for-sale financial assets:					
– Reclassification of gain on sale of investments to profit or loss	–	(1,345)	–	–	(1,345)
– Reclassification of impairment on investments to profit or loss	–	984	–	–	984
– Change in fair value of investments	–	5,621	–	–	5,621
Income tax relating to components of other comprehensive income	–	(923)	–	–	(923)
Total other comprehensive income, net of income tax	–	4,337	3,318	–	7,655
Total comprehensive income for the year	–	4,337	3,318	9,855	17,510
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Final dividend of 0.8 cent per share tax exempt (one-tier) paid in respect of year 2018	–	–	–	(4,841)	(4,841)
Interim dividend of 0.5 cent per share tax exempt (one-tier) paid in respect of year 2019	–	–	–	(3,026)	(3,026)
Total contributions by and distributions to owners	–	–	–	(7,867)	(7,867)
At 31 December 2019	123,300	10,944	43,972	94,695	272,911

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flow from operating activities			
Profit before income tax		**10,286**	11,297
Adjustments for:			
Insurance contract provisions for net unexpired risks		**4,940**	(170)
Insurance contract provisions for net outstanding claims		**7,033**	4,985
Impairment provision and write down on investments	21	**984**	1,094
Net gains in fair value of investment properties	21	**(2,637)**	(4,362)
Net gains on sale of investments	21	**(1,345)**	(1,210)
Depreciation of property, plant and equipment	4	**332**	323
Interest income	21	**(8,692)**	(8,525)
Dividend income	21	**(2,579)**	(1,992)
Loss on sale of investment properties	21	**272**	–
Loss on sale of plant and equipment		**–**	6
		8,594	1,446
Changes in working capital:			
Insurance receivables		**(9,052)**	(30,331)
Other receivables and staff loans		**(351)**	8
Insurance payables		**4,313**	16,785
Other payables		**482**	(991)
Cash generated from/(used in) operations		**3,986**	(13,083)
Income tax paid		**(787)**	(1,308)
Net cash from/(used in) operating activities		**3,199**	(14,391)
Cash flow from investing activities			
Interest received		**8,669**	8,422
Dividends received		**2,579**	1,992
Purchase of investments		**(15,272)**	(45,659)
Proceeds from sale of investments		**24,077**	44,089
Purchase of property, plant and equipment	4	**(205)**	(59)
Proceeds from disposal of property, plant and equipment		**–**	1
Proceeds from disposal of investment properties		**1,361**	–
Net cash from investing activities		**21,209**	8,786
Cash flow from financing activities			
Dividends paid to owners of the Company		**(7,867)**	(7,867)
Dividends paid to non-controlling interests		**–**	(90)
Payment of lease liabilities (2018: Payment of finance lease liabilities)		**(37)**	(36)
Net cash used in financing activities		**(7,904)**	(7,993)
Net increase/(decrease) in cash and cash equivalents		**16,504**	(13,598)
Cash and cash equivalents at beginning of year	13	**87,141**	100,739
Cash and cash equivalents at end of year	13	**103,645**	87,141

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 February 2020.

1 Domicile and activities

Singapore Reinsurance Corporation Limited (the Company) is incorporated in the Republic of Singapore with its registered office at 85 Amoy Street, Singapore 069904.

The Company is licensed as a general reinsurer under the Singapore Insurance Act, Chapter 142 (the Insurance Act). The principal activities of the Company, including its Labuan Branch, are those of a general reinsurer while those of its subsidiaries are set out in Note 7 to the financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2019 relate to the Company and its subsidiaries (together referred to as the "Group").

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets are measured at fair value; and
- investment properties and owner occupied leasehold land and buildings are measured at fair value.

The financial statements are presented in Singapore dollars which is the Group's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The assets and liabilities of the Group which relate to the reinsurance business carried on in Singapore are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 and the Company continues to be able to meet the solvency requirements of Section 18 of the Insurance Act and Insurance (Valuation and Capital) Regulations. All other assets and liabilities are accounted for in the books of the "non-reinsurance funds".

NOTES TO THE FINANCIAL STATEMENTS

All income and expenses relating to the reinsurance business are reported under the "Reinsurance operations" in profit or loss. All other income and expenses are reported as "Non-reinsurance operations" in profit or loss.

The financial statements of the Group represent the combined assets and liabilities, and income and expenses of the reinsurance funds and the non-reinsurance funds.

2.3 Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relate mainly to outstanding claim provisions and estimates of premium, commission and loss estimates for bilateral cessions business (see Note 16).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair value is included in Note 31 – Insurance and financial risk management.

2.4 Changes in accounting policies

A number of new standards, amendments to standards and interpretations set out in Note 32 are effective for annual period 1 January 2019, and have been applied in preparing these financial statements except as set out on Note 33. None of these have a significant effect on the financial statements of the Group.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment loss.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation and available-for-sale equity securities which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in profit or loss as the amounts are not material.

3.3 Reinsurance business

Classification of contracts

Contracts under which the Group accepts significant insurance risk by agreeing to compensate the cedants if a specified uncertain future event (the insured event) adversely affects the cedants are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices of rates, a credit rating or credit index or other variable.

Recognition and measurement of contracts

The recording of revenue and the determination of underwriting results of each financial year reflect delays in the receipt of information from cedants and brokers, and the long tail nature of certain classes of insurance business.

Written premiums

Gross written premiums include premiums for contracts entered during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to insurance companies and intermediaries and include adjustments to premiums written in prior accounting periods.

With the exception of premiums for bilateral cessions business, which are estimated up to the end of the financial year, premium is recognised on the basis of closing advices and returns received from cedants and brokers. Bilateral cessions premiums, to the extent not advised by cedants by the year-end, are estimated using comparative information.

The portion of the premium which relates to future accounting periods is included in the provision for unexpired risks in the statement of financial position.

The provision for unexpired risks in respect of facultative reinsurance business is calculated based on daily pro-rata method on net premium income. The provision for unexpired risks in respect of other types of reinsurance business is calculated at 40% of net premium income (refer to liability adequacy test).

Commission

With the exception of bilateral cessions business, commission expense and income are recognised based on closing advices and returns received from cedants and brokers. For bilateral cessions business, to the extent not advised by cedants and brokers by the financial year-end, estimates are derived using comparative information taking into consideration changes in terms and conditions.

Claims

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Outstanding claims comprise provisions for the full estimated cost of losses which have occurred before the end of the current financial year, whether or not these have been notified to the Group. The provisions represent a projection of all future payments to be made in respect of these notified or unreported losses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as inflation, judicial trends, legislative changes, past experience and observable market trends. Anticipated reinsurance recoveries are disclosed separately as assets.

Provision is also made, on the basis of management's experience of claims submitted in prior years, for the estimated ultimate liability of the Group in respect of claims incurred on business accepted up to the end of the financial year.

In view of the nature of the business accepted, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the claim provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Reinsurance

The Group arranges reinsurance outward in the normal course of business for the purpose of limiting its net loss. Outward reinsurance premiums are regarded as deductions from income and are recognised when periodic statements of accounts are rendered to retrocessionaires. Amounts recoverable under reinsurance outward are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaires.

NOTES TO THE FINANCIAL STATEMENTS

Receivables and payables related to insurance contracts

Insurance receivables and insurance payables are recognised when due. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in Note 3.6.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets, as described in Note 3.7.

Liability adequacy test

In performing the liability adequacy test, the carrying value of the insurance liabilities in the reinsurance fund is compared with the current best estimate of future contractual cash flows and claims handling expenses on an undiscounted basis. If the best estimate for the contractual liabilities is discounted using the risk-free interest rate or yield on assets backing the liabilities, the best estimate figures would be lower.

Any deficiency between the statement of financial position liabilities and the adequacy test liabilities is recognised in profit or loss for the year.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for owner occupied leasehold land and buildings, which are stated at their revalued amounts.

The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.

Any increase in the revaluation amount is credited to other comprehensive income and accumulated in equity in the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in profit or loss. A decrease in value is recognised in profit or loss where it exceeds the increase previously recognised in other comprehensive income and accumulated in equity in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised net within other income in profit or loss in the period of the retirement or disposal.

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives as follows:

Leasehold land and buildings	50 years
Furniture, fittings and office equipment	3 years to 5 years

Fully depreciated assets are retained in the financial statements until they are disposed of. Properties are depreciated from the year in which they are ready for use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. It does not include properties for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value, with any change recognised in profit or loss. Rental income from investment properties is accounted for in the manner described in Note 3.10.

The gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the property and shall be recognised in profit or loss in the period of the retirement or disposal.

3.6 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originate. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised other receivables and cash and cash equivalents.

Cash and cash equivalents comprised of cash at bank and in hand and fixed deposits which have an insignificant risk of changes in their fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in other comprehensive income and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity securities and debt securities.

Non-derivative financial liabilities

The Group initially recognised debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group's non-derivative financial liabilities comprised other payables.

Such financial liabilities are initially measured at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and shares options are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, excluding directly attributable costs, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in profit or loss.

3.7 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together the receivables.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

NOTES TO THE FINANCIAL STATEMENTS

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than investment properties and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation, credited to statement of comprehensive income, in which case it is charged to other comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Employee benefits

Contributions to a statutory defined contribution scheme are recognised as an expense in profit or loss when incurred.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Government grants

Cash grants received from the government in relation to the Special Employment Credit, Wage Credit and Temporary Employment Credit Schemes are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Group and are offset against staff costs in the financial statements.

3.9 Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS

3.10 Revenue recognition

The accounting policy in relation to revenue from reinsurance business is disclosed in Note 3.3.

Investment income

Investment income comprises gains on the disposal of available-for-sale financial assets, dividend income and interest income.

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

Interest income in respect of interest bearing investments is accounted on an accrual basis. Interest receivable and payable on reinsurance deposits attributable to the reinsurance business are accounted for in the same period as the relevant statements are received from cedants and brokers or are rendered to reinsurers.

Investment income generated from assets attributable to the reinsurance business is allocated to the reinsurance operations in profit or loss. Investment income arising from assets attributable to the non-reinsurance business is allocated to the non-reinsurance operations in profit or loss.

Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

Non-reinsurance income

Non-reinsurance income includes revenue from sale of goods and services in the ordinary course of business when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those POs.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO.

Subscriptions for magazines and other publications and advertising income are recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer.

Revenue from organising conferences and participation in other insurance and other financial related activities are recognised upon completion of the service.

3.11 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is computed using the statement of financial position method and the methodology provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

NOTES TO THE FINANCIAL STATEMENTS

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.12 Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and the senior management are considered as key management personnel of the Group.

3.13 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

3.14 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4 Property, plant and equipment

Group Valuation/Cost	Leasehold land and buildings $'000 Valuation	Furniture, fittings and equipment $'000 Cost	Total $'000
At 1 January 2018	41,800	4,051	45,851
Additions	–	59	59
Revaluation surplus	9,618	–	9,618
Disposals	–	(160)	(160)
Reversal of depreciation on revaluation	(118)	–	(118)
At 1 January 2019	51,300	3,950	55,250
Additions	–	205	205
Revaluation surplus	3,318	–	3,318
Disposals	–	(204)	(204)
Reversal of depreciation on revaluation	(118)	–	(118)
At 31 December 2019	54,500	3,951	58,451
Accumulated depreciation and impairment losses			
At 1 January 2018	–	3,443	3,443
Depreciation for the year	118	205	323
Disposals	–	(153)	(153)
Reversal of depreciation on revaluation	(118)	–	(118)
At 1 January 2019	–	3,495	3,495
Depreciation for the year	118	214	332
Disposals	–	(204)	(204)
Reversal of depreciation on revaluation	(118)	–	(118)
At 31 December 2019	–	3,505	3,505
Carrying amounts			
At 31 December 2018	51,300	455	51,755
At 31 December 2019	54,500	446	54,946

NOTES TO THE FINANCIAL STATEMENTS

Company Valuation/Cost	Leasehold land and buildings $'000 Valuation	Furniture, fittings and equipment $'000 Cost	Total $'000
At 1 January 2018	41,800	3,719	45,519
Additions	–	16	16
Revaluation surplus	9,618	–	9,618
Disposals	–	(150)	(150)
Reversal of depreciation on revaluation	(118)	–	(118)
At 1 January 2019	51,300	3,585	54,885
Additions	–	164	164
Revaluation surplus	3,318	–	3,318
Disposals	–	(174)	(174)
Reversal of depreciation on revaluation	(118)	–	(118)
At 31 December 2019	54,500	3,575	58,075
Accumulated depreciation and impairment losses			
At 1 January 2018	–	3,199	3,199
Depreciation charge for the year	118	168	286
Disposals	–	(144)	(144)
Reversal of depreciation on revaluation	(118)	–	(118)
At 1 January 2019	–	3,223	3,223
Depreciation charge for the year	118	174	292
Disposals	–	(174)	(174)
Reversal of depreciation on revaluation	(118)	–	(118)
At 31 December 2019	–	3,223	3,223
Carrying amounts			
At 31 December 2018	51,300	362	51,662
At 31 December 2019	54,500	352	54,852

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Depreciation charge					
Leasehold land and buildings		**118**	118	**118**	118
Furniture, fittings and equipment		**214**	205	**174**	168
	26	**332**	323	**292**	286
Allocated as follows:					
Reinsurance operations	23	**172**	166	**172**	166
Non-reinsurance operations	23	**40**	37	**–**	–
Investment expenses	21	**120**	120	**120**	120
		332	323	**292**	286

Leasehold land and buildings of the Group and Company are revalued as at 31 December 2019 by firms of independent professional valuers, at open market value on an existing use basis. The measurement is based on the market comparison method. The revaluation surplus during the year amounted to $3,318,000 (2018: $9,618,000).

The carrying amount of leasehold land and buildings of the Group and the Company would have been $12,779,000 (2018: $12,897,000) had the leasehold land and buildings been carried at cost less accumulated depreciation and impairment losses.

Property, plant and equipment includes right-of-use assets of $24,000 related to leased IT equipment (see Note 20).

Property, plant and equipment are non-current assets.

Details of the owner occupied leasehold properties are set out below:

Owner occupied leasehold land and buildings

Location	Description	Tenure	Land area/ Floor area (sq. m.)	At valuation 2019 $'000	At valuation 2018 $'000
Singapore					
85 Amoy Street	Office building	999 years lease w.e.f. 1/10/1827	235	**25,500**	23,900
68/69 Amoy Street	Office building	999 years lease w.e.f. 1/10/1827	304	**29,000**	27,400
Total owner occupied leasehold land and buildings				**54,500**	51,300

NOTES TO THE FINANCIAL STATEMENTS

5 Investment properties

Group and Company	Note	$'000
At 1 January 2018		29,405
Changes in fair value	21, 26	4,362
At 1 January 2019		33,767
Disposals		(1,633)
Changes in fair value	21, 26	2,637
At 31 December 2019		34,771

Investment properties are revalued as at 31 December 2019 by firms of independent professional valuers at open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. The measurement is based on the market comparison.

Investment properties comprise a number of commercial properties that are leased to external customers. The leases contain an initial non-cancellable period of one to three years. Subsequent renewals are negotiated with the lessees. See Note 20 for further information.

Details of the investment properties are set out below:

Investment properties leasehold land and buildings

Location	Description	Tenure	Land area/ Floor area (sq. m.)	At valuation 2019 $'000	At valuation 2018 $'000
Singapore					
55-58 Amoy Street	Office building	999 years lease w.e.f. 25/7/1833	178	**14,500**	13,400
103 Amoy Street	Office building	999 years lease w.e.f. 1/10/1827	185	**15,900**	14,200
People Republic of China					
#905 to 907 and #2003, Dalian Asia Pacific Finance Centre, 55 Renmin Road, Zhongshan District, Dalian	Office and residential units	50 years lease w.e.f. 28/12/1993	390	**818**	900

Location	**Description**	**Tenure**	**Land area/ Floor area (sq. m.)**	**At valuation 2019 $'000**	**At valuation 2018 $'000**
#710 South Office Block, Beijing New World Centre, Chong Wen Men Wai Da Jie, Chong Wen District, Beijing 100062	Office and residential units	50 years lease w.e.f. 1/4/1994	122	**951**	974
#711 and #712 @ South Office Block, Beijing New World Centre, Chong Wen Men Wai Da Jie, Chong Wen District, Beijing 100062	Office and residential units	50 years lease w.e.f. 1/4/1994	205	**–**	1,632
#1918 The Panorama, 53 Huang Pu Road, Shanghai 200080	Office and residential units	50 years lease w.e.f. 16/6/1998	168	**2,602**	2,661
				34,771	33,767

During the financial year, the Group sold units #711 and 712 in South Office Block, Beijing New World Centre.

6 Amounts from subsidiaries

The amounts due from subsidiaries are interest-free, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

7 Interest in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Unquoted equity shares, at cost	**1,123**	1,123
Increase in investment in subsidiary	**50**	–
Provision for impairment	**(50)**	(32)
	1,123	1,091

The following are subsidiaries as at 31 December 2019:

Name of company	Principal activities	Percentage of equity held by the Group	
		2019	2018
		%	%
Singapore-Re Management Services Private Limited[1]	Management, computer advisory services and consultancy	**100**	100
INS Communications Private Limited[1]	Publisher of magazines, books and other publications and organiser of conferences	**85**	85
SR-China Advisory Services Co Ltd[2]	Property management and consultancy services	**90**	90

1 Audited by KPMG LLP Singapore

2 Audited by Honest China Certified Public Accountants

SR-China Advisory Services Co Ltd is incorporated and carries on business in China.

During the financial year, the Company subscribed additional shares in Singapore-Re Management Services Private Limited for a cash consideration amounting to $50,000 and an impairment provision of $50,000 (2018: $32,000) was made on the cost of investment. The estimated recoverable amount determined based on the net assets as at 31 December 2019 approximates the fair value less costs to sell. The net assets comprise predominantly current monetary items.

8 Financial assets

Financial assets consist of equity securities, debt securities and staff loans:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Debt securities available-for-sale	**207,163**	210,871	**207,163**	210,871
Equity securities available-for-sale	**53,055**	52,474	**53,055**	52,474
Staff loans	**35**	47	**35**	47
Total financial assets	**260,253**	263,392	**260,253**	263,392
Allocated as:				
Non-current assets				
– Equity securities available-for-sale	**1,860**	1,160	**1,860**	1,160
Staff loans	**23**	35	**23**	35
Total non-current assets	**1,883**	1,195	**1,883**	1,195
Current assets				
– Debt securities available-for-sale	**207,163**	210,871	**207,163**	210,871
– Equity securities available-for-sale	**51,195**	51,314	**51,195**	51,314
Staff loans	**12**	12	**12**	12
Total current assets	**258,370**	262,197	**258,370**	262,197
Total financial assets	**260,253**	263,392	**260,253**	263,392

The maximum exposure to credit risk for securities at the reporting date is their carrying amount.

During the year, the Group recognised an impairment loss of $984,000 (2018: $1,094,000) for investments in debt and equity securities due to prolonged decline in fair value of these securities since the initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

9 Deferred taxation

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

`	At 1 January 2018 $'000	Recognised in statement of profit or loss (Note 27) $'000	Recognised in other comprehensive income $'000	At 31 December 2018 $'000	Recognised in statement of profit or loss (Note 27) $'000	Recognised in other comprehensive income $'000	At 31 December 2019 $'000
Group							
Deferred tax (liabilities)/assets							
Others	32	–	–	32	(1)	–	**31**
Financial assets	(2,471)	–	1,236	(1,235)	–	(923)	**(2,158)**
Property, plant and equipment	(349)	37	–	(312)	2	–	**(310)**
Investment properties	(204)	(1,403)	–	(1,607)	399	–	**(1,208)**
Other receivables	(271)	(14)	–	(285)	(5)	–	**(290)**
	(3,263)	(1,380)	1,236	(3,407)	395	(923)	**(3,935)**
Company							
Deferred tax (liabilities)/assets							
Others	32	–	–	32	(1)	–	**31**
Financial assets	(2,471)	–	1,236	(1,235)	–	(923)	**(2,158)**
Property, plant and equipment	(349)	37	–	(312)	2	–	**(310)**
Investment properties	(204)	(1,403)	–	(1,607)	399	–	**(1,208)**
Other receivables	(271)	(14)	–	(285)	(5)	–	**(290)**
	(3,263)	(1,380)	1,236	(3,407)	395	(923)	**(3,935)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

	Group		**Company**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Deferred tax assets	**31**	32	**31**	32
Deferred tax liabilities	**(3,966)**	(3,439)	**(3,966)**	(3,439)
Net deferred tax liabilities	**(3,935)**	(3,407)	**(3,935)**	(3,407)

Deferred tax liabilities are non-current.

10 Insurance contract provisions

(a) Analysis of movements in provision for outstanding claims:

	Group and Company	
	2019	2018
	$'000	$'000
Gross outstanding claims	**428,860**	386,268
Reinsurers' share of outstanding claims	**(268,553)**	(232,994)
Outstanding claims (net)	**160,307**	153,274
Movements in gross outstanding claims:		
Balance at beginning of the year	**386,268**	368,999
Gross paid claims	**(114,362)**	(104,874)
Gross claims incurred	**156,954**	122,143
Balance at end of the year	**428,860**	386,268
Movements in reinsurers' share of outstanding claims:		
Balance at beginning of the year	**(232,994)**	(220,710)
Reinsurers' share of paid claims	**80,604**	73,898
Reinsurers' share of claims incurred	**(116,163)**	(86,182)
Balance at end of the year	**(268,553)**	(232,994)
Movements in net provision:		
Balance at beginning of the year	**153,274**	148,289
Net paid claims	**(33,758)**	(30,976)
Net claims incurred	**40,791**	35,961
Balance at end of the year	**160,307**	153,274

(b) Analysis of movements in provision for unexpired risks:

	Group and Company	
	2019	2018
	$'000	$'000
Gross unexpired risks	**81,534**	73,729
Reinsurers' share of unexpired risks	**(58,272)**	(55,407)
Unexpired risks (net)	**23,262**	18,322
Movements in gross unexpired risks:		
Balance at beginning of the year	**73,729**	64,645
Transfer from reinsurance operations	**7,805**	9,084
Balance at end of the year	**81,534**	73,729

NOTES TO THE FINANCIAL STATEMENTS

	Group and Company	
	2019	2018
	$'000	$'000
Movements in reinsurers' share of unexpired risks:		
Balance at beginning of the year	**(55,407)**	(46,153)
Transfer from reinsurance operations	**(2,865)**	(9,254)
Balance at end of the year	**(58,272)**	(55,407)
Movements in net provision:		
Balance at beginning of the year	**18,322**	18,492
Transfer to reinsurance operations	**4,940**	(170)
Balance at end of the year	**23,262**	18,322

(c) *Summary*

Total gross and reinsurers' share of insurance contract provisions are allocated as follows:

	Group and Company	
	2019	2018
	$'000	$'000
Insurance contract provisions		
Non-current liabilities	**306,699**	281,779
Current liabilities	**203,695**	178,218
	510,394	459,997
Reinsurers' share of insurance contract provisions		
Non-current assets	**(184,602)**	(163,845)
Current assets	**(142,223)**	(124,556)
	(326,825)	(288,401)
Net insurance contract provisions	**183,569**	171,596

The current claim liabilities are determined by using the average claim payout ratio for the past three financial years for each individual line of business. The claim payout ratio is calculated using the total paid losses for each financial year, divided by the total claim liabilities as at the beginning of each financial year.

11 Insurance receivables

	Group and Company	
	2019	2018
	$'000	$'000
Inward insurance receivables:		
– Related parties	**6,986**	12,879
– Others	**58,705**	46,109
Allowance for doubtful inward insurance receivables	**(1,392)**	(1,335)
	64,299	57,653
Outward reinsurance receivables:		
– Related parties	**2,891**	5,395
– Others	**26,053**	23,910
Allowance for doubtful outward reinsurance receivables	**(1,072)**	(1,105)
	27,872	28,200
Deposits retained by cedants:		
– Related parties	**204**	80
– Others	**6,850**	4,240
	7,054	4,320
	99,225	90,173

Insurance receivables are all due within the next financial year.

The Group has exposure to credit risk on insurance receivables. However, these cedants and reinsurers are internationally dispersed, engage in a wide range of insurance and reinsurance activities and operate in a variety of end markets. The Group's historical experience in the collection of insurance receivables falls within the recorded allowances. Due to these factors, Management believes that no additional allowances are required for doubtful inward and outward insurance receivables.

The carrying value of the Group's three (2018: three) most significant insurance receivables as at the reporting date amounted to $46,021,000 (2018: $34,937,000) and represented 46% (2018: 39%) of total insurance receivables. The movement in allowance for insurance receivables is disclosed in Note 31 Insurance and financial risk management.

NOTES TO THE FINANCIAL STATEMENTS

12 Other receivables

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade receivables of the subsidiaries		**1,051**	753	**–**	–
Allowance for doubtful receivables		**(103)**	(61)	**–**	–
		948	692	**–**	–
Interest receivable		**1,980**	2,014	**1,979**	2,013
Sundry deposits		**22**	19	**20**	17
Amounts due from subsidiaries (non-trade)	6	**–**	–	**1,654**	436
Sundry receivables		**130**	104	**74**	30
Deferred expenses		**22**	17	**–**	–
Prepayments		**316**	243	**303**	231
		3,418	3,089	**4,030**	2,727

Other receivables are all due within the next financial year.

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

13 Cash and cash equivalents

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Cash at bank and in hand	**17,218**	13,289	**14,825**	11,805
Fixed deposits	**86,427**	73,852	**85,427**	72,974
	103,645	87,141	**100,252**	84,779

Singapore-Re Management Services Limited, a wholly-owned subsidiary of Singapore Reinsurance Corporation Limited, holds certain bank accounts and fixed deposits in trust in its capacity as an underwriting management agent on behalf of third party insurers:

	2019 $'000	2018 $'000
Trust accounts		
Cash at bank	**552**	550
Fixed deposits	**524**	516
Less: Amounts due to third party insurers	**(1,076)**	(1,066)
	–	–

14 Share capital

	Group and Company			
	2019	**2019**	2018	2018
	Number of shares		Number of shares	
	'000	**$'000**	'000	$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January and 31 December	**605,220**	**123,300**	605,220	123,300

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future business development. Capital consists of shareholders' equity. The Board of Directors monitors the return on shareholders' equity, which the Group defines as net operating income divided by total shareholders' equity excluding non-controlling interest. The Board of Directors also recommends to shareholders the level of dividends to be paid.

The Group's return on shareholders' equity was 3.6% (2018: 3.3%)

Pursuant to the Share Buy-Back Mandate, the Group has the flexibility to undertake purchases or acquisitions of its issued shares, at any time and from time to time, subject to market conditions, during the period that the Share Buy-Back Mandate is in force. Buy and sell decisions are made on a specific transaction basis by the Board and the Group does not have a defined share buyback plan.

There were no changes in the Group's approach to capital management during the year.

All insurers and reinsurers that carry on insurance business in Singapore are registered with the Monetary Authority of Singapore and are subject to the prudential standards which set out the basis for calculating the fund solvency requirements (FSR) and capital adequacy requirement (CAR) which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and are determined to be the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the reinsurer under the Act. It is the Company's policy to hold capital levels in excess of FSR and CAR. The Company has complied with the capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

15 Reserves

The fair value reserve includes the cumulative net change in fair value of available-for-sale investments until the investments are derecognised.

The revaluation reserve includes the surpluses arising from the revaluations of owner occupied leasehold land and buildings.

16 The process involved in (1) determining outstanding claim liabilities and (2) estimating bilateral cessions business

(1) Determining outstanding claim liabilities

The data used for determining the expected ultimate claim liabilities is collated internally based on information received from cedants relating to business underwritten by the Group. This is further supplemented by externally available information on industry statistics and trends.

The Group's reserving methodology is intended to result in the most likely or expected outcome for the ultimate loss settlement for each type and class of business by analysing the historical claim payments to identify possible trends in order to project future claim payments. The Group also considers the nature of the risks underwritten, geographical location, sum insured, and previous experience to estimate expected loss ratios for each class of business and underwriting year. The derived expected loss ratios are internally checked to ensure that they are consistent with observable market trends or other market information, as considered necessary. Where there is insufficient information, the expected ultimate claim liabilities are arrived at based on prudent assumptions.

For random incidences of large insurance losses, the Group sets aside case reserves after taking into consideration the claim circumstances, current available information and historical evidence of similar claims. Case estimates are reviewed regularly and updated as and when new information becomes available. However, the ultimate claim liabilities may vary as a result of subsequent developments.

The Group systematically and periodically reviews the provisions established and adjusts the loss estimation process in an effort to achieve minimum variation between the actual final outcome and the original projection. The provisions for outstanding claim liabilities are not discounted for time value of money.

Given the nature of the reinsurance business, it is very difficult to predict with certainty the ultimate cost of claims, both notified and unreported. The difficulties in loss estimation are further compounded by divergence in the many types and classes of business, differences in the underlying insurance contracts and complexity of claims, lack of consistency in the professional standards of cedants, among other dynamic factors. To ensure objectivity, the Group is required to appoint an independent actuary to assess the adequacy of the Group's insurance liabilities on an annual basis. As set out in Note 3.3, any deficit arising from the liability adequacy test is recognised in the reinsurance operations for the year.

The actuary uses statistical projections at a given point in time of the Group's expectations of the ultimate claims settlement for losses which occurred in the current financial year and prior. Such statistical tools analyse and extrapolate the development of paid and incurred claims to ultimate.

With respect to treaty and facultative business, as in prior years, rather than placing reliance on only one statistical method, the Loss Development Factor (LDF) and Bornheutter-Ferguson (BF) methods are used. The results produced by the method considered most appropriate are used for a particular class of business.

The LDF method involves the analysis of historical claims development factors and the selection of estimated development factors based on the historical pattern. The selected factors are then applied to the cumulative paid and incurred claims data for each underwriting year for which the data is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year. This method is more appropriate for classes of business which have a relatively stable loss development pattern.

The BF method uses the LDF method and combines it with an assessment of the ultimate loss ratios for each class of business. The ultimate loss ratio for a particular class may be based on general industry experience or a combination of both the Group's own experience and general industry experience. The BF method is more relevant for classes of business which lack developed claims experience, or for more recent underwriting years of long-tailed business.

For bilateral and voluntary cessions business, information regarding the general insurance market in Singapore, claims payments and derived loss ratios on a class-by-class basis is considered.

An additional loading is applied, otherwise known as a provision for adverse deviation (PAD), having regard to the Insurance Act and Insurance (Valuation and Capital) Regulations and uncertainty introduced by limitations of available data.

To the extent that the statistical method uses historical claims development information, it is assumed that the historical claims development pattern will recur in the future. There are however reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the mathematical models. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political, social and environmental trends, which could result in different expected levels of inflation, claim frequency and severity;
- changes in business composition; and
- random fluctuations, including the impact of a higher frequency of large losses.

The assumption that has the greatest effect on the determination of the outstanding claim liabilities is the expected Ultimate Loss Ratio, particularly for the more recent underwriting years which are not fully developed.

A sensitivity analysis of the change in the expected Ultimate Loss Ratio is shown in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

(2) Estimating bilateral cessions business

Bilateral cessions premiums, commission expenses and claims, to the extent not advised by cedants by the financial year-end, are estimated on a cedant by cedant basis using comparative information after adjusting for revisions in cession terms and conditions. The estimated premium, commission and claim figures may differ from the actual as advised by the cedants subsequent to the financial year-end. The Group will review and adjust the estimation established once advised by cedants. Past experience has shown that this basis of estimation was reasonably close to the actual outcome and a change in the key assumptions by 10%, as a whole, is not expected to have a significant impact on the underwriting margin, both before and after reinsurance for the year ended 31 December 2019 and equity of the Group as at 31 December 2019.

17 Insurance payables

	Group and Company	
	2019	2018
	$'000	$'000
Inward insurance payables:		
– Related parties	**8,512**	2,488
– Others	**41,071**	47,471
Outward reinsurance payables:		
– Related parties	**9,458**	4,852
– Others	**27,321**	28,564
Deposits retained from reinsurers:		
– Related parties	**1,309**	1,687
– Others	**3,038**	1,334
	90,709	86,396

Insurance payables are due within the next financial year.

18 Other payables

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Accrued operating expenses	**1,500**	1,190	**1,291**	903
Contract liabilities	**923**	707	**104**	81
Employee benefits – liability for short term accumulating compensated absences and long service benefit	**372**	386	**181**	187
Sundry creditors	**578**	620	**455**	488
Sundry deposits	**144**	170	**144**	170
Unclaimed dividends	**71**	70	**71**	70
	3,588	3,143	**2,246**	1,899

Other payables are due within the next financial year.

Contract liabilities relates to income from organising conferences and participation in other insurance and other finance related activities which is not recognised until completion of the services.

19 Significant related party transactions

The following significant transactions between the Group and related companies have been included in profit before income tax at terms agreed between the companies:

	Group and Company	
	2019	2018
	$'000	$'000
Transactions with related companies		
Income/(expense):		
Gross written premiums	**69,502**	89,488
Reinsurance premiums	**(37,485)**	(66,329)
Claims paid	**(36,502)**	(32,098)
Claims recoveries	**40,329**	48,497
Commission expense	**(11,663)**	(19,398)
Commission income	**7,324**	19,348

NOTES TO THE FINANCIAL STATEMENTS

20 Leases

Leases as lessee (SFRS(I) 16)

The Group leases IT equipment with contract terms of one to three years.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Note	Furniture, fittings and equipment 2019 $'000	Total 2019 $'000
Balance at 1 January		**59**	**59**
Depreciation charge for the year		**(35)**	**(35)**
Balance at 31 December	4	**24**	**24**

Amounts recognised in profit or loss

2019 – Lease under SFRS(I) 16	**$'000**
Interest on lease liabilities	**2**

2018 – Operating lease under SFRS(I) 1-17	
Lease expense	4

Amounts recognised in statement of cash flows

	2019 $'000
Total cash outflow for leases	**37**

Leases as lessor

The Group leases out its owner-occupied lands and buildings (see Note 21) and investment properties (see Note 5) to receive rental income. All leases are classified as operating leases from a lessor perspective.

Finance lease

During 2019, the Group recognised interest expense on lease payables of $2,000 (2018: $4,000).

The following table sets out a maturity analysis of lease payables, showing the undiscounted lease payments to be paid after the reporting date.

	2019
	$'000
Less than one year	**29**
Total undiscounted lease payable	**29**

Operating lease

The Group leases out its owner-occupied lands and buildings and investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income from owner-occupied lands and buildings and investment property recognised by the Group during the year was $1,626,000 (2018: $1,650,000).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

2019 – Operating leases under SFRS(I) 16	**$'000**
Less than one year	**43**
One to two years	**1,278**
Two to three years	**165**
Total	**1,486**
2018 – Operating leases under SFRS(I) 1-17	
Less than one year	750
Between one year to five years	514
Total	1,264

NOTES TO THE FINANCIAL STATEMENTS

21 Investment income and expenses

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Investment income:					
Dividend income (gross):					
– from subsidiaries		**–**	–	**–**	510
– other investments		**2,579**	1,992	**2,579**	1,992
Rental income*		**1,626**	1,650	**1,747**	1,770
Net gains on sale of investments		**1,345**	1,210	**1,345**	1,210
Net gains in fair value of investment properties	5	**2,637**	4,362	**2,637**	4,362
Interest income:					
– Corporate bonds		**5,069**	5,329	**5,069**	5,329
– Deposits		**1,521**	1,108	**1,521**	1,108
– Government and public authority securities		**2,022**	2,011	**2,022**	2,011
– Others		**50**	55	**35**	29
Interest on premium reserve deposit		**30**	22	**30**	22
Total investment income		**16,879**	17,739	**16,985**	18,343
Allocated as follows:					
Reinsurance operations		**9,741**	9,192	**9,741**	9,192
Non-reinsurance operations		**7,138**	8,547	**7,244**	9,151
		16,879	17,739	**16,985**	18,343

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Investment expenses:					
Interest on reinsurers' deposits		**(25)**	(19)	**(25)**	(19)
Staff costs	24	**(169)**	(205)	**(169)**	(205)
Other investment expense		**(66)**	(55)	**(66)**	(55)
Maintenance of property		**(118)**	56	**(142)**	37
Directors' fees		**(66)**	(60)	**(66)**	(60)
Consultancy fees		**(496)**	(279)	**(496)**	(279)
Withholding tax		**(13)**	(10)	**(13)**	(10)
Depreciation of property, plant and equipment		**(120)**	(120)	**(120)**	(120)
Rental expense		**(6)**	(6)	**(6)**	(6)
Net foreign exchange (losses)/gains		**(477)**	89	**(477)**	89
Net loss on disposal of investment properties	5	**(272)**	–	**(272)**	–
Impairment provision and write-down on available-for-sale investments	26	**(984)**	(1,094)	**(984)**	(1,094)
Impairment provision on investments in subsidiaries	26	**–**	–	**(18)**	(19)
Total investment expenses		**(2,812)**	(1,703)	**(2,854)**	(1,741)
Allocated as follows:					
Reinsurance operations		**(1,864)**	(1,180)	**(1,864)**	(1,180)
Non-reinsurance operations		**(948)**	(523)	**(990)**	(561)
		(2,812)	(1,703)	**(2,854)**	(1,741)
Net investment income:					
Allocated as follows:					
Reinsurance operations		**7,877**	8,012	**7,877**	8,012
Non-reinsurance operations		**6,190**	8,024	**6,254**	8,590
		14,067	16,036	**14,131**	16,602

* Rental income includes $829,000 (2018: $838,000) relating to internal charging of rent to departments occupying the Company's premises.

NOTES TO THE FINANCIAL STATEMENTS

22 Other operating income

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-reinsurance income/(expense):				
– advertisements	**1,569**	1,644	**–**	–
– publications and organising of conferences and seminars	**3,590**	4,230	**–**	–
– management services	**24**	25	**–**	–
– computer advisory services and consultancy	**3**	3	**–**	–
	5,186	5,902	**–**	–
Other income:				
– unclaimed dividends	**9**	13	**9**	13
	5,195	5,915	**9**	13
Allocated as follows:				
Subsidiaries' business	**5,186**	5,902	**–**	–
Company's business	**9**	13	**9**	13
	5,195	5,915	**9**	13

23 Management expenses

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Reinsurance operations:					
Staff costs	24	**4,470**	4,481	**4,470**	4,481
Depreciation of property, plant and equipment		**172**	166	**172**	166
Other operating expenses	25	**3,005**	3,009	**3,005**	3,009
		7,647	7,656	**7,647**	7,656
Non-reinsurance operations:					
Staff costs	24	**2,810**	2,906	**–**	–
Depreciation of property, plant and equipment		**40**	37	**–**	–
Other operating expenses	25	**2,719**	2,942	**398**	458
		5,569	5,885	**398**	458
Allocated as follows:					
Subsidiaries' business		**5,171**	5,427	**–**	–
Company's business		**8,045**	8,114	**8,045**	8,114
		13,216	13,541	**8,045**	8,114

24 Staff costs

	Note	Group		Company	
		2019	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
Reinsurance operations	23	**4,470**	4,481	**4,470**	4,481
Non-reinsurance operations	23	**2,810**	2,906	**–**	–
Investment expenses	21	**169**	205	**169**	205
		7,449	**7,592**	4,639	**4,686**

Staff costs include compulsory contributions to a statutory defined contribution plan, relating to:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Attributable to:				
Reinsurance operations	**475**	473	**475**	473
Non-reinsurance operations	**260**	275	**–**	–
Investment expenses	**13**	14	**13**	14
	748	762	**488**	487
These comprise:				
– Directors of the subsidiaries	**25**	34	**17**	24
– Employees	**723**	728	**471**	463
	748	762	**488**	487

NOTES TO THE FINANCIAL STATEMENTS

25 Other operating expenses

	Note	Group		Company	
		2019	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
Conference, printing and design costs		**1,319**	1,499	**–**	–
Computer expenses		**969**	771	**911**	709
Rental expenses		**823**	846	**823**	846
Professional fees		**577**	508	**557**	492
Directors' fees		**509**	556	**500**	545
Bad debts written off/(back):					
– insurance receivables		**(5)**	16	**(5)**	16
– trade receivables of the subsidiaries		**9**	1	**–**	–
Allowance provided for doubtful receivables:					
– insurance receivables	26	**24**	242	**24**	242
– trade receivables of the subsidiaries	26	**42**	40	**–**	–
Net foreign exchange gains		**(73)**	(109)	**(117)**	(144)
Others		**1,530**	1,581	**710**	761
		5,724	5,951	**3,403**	3,467
Allocated as follows:					
Reinsurance operations	23	**3,005**	3,009	**3,005**	3,009
Non-reinsurance operations*	23	**2,719**	2,942	**398**	458
		5,724	5,951	**3,403**	3,467
**Non-reinsurance operations allocated as follows:*					
Subsidiaries' business		**2,321**	2,484	**–**	–
Company's non-reinsurance business		**398**	458	**398**	458
	23	**2,719**	2,942	**398**	458

26 Profit before income tax

Profit before income tax has been arrived at after charging/(crediting):

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Depreciation of property, plant and equipment	4	**332**	323	**292**	286
Net gains in fair value of investment properties	21	**(2,637)**	(4,362)	**(2,637)**	(4,362)
Impairment provision and write-down on available-for-sale investments	21	**984**	1,094	**984**	1,094
Impairment provision on investments in subsidiaries		**–**	–	**18**	19
Net foreign exchange losses/(gain)		**404**	(198)	**360**	(233)
Remuneration paid to auditors of the Company:					
– audit fees		**262**	257	**241**	237
– non-audit fees#					
– current year		**83**	46	**73**	37
– prior year		**(3)**	1	**(3)**	1
Bad debts written off:					
– insurance receivables		**(5)**	16	**(5)**	16
– trade receivables of the subsidiaries		**9**	1	**–**	–
Allowance provided for doubtful receivables:					
– insurance receivables	25	**24**	242	**24**	242
– trade receivables of the subsidiaries	25	**42**	40	**–**	–
Consultancy fees	21	**319**	–	**319**	–
Remuneration paid to directors:					
– short-term benefits					
– directors' fees		**575**	616	**566**	605
– consultancy fees		**116**	396	**116**	396
– post-employment benefits (including contributions to defined contribution plans)		**8**	9	**–**	–
Remuneration paid to senior management		**1,779**	2,001	**1,242**	1,401
– post-employment benefits (including contributions to defined contribution plans)		**107**	121	**89**	97

Non-audit fees for 2019 mainly relates to security assessment services and tax compliance services, whereas the non-audit fees for 2018 mainly relates to tax compliance services. The Group had considered the auditors' independence before engagement was awarded to the project team based on specific selection criteria.

NOTES TO THE FINANCIAL STATEMENTS

27 Income tax expense

	Note	Group		Company	
		2019	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
Current tax					
– current year		**885**	1,096	**884**	1,059
– (over)/under provision in respect of prior years		**(15)**	(40)	**(9)**	37
		870	1,056	**875**	1,096
Deferred tax					
– origination and reversal of temporary differences	9	**(395)**	1,380	**(395)**	1,380
		475	2,436	**480**	2,476
Reconciliation of tax charge					
Profit before income tax		**10,286**	11,297	**10,335**	11,388
Income tax using Singapore tax rates at 17% (2018: 17%)		**1,749**	1,920	**1,757**	1,936
Non-deductible/taxable differences (net)		**(679)**	1,094	**(690)**	1,093
Income not subject to tax		**(343)**	(234)	**(341)**	(321)
Income taxed at concessionary rate		**(348)**	(166)	**(348)**	(166)
Tax benefit from tax exemption scheme		**(18)**	(71)	**(18)**	(36)
(Over)/Under provision in respect of prior years		**(15)**	(40)	**(9)**	37
Effect of different tax rate in other countries		**129**	(67)	**129**	(67)
		475	2,436	**480**	2,476

28 Basic and diluted earnings per share

	Note	Group 2019 $'000	Group 2018 $'000
Basic and diluted earnings per share is based on:			
Net profit attributable to ordinary shares		**9,817**	8,791
Number of shares ('000)	14	**605,220**	605,220

29 Dividends

After the reporting date, the Directors proposed the following dividends. The dividends have not been provided for in the financial statements.

	2019 **$'000**	2018 $'000
Dividend proposed:		
Final dividend		
– 0.8 cent (2018: 0.8 cent) per share tax exempt (one-tier)	**4,841**	4,841

30 Segment information

The Group has two reportable segments, which comprise the reinsurance and non-reinsurance segments. The Group is principally engaged in the business of underwriting general reinsurance business which comprises the reinsurance segment. The non-reinsurance segment relates to the Company's investment activities of its non-reinsurance funds and the operations of its subsidiaries. For each of the reportable segments, the Board of Directors reviews the internal management reports on at least a quarterly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports.

NOTES TO THE FINANCIAL STATEMENTS

(a) Operating segments

The Group operates mainly in the reinsurance industry.

Group	2019 Reinsurance $'000	2019 Non-reinsurance $'000	2019 Total $'000	2018 Reinsurance $'000	2018 Non-reinsurance $'000	2018 Total $'000
Gross written premiums	**238,144**	**–**	**238,144**	207,802	–	207,802
Net earned premiums	**59,728**	**–**	**59,728**	50,851	–	50,851
Net claims incurred	**(40,791)**	**–**	**(40,791)**	(35,961)	–	(35,961)
Net commission expense	**(14,697)**	**–**	**(14,697)**	(12,003)	–	(12,003)
Management expenses	**(7,647)**	**–**	**(7,647)**	(7,656)	–	(7,656)
Underwriting results	**(3,407)**	**–**	**(3,407)**	(4,769)	–	(4,769)
Net investment income*	**7,877**	**–**	**7,877**	8,012	–	8,012
Net income from reinsurance operations (I)	**4,470**	**–**	**4,470**	3,243	–	3,243
Net investment income*		**6,190**	**6,190**		8,024	8,024
Other operating income		**5,195**	**5,195**		5,915	5,915
Management expenses		**(5,569)**	**(5,569)**		(5,885)	(5,885)
Net income from non-reinsurance operations (II)		**5,816**	**5,816**		8,054	8,054
Profit before income tax (I) + (II)			**10,286**			11,297
Income tax expense			**(475)**			(2,436)
Profit for the year			**9,811**			8,861
Segment total assets	**722,154**	**160,944**	**883,098**	657,818	159,915	817,733
Segment total liabilities	**604,921**	**4,851**	**609,772**	550,146	3,860	554,006

* Investment income is shown as net basis as the management primarily relies on net investment income to assess the performance of the segments.

Other material non-cash items:

	2019			2018		
		Non-			Non-	
	Reinsurance	**reinsurance**	**Total**	Reinsurance	reinsurance	Total
Group	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
Change in fair value of investment properties	**(163)**	**2,800**	**2,637**	(438)	4,800	4,362
Impairment provision and write-down on investments	**(828)**	**(156)**	**(984)**	(1,051)	(43)	(1,094)
Net foreign exchange (losses)/gains	**(358)**	**(8)**	**(366)**	234	(5)	229
Bad debts written off/(back)	**5**	**(8)**	**(3)**	(16)	(1)	(17)
Allowance provided for doubtful receivables	**(24)**	**(42)**	**(66)**	(242)	(40)	(282)

(b) Major customers

The Group has two (2018: two) external customers in the reinsurance segment whose contribution to the Group's revenue is in excess of 10%. Gross written premium from these two (2018: two) customers represents approximately $102,182,000 (2018: $96,458,000) of the Group's total gross written premium.

(c) Geographical information

The Group's reinsurance operations are predominantly in Singapore and Malaysia. It also carries on business in Asia and other countries.

Geographical information of the Group's gross written premium derived from external customers based on country of domicile and the non-current assets based on geographical location of the assets are as follows:

	Gross written premium		**Non-current assets**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore	**78,298**	63,065	**85,346**	79,355
Malaysia	**73,543**	78,955	**–**	–
Greater China	**32,453**	31,582	**4,371**	6,167
Others	**53,850**	34,200	**–**	–
Total	**238,144**	207,802	**89,717**	85,522

The Group's non-current assets presented above consist of property, plant and equipment and investment properties only.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management

(a) Risk management objectives and policies for mitigating insurance risk

The Group is exposed to a variety of insurance and financial risks in the normal course of its business activities. These include principally underwriting, credit, interest rate and currency risks. Management is guided by risk management policies and guidelines set by the Board as part and parcel of its overall business strategy and philosophy. To facilitate the task of monitoring these exposures, established processes are in place. Regular reviews by Management in conjunction with Internal Audit, and under supervision of the Executive Committee of the Board, as well as the Audit Committee, are conducted to ensure effectiveness and compliance with established policies and guidelines.

Internal audit undertakes both regular and ad hoc reviews of management control procedures, the results of which are reported to the Audit Committee.

Underwriting risk

The Group writes proportional treaties, excess of loss treaties, facultative and bilateral cessions business and the key focus is in Property & Casualty reinsurances emanating from the Asian markets.

Underwriting risk arises from the Group's core reinsurance business, in which a part of an insurer's risk or portfolio of risks is assumed in return for a premium. Owing to the complexity of the business which covers all aspects of human endeavours and is subjected to changes in numerous dynamic factors including political, social, economic and environmental, it is not possible to match accurately premium pricing with the ultimate financial liability in the future on each and every contract. A serious miscalculation in pricing of any one contract can give rise to significant financial loss. To minimise such risks, the Group has to ensure that underwriters possess the requisite expertise and experience to assess the risks involved. In addition, there is a need to ensure effective spreading and balancing of risk exposures across a portfolio of businesses of different classes and from diverse territories. As part and parcel of the risk evaluation and management process, the Group regularly reviews the markets that it writes business from, as well as the competence of the ceding companies' management and the proven track record of their insurance business. For this purpose, a set of underwriting guidelines detailing the underwriting policy, territories, classes, risk types, line sizes, exclusions etc. are in place to facilitate judicious underwriting.

Sensitivity analysis – underwriting risk

A 10-percentage point change in the Ultimate Loss Ratio applied to specific types and classes of business for underwriting years which are considered not fully developed, with other variables or assumptions held constant, is estimated to change as follows:

	Profit or loss	
	2019	2018
	$'000	$'000
Change in Ultimate Loss Ratio (+/- 10-percentage point):		
Impact on profit before income tax	**12,388**	11,057

The impact on the profit or loss does not take into account the changes in other variables, as they are considered to be less material.

Reinsurance risk

Spreading of risk also includes reinsuring part of the Group's exposures to other reinsurers, or retrocessionaires. The Group uses a combination of proportional and excess of loss retrocession treaties and/or facultative arrangements to limit the exposure to any one risk or loss event in accordance with pre-determined guidelines.

As the Group remains liable to its insurance clients even if any of the Group's retrocessionaires fail to meet their contractual obligations, a high standard of financial security is expected of the retrocessionaires given their important role in providing the last line of defence. The Audit Committee is regularly updated on the collection status of the Group's retrocessionaires.

Concentration of insurance risks

As part of the Group's strategy to diversify its portfolio, the Company is writing more business in identified overseas markets.

Concentrations of risk may arise from a single risk loss or a series of losses arising from one original cause, and this could involve a single reinsurance contract or through an accumulation of reinsurance contracts.

The business that the Group writes is exposed to natural peril losses. The Group monitors zonal or countrywide aggregate accumulation in natural peril exposed territories. Also, the effectiveness of the reinsurance programmes is reviewed at least annually to ensure that the net exposure to the Group remains within reasonable levels under certain loss scenarios. However, forecasts and risk evaluations can be inaccurate by virtue of the inherent unpredictability of the magnitude and frequency of losses.

NOTES TO THE FINANCIAL STATEMENTS

The key concentration areas are in:

(1) identified markets such as Singapore, Malaysia, China, Hong Kong, India, South Korea and Thailand which the Group derives a significant portion of the total written premiums therefrom; and

(2) the Property class of business, given the underwriting focus.

As mentioned earlier, the Group utilises a combination of proportional and excess of loss retrocession and/or facultative arrangements to limit its exposure to any one loss event. The outward reinsurance arrangement does not always provide back-to-back coverage for all lines of business written, that is, gaps in coverage and interpretation of coverage issues can exist. A case in point was the loss situation involving the widespread and prolonged flooding in Thailand in 2011 where inward contracts generally treated the flood losses as multiple loss events whilst the retrocession market largely considered the flood losses a single loss event for recovery purposes. Bearing in mind the foregoing, in the event of a property-related loss occurrence affecting multiple business lines, the Group's net loss, after reinsurance outward and assuming the total amount of retrocession protections is adequate and no reinsurance security failure arise, is not expected to exceed $5.25 million (2018: $5.25 million) any single loss occurrence as at 31 December 2019.

Territorial distribution of risks based on gross premium

	2019	2018
	%	%
Singapore	**33**	30
Rest of ASEAN	**34**	41
Others	**33**	29
	100	100

Claims development

Another area of fundamental importance in the Group's core operations is the estimation of its claims liabilities, for which comprehensive procedures and controls are in place to ensure the provisions are adequate to meet the Group's future liabilities. The statistical techniques and broad assumptions used in analysing the outstanding claim liabilities are summarised in note 16. The adequacy of the estimated claim liabilities are required to be verified annually by an independent actuary appointed with the approval of the Monetary Authority of Singapore.

To the extent possible, bearing in mind the limitation summarised below, the claims development tables below compare the paid claims in recent underwriting years with the outstanding loss provisions established for these claims. The top part of the tables provide a review of current estimates for cumulative incurred claims and demonstrates how the estimated claims have changed at subsequent reporting or underwriting year-ends. The estimates are revised upwards or downwards as losses are settled and more information becomes known about the frequency and severity of unpaid claims. The lower portion of the tables provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

In accordance with past years' practice, the bilateral and voluntary cessions quarterly submissions are largely on accounting year basis and ladder statistics are not provided.

In addition, the claims development by underwriting years shown in the table below includes business written on a 'clean cut' basis, where there is no development data beyond the first accounting year. The Group considers that the resulting impact on the claims development does not significantly affect the usefulness of the compiled information and provides an insight into the uncertainty of estimating future claims and information on previous estimates.

The Group believes that the estimates of outstanding claim liabilities as at 31 December 2019 are reasonable. However, due to the inherent uncertainties and complexities in the loss reserving process which involves judgmental input, it cannot be assured that such claim provisions will ultimately prove to be adequate.

2019 analysis of claims development for Treaty and Facultative businesses – gross of reinsurance

	UNDERWRITING YEARS (UY)										
	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
At end of UY	34,117	95,363	45,141	42,274	43,139	34,839	45,697	62,331	74,371	74,224	
1 year later	62,629	139,760	76,734	72,797	66,084	69,852	93,583	108,322	158,279		
2 years later	69,302	139,730	76,763	76,424	72,080	77,010	111,034	125,179			
3 years later	70,220	141,142	77,177	77,806	72,086	78,250	115,509				
4 years later	65,528	138,385	74,337	79,727	72,175	73,645					
5 years later	63,442	135,718	67,820	68,188	62,892						
6 years later	59,043	126,650	64,712	67,071							
7 years later	55,075	125,050	63,456								
8 years later	53,845	122,795									
9 years later	52,745										
10 years later											
Cumulative incurred claims 2010 to 2019	52,745	122,795	63,456	67,071	62,892	73,645	115,509	125,179	158,279	74,224	915,795
Cumulative incurred claims 1975 to 2009											850,469
Total cumulative incurred claims											1,766,264
Cumulative paid claims 2010 to 2019	48,057	117,358	53,960	54,656	48,022	54,901	69,936	64,841	53,084	(2,332)	562,483
Cumulative paid claims 1975 to 2009											811,970
Total cumulative paid claims											1,374,453
Cumulative outstanding claims 2010 to 2019	4,688	5,437	9,496	12,415	14,870	18,744	45,573	60,338	105,195	76,556	353,312
Cumulative outstanding claims 1975 to 2009											38,499
Total cumulative outstanding claims											391,811

Cumulative gross incurred claims	
Treaty and Facultative business (from table above)	**1,766,264**
Voluntary Cessions & Bilateral Cessions	**506,050**
	2,272,314
Cumulative gross paid claims	
Treaty and Facultative business (from table above)	**1,374,453**
Voluntary Cessions and Bilateral Cessions	**469,001**
	1,843,454
Gross outstanding claims (refer Note 10a)	**428,860**

NOTES TO THE FINANCIAL STATEMENTS

2018 analysis of claims development for Treaty and Facultative businesses – gross of reinsurance

	UNDERWRITING YEARS (UY)										
	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	Total $'000
At end of UY	22,029	34,117	95,363	45,141	42,274	43,139	34,839	45,697	62,331	74,371	
1 year later	44,592	62,629	139,760	76,734	72,797	66,084	69,852	93,583	108,322		
2 years later	48,083	69,302	139,730	76,763	76,424	72,080	77,010	111,034			
3 years later	47,557	70,220	141,142	77,177	77,806	72,086	78,250				
4 years later	46,817	65,528	138,385	74,337	79,727	72,175					
5 years later	43,371	63,442	135,718	67,820	68,188						
6 years later	46,852	59,043	126,650	64,712							
7 years later	46,279	55,075	125,050								
8 years later	45,505	53,845									
9 years later	43,760										
10 years later											
Cumulative incurred claims 2009 to 2018	43,760	53,845	125,050	64,712	68,188	72,175	78,250	111,034	108,322	74,371	799,707
Cumulative incurred claims 1975 to 2008											812,530
Total cumulative incurred claims											1,612,237
Cumulative paid claims 2009 to 2018	40,187	47,251	116,822	52,868	52,192	45,312	50,489	53,932	34,225	4,355	497,633
Cumulative paid claims 1975 to 2008											771,349
Total cumulative paid claims											1,268,982
Cumulative outstanding claims 2009 to 2018	3,573	6,594	8,228	11,844	15,996	26,863	27,761	57,102	74,097	70,016	302,074
Cumulative outstanding claims 1975 to 2008											41,181
Total cumulative outstanding claims											343,255

Cumulative gross incurred claims	
Treaty and Facultative business (from table above)	1,612,237
Voluntary Cessions & Bilateral Cessions	503,123
	2,115,360
Cumulative gross paid claims	
Treaty and Facultative business (from table above)	1,268,982
Voluntary Cessions and Bilateral Cessions	460,110
	1,729,092
Gross outstanding claims (refer Note 10a)	386,268

2019 analysis of claims development for Treaty and Facultative business – net of reinsurance

	UNDERWRITING YEARS (UY)										
	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
At end of UY	9,253	24,876	11,514	12,838	12,810	14,732	13,111	14,388	21,575	21,333	
1 year later	16,304	38,630	19,717	20,935	21,845	24,772	23,675	26,989	42,475		
2 years later	17,733	36,445	22,675	22,808	25,062	27,178	28,506	30,513			
3 years later	18,729	35,863	23,130	23,829	25,094	27,684	28,168				
4 years later	17,744	34,632	22,022	22,877	24,552	26,132					
5 years later	17,928	34,358	21,591	21,341	21,974						
6 years later	16,961	31,672	20,066	20,620							
7 years later	16,035	31,345	19,315								
8 years later	15,583	30,726									
9 years later	15,147										
10 years later											
Cumulative incurred claims 2010 to 2019	15,147	30,726	19,315	20,620	21,974	26,132	28,168	30,513	42,475	21,333	256,403
Cumulative incurred claims 1975 to 2009											312,922
Total cumulative incurred claims											569,325
Cumulative paid claims 2010 to 2019	13,644	28,913	15,653	17,086	17,003	19,548	17,066	13,845	14,223	(2,064)	154,917
Cumulative paid claims 1975 to 2009											286,643
Total cumulative paid claims											441,560
Cumulative outstanding claims 2010 to 2019	1,503	1,813	3,662	3,534	4,971	6,584	11,102	16,668	28,252	23,397	101,486
Cumulative outstanding claims 1975 to 2009											26,279
Total cumulative outstanding claims											127,765

Cumulative net incurred claims	
Treaty and Facultative business (from table above)	569,325
Voluntary Cessions and Bilateral Cessions	463,555
	1,032,880
Cumulative net paid claims	
Treaty and Facultative business (from table above)	441,560
Voluntary Cessions and Bilateral Cessions	431,013
	872,573
Net outstanding claims (refer Note 10a)	160,307

NOTES TO THE FINANCIAL STATEMENTS

2018 analysis of claims development for Treaty and Facultative business – net of reinsurance

	UNDERWRITING YEARS (UY)										
	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	Total $'000
At end of UY	5,558	9,253	24,876	11,514	12,838	12,810	14,732	13,111	14,388	21,575	
1 year later	10,423	16,304	38,630	19,717	20,935	21,845	24,772	23,675	26,989		
2 years later	11,291	17,733	36,445	22,675	22,808	25,062	27,178	28,506			
3 years later	11,836	18,729	35,863	23,130	23,829	25,094	27,684				
4 years later	11,404	17,744	34,632	22,022	22,877	24,552					
5 years later	10,975	17,928	34,358	21,591	21,341						
6 years later	11,011	16,961	31,672	20,066							
7 years later	10,973	16,035	31,345								
8 years later	10,663	15,583									
9 years later	10,062										
10 years later											
Cumulative incurred claims 2009 to 2018	10,062	15,583	31,345	20,066	21,341	24,552	27,684	28,506	26,989	21,575	227,703
Cumulative incurred claims 1975 to 2008											303,530
Total cumulative incurred claims											531,233
Cumulative paid claims 2009 to 2018	8,840	13,608	28,731	15,263	16,705	16,164	17,722	12,972	7,337	1,348	138,690
Cumulative paid claims 1975 to 2008											277,557
Total cumulative paid claims											416,247
Cumulative outstanding claims 2009 to 2018	1,222	1,975	2,614	4,803	4,636	8,388	9,962	15,534	19,652	20,227	89,013
Cumulative outstanding claims 1975 to 2008											25,973
Total cumulative outstanding claims											114,986

Cumulative net incurred claims	
Treaty and Facultative business (from table above)	531,233
Voluntary Cessions and Bilateral Cessions	460,856
	992,089
Cumulative net paid claims	
Treaty and Facultative business (from table above)	416,247
Voluntary Cessions and Bilateral Cessions	422,568
	838,815
Net outstanding claims (refer Note 10a)	153,274

Litigation, mediation and arbitration

The Group could be involved in claim litigation, mediation and arbitration in the normal course of business. Based on available information, there are no current mediation, arbitration and pending or threatened litigation that will materially affect the Group's expected loss ratio, financial position and future cash flow.

Financial strength rating

The Group's ability to write certain reinsurance business, particularly proportional and excess of loss treaties, is dependent on the maintenance of its financial strength rating from independent rating agencies, especially with insurance companies placing greater emphasis on such ratings when dealing with reinsurance companies. The rating is based on company-specific factors, as well as the macro-economic conditions beyond the Group's control. An unfavourable rating or withdrawal of a rating may adversely affect the Group's ability to write or retain reinsurance business, thereby affecting the Group's revenue and financial results.

(b) Financial risk management

Transactions in financial instruments may result in the Group assuming financial risks. These include credit risk, liquidity risk, currency risk, interest rate risk and price risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

(i) Credit risk

Credit risk represents the exposure to the risk that any of the Group's business partners should fail to meet their contractual obligations (mainly relating to insurance and investment transactions). In the case of the Group's core reinsurance operations, credit risk might arise if a cedant fails to meet its obligations, or if a reinsurer is unable to pay a claim. The Group views the management of credit risk as a fundamental and critical part of operations and therefore adopts a very selective policy as regards the choice of its business partners. The receivables' ageing, credit-worthiness of the past and present business partners and security rating of its reinsurance partners where available are reviewed regularly. Allowances are set aside in the financial accounts for non-recoverability due to the default by the business partners, in line with established Group policy.

The Group has exposure to credit risk from cedants and reinsurers. As at 31 December 2019, the top three (2018: three) cedants and reinsurers collectively accounted for about 46% (2018: 39%) of total insurance receivables. All three cedants and reinsurers are regulated by the Monetary Authority of Singapore and are financially viable, and therefore the Group does not expect any default in payments as and when payments fall due. The Group has assessed that those receivables that are not past due or impaired at the reporting date to be of acceptable risk.

NOTES TO THE FINANCIAL STATEMENTS

Similarly on investment operations, the Investment Committee adopts very stringent quantitative and qualitative criteria, including financial statement analysis, type of securities, credit rating and quality of management in selecting issuers of financial instruments that the Group invests in.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the financial statements, although in the case of insurance receivables, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by other financial liabilities with the same counterparty.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Management does not expect any of its counterparties to fail to meet its obligations.

The table below summarises the types of debt securities held by the Group and the credit ratings which are based on Standard & Poor's financial strength rating or its equivalent. The debt securities comprise mainly Singapore government securities, public authorities' securities and corporate bonds, bearing in mind that the majority of the Group's reinsurance business emanates from the domestic market. The Group strives to invest a portion of its funds in investment grade bonds of good credit quality, whenever possible.

Debt securities are assessed using stringent investment criterion which include, but are not limited to, a thorough analysis of each debt security's terms and conditions, the availability and quality of the guarantor, as well as financial strength of the issuer.

		Financial strength rating				
	Note	**AAA**	**A to AA**	**B to BBB**	**Below B/ Not rated**	**Total**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Group						
31 December 2019						
Debt securities:						
Government bonds	8	**13,762**	**–**	**–**	**–**	**13,762**
Public authorities and corporate bonds	8	**22,911**	**26,493**	**15,287**	**128,710**	**193,401**
Staff loans	8	**–**	**–**	**–**	**35**	**35**
		36,673	**26,493**	**15,287**	**128,745**	**207,198**
Cash and cash equivalents	13	**3,255**	**76,025**	**24,365**	**–**	**103,645**
		39,928	**102,518**	**39,652**	**128,745**	**310,843**

	Note	Financial strength rating AAA $'000	A to AA $'000	B to BBB $'000	Below B/ Not rated $'000	Total $'000
Group						
31 December 2018						
Debt securities:						
Government bonds	8	13,643	–	–	–	13,643
Public authorities and corporate bonds	8	22,544	29,230	15,053	130,401	197,228
Staff loans	8	–	–	–	47	47
		36,187	29,230	15,053	130,448	210,918
Cash and cash equivalents	13	5,437	58,280	23,424	–	87,141
		41,624	87,510	38,477	130,448	298,059
Company						
31 December 2019						
Debt securities:						
Government bonds	8	**13,762**	**–**	**–**	**–**	**13,762**
Public authorities and corporate bonds	8	**22,911**	**26,493**	**15,287**	**128,710**	**193,401**
Staff loans	8	**–**	**–**	**–**	**35**	**35**
		36,673	**26,493**	**15,287**	**128,745**	**207,198**
Cash and cash equivalents	**13**	**3,255**	**72,632**	**24,365**	**–**	**100,252**
		39,928	**99,125**	**39,652**	**128,745**	**307,450**
31 December 2018						
Debt securities:						
Government bonds	8	13,643	–	–	–	13,643
Public authorities and corporate bonds	8	22,544	29,230	15,053	130,401	197,228
Staff loans	8	–	–	–	47	47
		36,187	29,230	15,053	130,448	210,918
Cash and cash equivalents	13	5,437	55,918	23,424	–	84,779
		41,624	88,148	38,477	130,448	295,697

NOTES TO THE FINANCIAL STATEMENTS

Impairment

The Group considers financial strength of the cedants and reinsurers, notified disputes and collection experience in determining which assets should be impaired.

The table below shows the ageing of insurance and other receivables that were due but not impaired at the end of the year:

	2019 $'000	2018 $'000
Group		
Not past due	**2,470**	2,400
Current to 6 months	**69,841**	64,611
7 to 12 months	**6,320**	9,233
More than 12 months	**26,579**	19,519
Insurance and other receivables	**105,210**	95,763
Company		
Not past due	**4,030**	2,727
Current to 6 months	**69,067**	64,217
7 to 12 months	**6,221**	8,997
More than 12 months	**26,401**	19,469
Insurance and other receivables	**105,719**	95,340

The following table shows the movements in the allowance for impairment of insurance and other receivables during the year:

	2019 $'000	2018 $'000
Group		
At 1 January	**2,501**	2,219
Impairment losses recognised	**128**	454
Impairment write back	**(62)**	(172)
At 31 December	**2,567**	2,501
Company		
At 1 January	**2,440**	2,198
Impairment losses recognised	**86**	414
Impairment write back	**(62)**	(172)
At 31 December	**2,464**	2,440

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial instruments.

The Group has to meet its liabilities as and when they fall due, notably from claims arising from its general reinsurance contracts. There is therefore a risk that the cash and cash equivalents held will not be sufficient to meet its liabilities when they become due. The Group manages this risk by setting minimum limits on the maturing assets that will be available to settle these short-term liabilities.

Given the credit quality in the Group's financial assets and duration of less than 5 years for the substantial part of the investment portfolio, the Group is able to quickly liquidate its investments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In addition, the Group has cash and cash equivalents of $103,645,000 (2018: $87,141,000) to meet its liquidity requirements.

The nature of reinsurance is that the requirements of funding cannot be predicted with absolute certainty as the theory of probability is applied on reinsurance contracts to ascertain the likely provision and the time period when such liabilities will be settled. The amounts and maturities in respect of reinsurance liabilities are thus based on the Management's best estimate and past experience.

The following are the contractual maturities of the liabilities of the Group and the Company except for net insurance contract provisions which are presented with their expected cashflows, including estimated interest payments.

		Group			
	Note	**Up to 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
2019					
Net insurance contract provisions	10	**61,472**	**66,827**	**55,270**	**183,569**
Insurance payables	17	**90,709**	**–**	**–**	**90,709**
Other payables*	18	**2,665**	**–**	**–**	**2,665**
		154,846	**66,827**	**55,270**	**276,943**
2018					
Net insurance contract provisions	10	53,662	62,092	55,842	171,596
Insurance payables	17	86,396	–	–	86,396
Other payables*	18	2,436	–	–	2,436
		142,494	62,092	55,842	260,428

NOTES TO THE FINANCIAL STATEMENTS

		Company			
	Note	Up to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2019					
Net insurance contract provisions	10	**61,472**	**66,827**	**55,270**	**183,569**
Insurance payables	17	**90,709**	**–**	**–**	**90,709**
Other payables*	18	**2,142**	**–**	**–**	**2,142**
		154,323	**66,827**	**55,270**	**276,420**
2018					
Net insurance contract provisions	10	53,662	62,092	55,842	171,596
Insurance payables	17	86,396	–	–	86,396
Other payables*	18	1,818	–	–	1,818
		141,876	62,092	55,842	259,810

* exclude contract liabilities.

(iii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to the effects of foreign currency exchange rate fluctuations in currencies such as US Dollar and Malaysia Ringgit, primarily because of its foreign currency denominated underwriting revenues (i.e. premiums) and expenses (i.e. claims). In order to minimise the foreign exchange risks, Management under the direction of the Investment Committee closely monitors the Group's foreign currency liabilities to ensure that they are closely matched against the appropriate financial assets to the extent that it is prudent to do so. The Group does not use derivative financial instruments to hedge its foreign currency risks.

The Group's and Company's exposures to foreign currencies in Singapore Dollar equivalents are as follows:

	31 December 2019					31 December 2018				
	Singapore Dollar $'000	**US Dollar $'000**	**Malaysia Ringgit $'000**	**Other currencies $'000**	**Total $'000**	Singapore dollar $'000	US dollar $'000	Malaysia Ringgit $'000	Other currencies $'000	Total $'000
Group										
Insurance receivables	**46,599**	**8,456**	**18,244**	**25,926**	**99,225**	42,523	9,018	20,813	17,819	90,173
Other receivables*	**3,001**	**54**	**2**	**18**	**3,075**	2,718	52	15	23	2,808
Financial assets	**250,384**	**314**	**292**	**9,263**	**260,253**	252,356	534	314	10,188	263,392
Cash and cash equivalents	**73,165**	**24,129**	**3,601**	**2,750**	**103,645**	58,071	21,734	5,972	1,364	87,141
Insurance payables	**(56,034)**	**(2,433)**	**(17,225)**	**(15,017)**	**(90,709)**	(56,174)	(1,894)	(19,278)	(9,050)	(86,396)
Other payables*	**(2,619)**	**–**	**(46)**	**–**	**(2,665)**	(2,397)	–	(39)	–	(2,436)
	314,496	**30,520**	**4,868**	**22,940**	**372,824**	297,097	29,444	7,797	20,344	354,682
Company										
Insurance receivables	**46,599**	**8,456**	**18,244**	**25,926**	**99,225**	42,523	9,018	20,813	17,819	90,173
Other receivables*	**3,648**	**54**	**2**	**18**	**3,722**	2,394	52	15	23	2,484
Financial assets	**250,384**	**314**	**292**	**9,263**	**260,253**	252,356	534	314	10,188	263,392
Cash and cash equivalents	**71,520**	**23,970**	**3,601**	**1,161**	**100,252**	56,229	21,477	5,972	1,101	84,779
Insurance payables	**(56,034)**	**(2,433)**	**(17,225)**	**(15,017)**	**(90,709)**	(56,174)	(1,894)	(19,278)	(9,050)	(86,396)
Other payables*	**(2,096)**	**–**	**(46)**	**–**	**(2,142)**	(1,779)	–	(39)	–	(1,818)
	314,021	**30,361**	**4,868**	**21,351**	**370,601**	295,549	29,187	7,797	20,081	352,614

* exclude prepayments, deferred expenses and GST receivables from other receivables and contract liabilities from other payables.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis

A 10% strengthening or weakening of the Singapore Dollar against the following currencies at the reporting date would decrease or increase equity and profit or loss by the amounts shown below respectively. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
2019				
US Dollar	**31**	**3,021**	**31**	**3,005**
Ringgit Malaysia	**29**	**458**	**29**	**458**
Other currencies	**926**	**1,368**	**926**	**1,209**
2018				
US Dollar	53	2,891	53	2,865
Ringgit Malaysia	31	748	31	748
Other currencies	1,019	1,016	1,019	989

(iv) *Interest rate risk*

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to the impact of changes in market interest rates on interest income from cash and cash equivalents and other fixed income investments.

The Group's earnings can be potentially affected by changes in market interest rates in view of the impact such fluctuations have on interest income from cash and cash equivalents and other fixed income investments. In accordance with established investment guidelines, Management, under the close direction of the Investment Committee, regularly monitors the interest rate environment in order to assess and minimise risks to the Group's investment portfolio.

The Group does not use derivative financial instruments to hedge its interest rate risks.

The tables below summarise the effective interest rates at the reporting date for interest-bearing assets:

	Fixed interest rate maturing					
Group	**Effective interest rate %**	**Less than 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
2019						
Debt securities available-for-sale	**2.8-3.5**	**39,784**	**114,115**	**53,264**	**–**	**207,163**
Cash and cash equivalents	**1.6**	**95,914**	**–**	**–**	**7,731**	**103,645**
Staff loan	**3.0**	**12**	**23**	**–**	**–**	**35**
		135,710	**114,138**	**53,264**	**7,731**	**310,843**

	Fixed interest rate maturing					
Group	**Effective interest rate %**	**Less than 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
2018						
Debt securities available-for-sale	2.8-3.5	14,780	117,211	78,880	–	210,871
Cash and cash equivalents	2.0	79,431	–	–	7,710	87,141
Staff loans	3.0	12	35	–	–	47
		94,223	117,246	78,880	7,710	298,059
Company						
2019						
Debt securities available-for-sale	**2.8-3.5**	**39,784**	**114,115**	**53,264**	**–**	**207,163**
Cash and cash equivalents	**1.6**	**93,265**	**–**	**–**	**6,987**	**100,252**
Staff loans	**3.0**	**12**	**23**	**–**	**–**	**35**
		133,061	**114,138**	**53,264**	**6,987**	**307,450**
2018						
Debt securities available-for-sale	2.8-3.5	14,780	117,211	78,880	–	210,871
Cash and cash equivalents	2.0	78,489	–	–	6,290	84,779
Staff loans	3.0	12	35	–	–	47
		93,281	117,246	78,880	6,290	295,697

The deposits with financial institutions generally mature or will re-price within the next 12 months and earn interest at prevailing market interest rates.

Sensitivity analysis

A change of 50-basis points for all interest-bearing debt securities, with all other variables and assumptions held constant, would increase equity by $3,636,000 (2018: $4,264,000) or decrease by $3,526,000 (2018: $4,127,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

(v) *Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis

The Group's equity securities are designated as available-for-sale investments. A 10% increase or decrease in the underlying equity prices at the reporting date with all other variables held constant would increase or decrease equity by $5,306,000 (2018: $5,247,000) respectively.

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in statement of financial position, are as follows:

	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities within scope of SFRS(I) 1-39 $'000	Total carrying amount $'000	Fair value $'000
Group					
2019					
Cash and cash equivalents	**103,645**	**–**	**–**	**103,645**	**103,645**
Other receivables*	**3,075**	**–**	**–**	**3,075**	**3,075**
Available-for-sale securities:					
– Debt securities	**–**	**207,163**	**–**	**207,163**	**207,163**
– Equity securities	**–**	**53,055**	**–**	**53,055**	**53,055**
Staff loans	**35**	**–**	**–**	**35**	**35**
	106,755	**260,218**	**–**	**366,973**	**366,973**
Other payables*	**–**	**–**	**(2,293)**	**(2,293)**	**(2,293)**
2018					
Cash and cash equivalents	87,141	–	–	87,141	87,141
Other receivables*	2,808	–	–	2,808	2,808
Available-for-sale securities:					
– Debt securities	–	210,871	–	210,871	210,871
– Equity securities	–	52,474	–	52,474	52,474
Staff loans	47	–	–	47	47
	89,996	263,345	–	353,341	353,341
Other payables*	–	–	(2,050)	(2,050)	(2,050)

* exclude prepayments, deferred expenses and GST receivables from other receivables and contract liabilities and employee benefits from other payables.

	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities within scope of SFRS(I) 1-39 $'000	Total carrying amount $'000	Fair value $'000
Company					
31 December 2019					
Cash and cash equivalents	**100,252**	**–**	**–**	**100,252**	**100,252**
Other receivables*	**3,722**	**–**	**–**	**3,722**	**3,722**
Available-for-sale securities:					
– Debt securities	**–**	**207,163**	**–**	**207,163**	**207,163**
– Equity securities	**–**	**53,055**	**–**	**53,055**	**53,055**
Staff loans	**35**	**–**	**–**	**35**	**35**
	104,009	**260,218**	**–**	**364,227**	**364,227**
Other payables*	**–**	**–**	**(1,961)**	**(1,961)**	**(1,961)**
31 December 2018					
Cash and cash equivalents	84,779	–	–	84,779	84,779
Other receivables*	2,484	–	–	2,484	2,484
Available-for-sale securities:					
– Debt securities	–	210,871	–	210,871	210,871
– Equity securities	–	52,474	–	52,474	52,474
Staff loans	47	–	–	47	47
	87,310	263,345	–	350,655	350,655
Other payables*	–	–	(1,631)	(1,631)	(1,631)

* exclude prepayments, deferred expenses and GST receivables from other receivables and contract liabilities and employee benefits from other payables.

(c) Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company:

Investments in equity and debt securities

The fair values of investments are based on current bid prices or last traded prices at the reporting date, obtained from the Group's custodian's external sources. For investments where prices are not readily available, quotes are obtained from brokers or the issuing agents. Where available, two quotes will be obtained to ensure the reasonableness of the prices.

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Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including other receivables, cash and cash equivalents, and other payables) are assumed to approximate their fair values because of the short period to maturity.

Valuation processes applied by the Group

The Group has an established control framework with respect to the measurement of fair values.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, the Group will assess and document the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in which the valuations should be classified.

Fair value hierarchy

The table below analyses financial instruments carried at fair value and financial instruments not carried at fair value but the fair value is disclosed, by valuation method. The different levels have been defined as follows:

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2019				
Available-for-sale financial assets	**238,532**	**19,826**	**1,860**	**260,218**
Staff loans	**–**	**–**	**35**	**35**
2018				
Available-for-sale financial assets	239,569	22,616	1,160	263,345
Staff loans	–	–	47	47

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company				
2019				
Available-for-sale financial assets	**238,532**	**19,826**	**1,860**	**260,218**
Staff loans	**–**	**–**	**35**	**35**
2018				
Available-for-sale financial assets	239,569	22,616	1,160	263,345
Staff loans	–	–	47	47

Financial assets measured at fair value based on Level 3

	Group and Company Available-for-sale financial assets $'000
At 1 January 2019	**1,160**
Total gain recognised in other comprehensive income	
– net change in fair value of investment	**700**
At 31 December 2019	**1,860**
At 1 January 2018	952
Total gain recognised in other comprehensive income	
– net change in fair value of investment	208
At 31 December 2018	1,160

The Level 3 financial asset relates to an unquoted investment where observable market data is not available. Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used would have immaterial effects on equity.

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The following table shows the valuation technique and the key unobservable inputs used in the determination of fair value of available-for-sale equity securities:

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value is based on the price accepted by Company which is offered from an independent third party. (2018: The fair value is derived after applying an illiquidity factor on the discounted net asset value. The discounted net asset value does not include any intangible assets.)	Not applicable. (2018: Illiquidity discount factor applied on the net asset value at 10%.)	Not applicable. (2018: The estimated fair value would increase if the illiquidity factor is lower.)

The change in valuation technique provides a more reasonable estimate of the fair value as this is an accepted price prior to the year on willing buyer, willing seller basis.

Non-financial assets

The table below analyses recurring non-financial assets carried at fair value.

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Company					
2019					
Owner-occupied leasehold land and buildings	4	**–**	**54,500**	**–**	**54,500**
Investment properties	5	**–**	**34,711**	**–**	**34,711**
		–	**89,211**	**–**	**89,211**
2018					
Owner-occupied leasehold land and buildings	4	–	51,300	–	51,300
Investment properties	5	–	33,767	–	33,767
		–	85,067	–	85,067

The fair value of the above non-financial assets is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. The property valuers provide the fair value of the Group's non-financial assets annually.

32 Adoptions of new standards

The Group has applied the following SFRS(I), interpretations of SFRS(I) and requirements of SFRS(I) which are mandatorily effective from 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The applications of the above standards and interpretations do not have a material effect on the financial statements.

(a) SFRS(I) 16

The Group has applied the following SFRS(I), amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*

The adoption of this standard did not have a material effect on the Group's financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated profits at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

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As a lessee

As a lessee, the Group leases many assets including production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the applicable incremental borrowing rates at the date of initial application: the Group applied this approach to its largest property lease; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

- used hindsight when determining the lease term.

Leases classified as finance leases under SFRS(I) 1-17

The Group leases a number of items of production equipment. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

As a lessor

The Group leases out its investment property, including owner-occupied property and right-of-use assets. The Company has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor.

Impact on financial statements

Impact on transition

On transition to SFRS(I) 16, the Group did not recognise additional right-of-use assets and additional lease liabilities as the Group assessed the impact to be immaterial.

(b) SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Group's existing accounting policy for uncertain income tax treatments is consistent with the requirements in SFRS(I) INT 23, which became effective on 1 January 2019.

No significant impact for adoption of this interpretation.

33 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2019:

NOTES TO THE FINANCIAL STATEMENTS

Applicable to 2020 financial statements

- Amendments to SFRS(I) 3: Definition of a business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material
- Amendments to References to Conceptual Framework in SFRS(I) Standards
- SFRS(I) 9 *Financial Instruments*

Applicable to financial statements on or after 2021

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28)*.

Applying SFRS(I) 9 *Financial Instruments* with SFRS(I) 4 *Insurance Contracts (Amendments to SFRS(I) 4)*

The amendments introduce two approaches for entities that apply SFRS(I) 4 to reduce the impact of differing effective dates with SFRS(I) 17 *Insurance Contracts* and SFRS(I) 9 *Financial Instruments*: an overlay approach and a temporary exemption from applying SFRS(I) 9.

The amended SFRS(I) 4:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when SFRS(I) 9 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying SFRS(I) 9 F*inancial Instruments* till the earlier of annual reporting periods beginning before 1 January 2021 or when SFRS(I) 17 *Insurance Contracts* becomes effective. The entities that defer the application of SFRS(I) 9 will continue to apply the existing financial instruments standard – SFRS(I) 1-39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of financial statements to understand:

(a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and

(b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies SFRS(I) 9.

An insurer that elects to apply the temporary exemption from SFRS(I) 9 shall disclose information to enable users of financial statements:

(a) to understand how the insurer qualified for the temporary exemption; and

(b) to compare insurers applying the temporary exemption with entities applying SFRS(I) 9.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2021 and will expire once SFRS(I) 17 becomes effective.

Potential impact on the financial statements

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Group's financial statements. That standard may impact how the classification and measurement of financial instruments requirements under SFRS(I) 9 is adopted.

Temporary exemption from SFRS(I) 9

The Group has decided that it will take the deferral approach in the amendments to SFRS(I) 4 to defer the implementation of SFRS(I) 9. Subsequently, the Group has also decided to adopt SFRS(I) 9 for the annual reporting periods beginning on 1 January 2020. The Group assessed that it has qualified for the temporary exemption as the carrying amount of its liabilities arising from contracts within the scope of SFRS(I) 4 is significant compared to the total carrying amount of all its liabilities; and that the total carrying amount of its liabilities connected with insurance is above 90% of its total liabilities since financial year ended 31 December 2015. There were no changes to the Group's activities after this date, hence no reassessment was required at subsequent reporting year-ends.

The fair value information of the Group's directly held financial assets at 31 December 2019 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest (SPPI) condition of SFRS(I) 9, excluding any financial asset that meet the definition of held for trading or that is managed and evaluated on a fair value basis of SFRS(I) 9 are shown in the table, together with all other financial assets:

NOTES TO THE FINANCIAL STATEMENTS

Financial assets that pass SPPI

The fair value information of the Group's directly held financial assets at 31 December 2019 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest (SPPI) condition of SFRS(I) 9, excluding any financial assets that meets the definition of held for trading or that is managed and evaluated on a fair value basis of SFRS(I) 9 are shown in the table below, together with all other financial assets:

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of SFRS(I) 9		All other financial assets	
	Fair value $'000	Movement in fair value during the year $'000	Fair value $'000	Movement in fair value during the year $'000
2019				
Debt securities available-for-sale	**207,163**	**2,771**	**–**	**–**
Equity securities available-for-sale	**–**	**–**	**53,055**	**2,850**
Other receivables	**3,075**	**–**	**–**	**–**
Cash and cash equivalents	**103,645**	**–**	**–**	**–**
Staff loans	**35**	**–**	**–**	**–**
Total	**313,918**	**2,771**	**53,055**	**2,850**
2018				
Debt securities available-for-sale	210,871	(3,473)	–	–
Equity securities available-for-sale	–	–	52,474	(3,847)
Other receivables	2,808	–	–	–
Cash and cash equivalents	87,141	–	–	–
Staff loans	47	–	–	–
Total	300,867	(3,473)	52,474	(3,847)

The financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of SFRS(I) 9 in the table above are classified as amortised cost under SFRS(I) 1-39. The credit ratings of these financial assets, analysed on the same basis of those disclosed in Note 31, are as follows:

	Credit ratings (from Standard & Poor's or equivalents)				
	AAA $'000	A to AA $'000	B to BBB $'000	Below B/ Not rated $'000	Total $'000
2019					
Debt securities available-for-sale	**36,673**	**26,493**	**15,287**	**128,710**	**207,163**
Cash and cash equivalents	**3,255**	**76,025**	**24,365**	**–**	**103,645**
Other receivables	**–**	**–**	**–**	**3,075**	**3,075**
Staff loans	**–**	**–**	**–**	**35**	**35**
Total	**39,928**	**102,518**	**39,652**	**131,820**	**313,918**
2018					
Debt securities available-for-sale	36,187	29,230	15,053	130,401	210,871
Cash and cash equivalents	5,437	58,280	23,424	–	87,141
Other receivables	–	–	–	2,808	2,808
Staff loans	–	–	–	47	47
Total	41,624	87,510	38,477	133,256	300,867

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments* contains new requirements and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements.

During the year, the Group has performed their assessment on SFRS(I) 9 and elect to adopt SFRS(I) 9 on 1 January 2020, before SFRS(I) 17 becomes effective.

NOTES TO THE FINANCIAL STATEMENTS

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below:

- The following assessments have to be made on the basis of facts and circumstances existed at 1 January 2020.

  – The determination of the business model within which a financial asset is held.

  – The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  – The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).

  – The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (FVTPL).

- If an investment in a debt security has low credit risk at 1 January 2020, the Group plans to assume that the credit risk on the asset has not increased significantly since its initial recognition.

- New hedge accounting requirements are applied prospectively. All hedging relationships designated under SFRS(I) 9 *Financial Instruments: Recognition and Measurement* at 31 December 2019 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2020 will be regarded as continuing hedging relationships.

The expected impact on adoption of SFRS(I) 9 are described below.

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, the Group's financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous SFRS(I) 39 categories of held-to-maturity, loans and receivables and available-for-sale (AFS). Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under SFRS(I) 1-39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2020.

Group	Note	Original classification under SFRS(I) 1-39	New classification under SFRS(I) 9	1 January 2020 Original carrying amount under SFRS(I) 1-39 $'000	New carrying amount under SFRS(I) 9 $'000
Debt securities AFS	a	Available-for-sale	FVOCI – debt instruments	207,163	206,798
Equity securities AFS	b	Available-for-sale	FVOCI – equity instruments	53,055	48,649
Cash and cash equivalents		Loans and receivables	Amortised cost	103,645	103,645
Other receivables	c	Loans and receivables	Amortised cost	3,075	3,075
Staff loan	c	Loans and receivables	Amortised cost	35	35
Total				366,973	362,202

Company	Note	Original classification under SFRS(I) 1-39	New classification under SFRS(I) 9	1 January 2020 Original carrying amount under SFRS(I) 1-39 $'000	New carrying amount under SFRS(I) 9 $'000
Debt securities AFS	a	Available-for-sale	FVOCI – debt instruments	207,163	206,798
Equity securities AFS	b	Available-for-sale	FVOCI – equity instruments	53,055	48,649
Cash and cash equivalents		Loans and receivables	Amortised cost	100,252	100,252
Other receivables	c	Loans and receivables	Amortised cost	3,722	3,722
Staff loan	c	Loans and receivables	Amortised cost	35	35
Total				364,227	359,456

a. The debt securities categorised as available-for-sale under SFRS(I) 1-39 are held by the Group in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group and the Company consider that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the securities. The debt investments mature in more than one year and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under SFRS(I) 9. An allowance for impairment of $365,000 is recognised in opening accumulated profits of the Group and Company at 1 January 2020 on transition to SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

b. These equity securities represent investments that the Group and the Company intend to hold for the long term for strategic purposes. The Group and the Company have designated these investments at 1 January 2020 as financial assets at FVOCI. Unlike SFRS(I) 1-39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss even upon disposal.

c. Other receivables and staff loan that were classified as loans and receivables under SFRS(I) 1-39 are now classified as financial assets at amortised cost. No allowance for impairment was recognised in the opening accumulated profits of the Group and of the Company at 1 January 2020 respectively on transition to SFRS(I) 9.

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in SFRS(I) 1-39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost financial assets including debt securities at FVOCI.

Impairment losses on other financial assets are presented under 'net investment income', similar to the presentation under SFRS(I) 1-39, and not presented separately in the statement of profit or loss due to materiality considerations.

The application of SFRS(I) 9 impairment requirements at 1 January 2020 results in additional allowances for impairment as follows:

	Group $'000	Company $'000
Additional impairment recognised at 1 January 2020 on:		
Debt securities at FVOCI	365	365

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The estimated impact of the adoption of SFRS(I) 9 on the Group's and the Company's equity as at 1 January 2020 disclosed below is based on the assessments undertaken to date and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group and the Company in the future.

	As reported at 31 December 2019 $'000	Impact of adopting SFRS(I) 9 $'000	Adjusted opening balance at 11 January 2020 $'000
Group			
Statement of changes in equity			
Fair value reserves	10,944	(4,406)	6,538
Accumulated profits	94,884	4,041	94,519

The adjusted opening balance of the Group's equity as at 1 January 2020 is $6,538,000. The principal components of the adjustments are as follows:

- A decrease of $4,406,000 in fair value reserves due to the reversal of impairment from accumulated profits to fair value reserves in relation to the reclassification of financial assets from equity securities AFS to FVOCI; and

- A decrease of $365,000 in accumulated profits due to additional impairment recognised under the ECL model for debt securities AFS at FVOCI.

	As reported at 31 December 2019 $'000	Impact of adopting SFRS(I) 9 $'000	Adjusted opening balance at 11 January 2020 $'000
Company			
Statement of changes in equity			
Fair value reserves	10,944	(4,406)	6,538
Accumulated profits	94,695	4,041	98,736

The adjusted opening balance of the Company's equity as at 1 January 2020 is $6,538,000. The principal components of the adjustments are as follows:

- A decrease of $4,406,000 in fair value reserves due to the reversal of impairment from accumulated profits to fair value reserves in relation to the reclassification of financial assets from equity securities AFS to FVOCI; and

- A decrease of $365,000 in accumulated profits due to additional impairment recognised under the ECL model for debt securities AFS at FVOCI.

SFRS(I) 17 *Insurance Contracts*

SFRS(I) 17 *Insurance Contracts* is effective for years beginning on 1 January 2021, and is to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard will replace SFRS(I) 4 *Insurance Contracts* and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. The Company is currently assessing the impact of SFRS(I) 17 on the financial statements of the Company.

PROFILE OF SHAREHOLDERS

AS AT 28 FEBRUARY 2020

Share Capital	Number of Issued Shares	Class of Shares	Voting Rights
$123,300,490	605,219,785	Ordinary	One vote per share

Shareholdings held by the Public

Based on the information available to the Company on 28 February 2020, approximately 47.73% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 to 99	73	2.21	2,571	0.00
100 to 1,000	302	9.15	156,968	0.03
1,001 to 10,000	839	25.41	4,779,657	0.79
10,001 to 1,000,000	2,039	61.75	138,341,506	22.86
1,000,001 and above	49	1.48	461,939,083	76.32
Total	**3,302**	**100.00**	**605,219,785**	**100.00**

	Twenty Largest Shareholders	No. of Shares	%
1	DBS Nominees Pte Ltd	201,479,410	33.29
2	United Overseas Insurance Limited	36,382,885	6.01
3	India International Insurance Pte Ltd	30,371,062	5.02
4	Great Eastern Life Assurance Co Ltd	28,467,478	4.70
5	Great Eastern General Insurance Ltd	21,739,465	3.59
6	Morgan Stanley Asia (Singapore) Securities Pte Ltd	17,013,500	2.81
7	Maybank Kim Eng Securities Pte. Ltd.	10,894,466	1.80
8	Citibank Nominees Singapore Pte Ltd	10,170,405	1.68
9	Singapore Warehouse Co Pte Ltd	9,949,974	1.64
10	Chong Chew Lim @ Chong Ah Kau	8,394,500	1.39
11	United Overseas Bank Nominees Pte Ltd	6,167,035	1.02
12	UOB Kay Hian Pte Ltd	5,134,905	0.85
13	OCBC Nominees Singapore Pte Ltd	4,351,401	0.72
14	Tan Kay Yam	4,341,980	0.72
15	Tan Kay Khai	3,692,480	0.61
16	Ng Siew Cheng	3,502,613	0.58
17	Ng Poh Cheng	3,269,600	0.54
18	Tan Hwee Suan	3,222,480	0.53
19	Ng Eng Chuan	3,020,460	0.50
20	Tang Woon Ee	2,933,300	0.49
Total		**414,499,399**	**68.49**

Substantial Shareholders (as recorded in the Register of Substantial Shareholders as at 28 February 2020)

		Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	Fairfax Financial Holdings Limited[1]	–	–	168,035,957	27.76
2.	Fairfax Asia Limited	115,370,835	19.06	–	–
3.	Newline Corporate Name Limited	52,665,122	8.70	–	–
4.	Newline Holdings UK Limited[2]	–	–	52,665,122	8.70
5.	Oversea-Chinese Banking Corporation Limited[3]	–	–	50,948,847	8.42
6.	Great Eastern Holdings Limited[3]	–	–	50,948,847	8.42
7.	United Overseas Bank Limited[4]	–	–	36,382,885	6.01
8.	United Overseas Insurance Limited	36,382,885	6.01	–	–
9.	India International Insurance Pte Ltd	30,371,062	5.02	–	–
10.	Dalton Investments LLC[5]	–	–	30,339,700	5.01
11.	James B. Rosenwald III[6]	–	–	30,339,700	5.01
12.	Steven Persky[6]	–	–	30,339,700	5.01
13.	Gifford Combs[6]	–	–	30,339,700	5.01
14.	Belita Ong[6]	–	–	30,339,700	5.01
15.	Arthur Hebert[6]	–	–	30,339,700	5.01
16.	Michelle Lynd[6]	–	–	30,339,700	5.01

1 Fairfax Financial Holdings Limited is deemed to have an interest in shares held by Fairfax Asia Limited, Newline Corporate Name Limited and Newline Holdings UK Limited.

2 Newline Holdings UK Limited is deemed to have an interest in shares held by Newline Corporate Name Limited.

3 Oversea-Chinese Banking Corporation Limited and Great Eastern Holdings Limited are deemed to have an interest in shares held by Great Eastern General Insurance Limited and The Great Eastern Life Assurance Company Limited.

4 United Overseas Bank Limited is deemed to have an interest in shares held by United Overseas Insurance Limited.

5 Dalton Investments LLC and its affiliated entities (together, **Dalton**) is an investment manager based in California, United States of America. Dalton manages various client portfolios and as investment manager, Dalton has discretion and authority over the sale and purchase of the abovementioned shares. Therefore, Dalton has deemed interest in such shares.

6 James B. Rosenwald III, Steven Persky, Gifford Combs, Belita Ong, Arthur Hebert and Michelle Lynd are members of the management committee of Dalton, and Dalton acts in accordance with the directions and instructions of the abovementioned persons. Accordingly, each of them will be deemed to be interested in the shares which Dalton is deemed interested in.

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