

**G R E A T   E A S T E R N   T A K A F U L   B E R H A D**  
**201001032332 (916257-H)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2019**

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

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**201001032332 (916257-H)**

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2019.

**PRINCIPAL ACTIVITY**

The Company is principally engaged in managing family takaful business including takaful investment-linked business.

**RESULTS**

	<b>RM'000</b>
Net profit for the year	<u>3,047</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

**ULTIMATE HOLDING COMPANY**

The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public listed company incorporated in the Republic of Singapore.

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

**GREAT EASTERN TAKAFUL BERHAD**  
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**DIRECTORS**

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

YBhg. Datuk Kamaruddin bin Taib (Chairman) (Resigned due to tenure limit on 31 December 2019)  
Mr Norman Ka Cheung Ip  
Mr Lee Kong Yip  
YBhg. Datin Zaharah binti Ali  
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)  
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)  
Mr Khor Hock Seng  
YBhg. Dato' Yeoh Beow Tit (Appointed on 1 January 2020)

In accordance with Article 72 of the Company's Constitution, Mr Norman Ka Cheung Ip and Mr Khor Hock Seng would retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 76 of the Company's Constitution, YBhg. Dato' Yeoh Beow Tit would retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

**DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Notes 25 and 28 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest to be disclosed under Fifth Schedule, Part I Section 3 of the Companies Act, 2016.

**GREAT EASTERN TAKAFUL BERHAD**  
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**DIRECTORS' BENEFITS (CONTINUED)**

A Director and officer's liability takaful has been entered into by the Company for the financial year ended 31 December 2019 pursuant to Section 289 of the Companies Act, 2016. The cost of takaful effected amounted to RM55,000.

**DIRECTORS' INTERESTS**

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, OCBC Bank, during the financial year were as follows:

	<u>Shareholdings in which Directors have a direct interest</u>			
	<u>1.01.2019</u>	<u>Acquired</u>	<u>Disposed</u>	<u>31.12.2019</u>
<b>(a) Ordinary shares in the capital of OCBC Bank</b>				
Mr Norman Ka Cheung Ip	4,284	-	-	4,284
Mr Khor Hock Seng	387,239	71,035	-	458,274
Mr Lee Kong Yip	157,056	7,617	-	164,673

	<u>Shareholdings in which Directors are deemed to have an interest</u>				
	<u>1.01.2019</u>	<u>Adjustment</u>	<u>Granted</u>	<u>Vested</u>	<u>31.12.2019</u>
<b>(b) Ordinary shares in the capital of OCBC Bank</b>					
Mr Khor Hock Seng	157,999	-	90,801	(49,822)	198,978 <sup>(1)</sup>

*Note:*

(1) Deemed interest arising from the OCBC Deferred Share Plan.

**GREAT EASTERN TAKAFUL BERHAD**  
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**DIRECTORS' INTERESTS (CONTINUED)**

		<u>Options held by Directors in their own name</u>				
		<u>Exercise</u>				
		<u>Expiry</u>	<u>Price</u>	<u>1.01.2019</u>	<u>Granted</u>	<u>Exercised</u>
		<u>Date</u>	<u>(S\$)</u>			<u>31.12.2019</u>
<b>(c) Options to subscribe for ordinary shares in the capital of OCBC Bank</b>						
Mr Khor Hock	22.03.2027	9.60	327,082	-	-	327,082
Seng	21.03.2028	13.34	122,135	-	-	122,135

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

**CORPORATE GOVERNANCE DISCLOSURES**

The Company has taken concerted steps to comply with Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance issued on 3 August 2016. The Company is committed to the standards and practices prescribed in this policy document.

**OTHER STATUTORY INFORMATION**

- (a) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts;
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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**OTHER STATUTORY INFORMATION (CONTINUED)**

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) it necessary to write-off any bad debts or to make any impairment allowance for impaired debts in respect of the financial statements of the Company; and
  - (ii) the values attributed to current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.
- (g) Before the statement of financial position and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its takaful certificate liabilities.

For the purpose of paragraphs (e) and (f) above, contingent and other liabilities do not include liabilities arising from certificates of takaful underwritten in the ordinary course of business of the Company.

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**AUDITORS**

The auditors, Messrs Ernst & Young PLT, will not seek for re-appointment at the forthcoming Annual General Meeting. Details of Auditors' remuneration for their services as auditors are disclosed in Note 25 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 4 February 2020.



Lee Kong Yip



Major General Dato' Zulkiflee bin Mazlan (Rtd)

Kuala Lumpur, Malaysia



**GREAT EASTERN TAKAFUL BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**

The Board of Directors ("the Board") and Management of Great Eastern Takaful Berhad (the "Company") places great importance on high standards of corporate conduct and are committed to upholding values of integrity, honesty and proper conduct at all times in the business operations and dealings of the Company.

The Company adopts corporate governance practices which are in conformity with Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance issued on 3 August 2016 (the "CG PD") and is continually enhancing standards of the overall governance.

**THE BOARD'S CONDUCT OF AFFAIRS**

**Board's responsibilities and accountability**

1. The Board provides strategic directions to, and oversight of the operations of the Company. The principal roles and functions of the Board, as set out in the Board Charter, include the following:
  - (a) reviewing and approving the overall business strategy as well as the organisation structure of the Company, developed and recommended by the Management;
  - (b) overseeing and approving the risk appetite of the Company that is consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
  - (c) overseeing the implementation of the Company's governance framework and internal control framework, and periodically reviewing the frameworks to ensure they remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
  - (d) overseeing, through the Board Nominations and Remuneration Committee, the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), Senior Officers and Non-Senior Officers, such that the Board is satisfied with their collective competence as Senior Officers to effectively lead the operations of the Company;
  - (e) ensuring that the decisions and investments are consistent with the long-term strategic goals of the Company and reasonable standards of fair dealing with all stakeholders;
  - (f) ensuring that interests of shareholders, certificate holders and other stakeholders are taken into account in managing the Company's business;
  - (g) ensuring that the necessary human resources are in place for the Company to achieve its objectives;

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)**

**Board's responsibilities and accountability (Continued)**

1. The Board provides strategic directions to, and oversight of the operations of the Company. The principal roles and functions of the Board, as set out in the Board Charter, include the following: (Continued)
  - (h) ensuring that the Company is operated in accordance with the relevant laws and regulations, as well as policies, processes and guidelines approved by the Board, so as to preserve its financial integrity;
  - (i) overseeing, through the Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures, and system of internal controls;
  - (j) overseeing, through the Board Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;
  - (k) reviewing and approving any transaction for the acquisition or disposal of assets that is material to the Company;
  - (l) establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interests;
  - (m) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
  - (n) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and to maintain or preserve critical operations and services when they come under stress;
  - (o) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company; and
  - (p) promoting Shariah compliance in accordance with the Shariah governance framework and ensuring its integration with the Company's business and risk strategies.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)**

**Board's responsibilities and accountability (Continued)**

2. The Company has adopted internal guidelines on matters which require Board approval. Matters requiring Board approval include, but are not limited to, the overall business strategy and direction, significant policies governing the operations of the Company, strategic or significant acquisitions and disposal of assets by the Company, corporate restructuring, major corporate initiatives and other activities of a significant nature, all material and special related party transactions, authority levels for the Company's core functions and outsourcing of core business functions.
3. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board Committees and Management to optimise operational efficiency.

**Board Committees**

4. The Board has established a number of Board committees ("Board Committees") to assist it in carrying out more effective oversight of the operations and business affairs of the Company. These Board Committees consist of the Board Nominations and Remuneration Committee, Board Audit Committee, Board Risk Management Committee and Governance Committee. All the Board Committees have been constituted with clear Board-approved terms of reference.
5. The Company's Board Committees, in carrying out responsibilities pursuant to their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the principal roles and responsibilities of the Board Committees are set out in the relevant sections in this report. Minutes of all Board Committees meetings, which provide a fair and accurate record of the discussions, key deliberations and decisions taken during the meetings, are maintained and are circulated to the Board.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)**

**Meetings and Directors' attendance**

6. The Board meets regularly during the year to review the business performance and key activities of the Company, and to consider business proposals presented by the Management. All members of the Board participate actively in Board discussions and decisions are taken objectively in the interests of the Company. The Board guides Management with strategic directions to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened. In 2019, the Board convened seven scheduled Board meetings.
7. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Constitution. Any Director who is unable to attend any Board or Board Committee meeting will still be provided with all meeting papers for information. Directors are equipped with electronics tablets that allow secured access to Board and Board Committee meeting materials.
8. All Directors have complied with the minimum 75% meeting attendance requirement at Board meetings as stipulated in the CG PD and Board Charter.
9. The number of meetings of the Board and Board Committees held in 2019 and the attendance of the Directors at those meetings are tabulated below:

**Directors' attendance at Board and Board Committee meetings in 2019**

Name of Director	Board		Board Nominations and Remuneration Committee	
	No. of Meetings		No. of Meetings	
	Scheduled		Scheduled	
	Held	Attended	Held	Attended
YBhg. Datuk Kamaruddin bin Taib (Chairman) <sup>(5)</sup>	7	7	6	6
Mr Norman Ka Cheung Ip	7	7	6	6
Mr Lee Kong Yip	7	6	6 <sup>(1)</sup>	5 <sup>(1)</sup>
YBhg. Datin Zaharah binti Ali	7	7	6 <sup>(1)</sup>	6 <sup>(1)</sup>
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	7	7	6	6
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	7	7	6 <sup>(1)</sup>	6 <sup>(1)</sup>
Mr Khor Hock Seng	7	7	6 <sup>(1)</sup>	6 <sup>(1)</sup>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)**

**Directors' attendance at Board and Board Committee meetings in 2019 (Continued)**

Name of Directors	Board Audit Committee Meetings				Board Risk Management		Governance Meetings	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Scheduled		AdHoc		Scheduled		Scheduled	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
YBhg. Datuk Kamaruddin bin Taib	4	4	1	1	-	-	2	2
Mr Norman Ka Cheung Ip <sup>(2)</sup>	4 <sup>(1)</sup>	3 <sup>(1)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	5	5 <sup>(1)</sup>	-	-
Mr Lee Kong Yip	4	4	1	1	5	5	-	-
YBhg. Datin Zaharah binti Ali <sup>(3)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	5	5	2	2
Ybhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	4	3	1	1	-	-	-	-
Ybhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd) <sup>(4)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	4	4	-	-
Mr Khor Hock Seng	4 <sup>(1)</sup>	4 <sup>(1)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	5 <sup>(1)</sup>	5 <sup>(1)</sup>	-	-

Notes:

- (1) Attendance by Invitation
- (2) Ceased as Chairman and Member of Board Risk Management Committee on 1 April 2019
- (3) Appointed as Chairman of Board Risk Management Committee on 1 April 2019
- (4) Appointed as Member of Board Risk Management Committee on 1 March 2019
- (5) Resigned due to tenure limit on 31 December 2019
- (-) Not applicable to the Non-Member of the respective Board Committees.

Directors' attendance at the Annual General Meeting of the Company on 16 April 2019 is not included in the above table.

There were 2 Joint Board Audit Committee and Board Risk Management Committee meetings held on 23 January 2019 and 22 August 2019. Directors' attendance at these meetings is not included in the above table.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**BOARD COMPOSITION AND GUIDANCE**

**Board Membership**

The number of meetings indicated in "Held" above reflects the number of meetings held during the time the respective Directors held office.

10. The Company's Board of Directors during the financial year comprised an Independent Chairman, five other non-executive Directors and one Executive Director.
11. YBhg. Datuk Kamarudddin bin Taib and Mr Lee Kong Yip retired by rotation and were re-elected to the Board at the Company's Annual General Meeting on 16 April 2019 pursuant to Article 72 of the Company's Constitution.
12. In addition, all appointments and re-appointments of Directors of the Company are subject to the approval of BNM. The composition of the Board during the financial year 2019 is as follows:

**Members of the Board**

**Status of Directorship**

YBhg. Datuk Kamarudddin bin Taib	Independent Director
Mr Norman Ka Cheung Ip	Independent Director
YBhg. Datin Zaharah binti Ali	Independent Director
Mr Lee Kong Yip	Independent Director
Mr Khor Hock Seng	Executive Director
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	Non-Independent Non-Executive Director
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	Non-Independent Non-Executive Director

13. The Directors of the Company have confirmed that they are not active politicians as defined in the CG PD. Further, they have no prior involvement as an external auditor for the Company; nor served in the capacity of an officer who is directly involved in the Company's engagement or partner of the external auditor firm; nor served as an auditor of the Company for the past 2 years. The Directors made such confirmation to BNM prior to their respective appointment as Director.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**BOARD COMPOSITION AND GUIDANCE (CONTINUED)**

**Key information on Directors**

14. Key information on each Director's professional qualifications and background are set out under the sections "Board of Directors' Profile" and "Further Information on Directors" of the Company's Financial Report<sup>1</sup>. The Directors' membership in the various Board Committees is set out herein.
15. Directors' interests in shares and share options in the Company's ultimate holding company, OCBC Bank are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2019 ("FY2019"). The Directors do not hold any shares in the Company or its penultimate holdings company, Great Eastern Holdings Limited ("GEH").

<sup>1</sup> Available at the Company's website.

**Board Composition and Independence**

16. The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, the Board will determine whether an individual to be appointed as an Independent Director is independent in character and judgment, and free from associations or circumstances that may impair the exercise of his/her independent judgment. An Independent Director of the Company must be one who himself/herself or any person linked to him/her is independent from Management, the substantial shareholders of the Company and/or any of its affiliates, and has no significant business or other contractual relationship with the Company or any of its affiliates within the last two years; and has not served for more than nine years on the Board. CG PD also provides for tenure limits of Independent Directors to generally not exceed nine years except under exceptional circumstances or as part of the transitional arrangement.
17. The current Board comprises a majority of Independent Directors as determined by the Board Nominations and Remuneration Committee annually, pursuant to the definition of "independence" of a Director under the CG PD. The Company's Independent Directors are currently YBhg. Datuk Kamaruddin bin Taib, Mr Norman Ka Cheung Ip, YBhg. Datin Zaharah binti Ali and Mr Lee Kong Yip.
18. Under the CG PD, YBhg. Maj. Gen. Dato' Zulkiflee bin Mazlan (Rtd) and YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd) are deemed non-independent as they both represent the interests of Koperasi Angkatan Tentera Malaysia Berhad, the shareholder of the Company.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**BOARD COMPOSITION AND GUIDANCE (CONTINUED)**

**Board Composition and Independence (Continued)**

19. Mr Khor Hock Seng is an Executive Director as he is the Group Chief Executive Officer of GEH.
20. The current Board complies with the CG PD requirements on Board independence. Four out of seven of the Board members are Independent Directors.
21. The Board, through its Board Nominations and Remuneration Committee, is of the view that the current Board size is appropriate to facilitate effective decision making, taking into account the scope and nature of the operations of the Company.
22. In addition, the Board Nominations and Remuneration Committee also assesses the diversity of its members' competency profiles and determines the collective skills required to discharge its responsibilities effectively.
23. The Board members of the Company have diverse backgrounds and qualifications, and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.
24. With the knowledge, objectivity and balance contributed by the non-executive Directors, the Board constructively challenges and enhances proposals on strategy, reviews the performance of Management against agreed goals and objectives, and monitors the reporting of performances.

**CHAIRMAN AND CEO**

25. The roles of the Chairman and the CEO, En. Shahrul Azlan bin Shahrman are distinct and separate, with a clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Chairman and the CEO are not related to each other.



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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**CHAIRMAN AND CEO (CONTINUED)**

26. The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its roles and responsibilities, approving the meeting agenda of the Board, monitoring the quality and timelines of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations at Board meetings, encourages constructive relations between executive and non-executive Directors, as well as between the Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management. He also leads efforts to address the Board's developmental needs.
27. The CEO manages the Company and oversees the Company's business operations and implementation of the Company's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Company's businesses, including implementing the Board's decisions, is carried out with the assistance of the Senior Officers of the Company. Collectively, they are responsible for the day-to-day operations and administration of the Company, ensuring, inter alia, operational and organisational efficiency, profitable performance of the operating units, regulatory and shariah compliance, good corporate governance and effective risk management.

**SHARIAH COMMITTEE**

28. A Shariah governance framework is put in place as a distinct feature in the organizational structure of the Company, which includes the establishment of the Shariah Committee, in line with the requirement of the Islamic Financial Services Act 2013 and BNM's Shariah Governance Framework for Islamic Financial Institutions ("Shariah Governance Framework"). On 20 September 2019, BNM has issued a new Shariah Governance Policy Document which will take effect on 1 April 2020. The Company is working towards full compliance to meet with the requirements to ensure the effectiveness of Shariah governance.
29. The Shariah Committee members are scholars who have the qualification, expertise and experience in the areas especially Islamic jurisprudence (usul al-fiqh) and Islamic commercial laws (fiqh al-mu'amalat). The Shariah Committee consists of six members, all of whom have the necessary experiences and expertise in their respective fields.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**SHARIAH COMMITTEE (CONTINUED)**

30. The Shariah Committee met six times in FY2019 with details of meeting attendance of each member as follows:

Name of Shariah Committee Member	Shariah Committee		
	No. of meetings		
	Held	Attended	Percentage
Dr. Akhtarzaite binti Abdul Aziz	6	6	100%
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	6	6	100%
Dr. Mohamad Sabri bin Zakaria	6	5	83%
Assoc. Prof. Dr. Siti Salwani binti Razali	6	6	100%
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	6	5	83%
Dr. Mohammad Firdaus bin Mohammad Hatta	6	5	83%

31. The Shariah Committee is responsible and accountable for all its decisions, views and opinions related to Shariah matters. All matters which require the Shariah Committee's opinion and decision are deliberated at Shariah Committee meetings with the attendance of the Management and representatives from the Shariah Department. Thereon, the said matters are brought to the attention of the Board for an informed decision making.
32. Functionally, the Shariah Committee reports to the Board and its duties and responsibilities are prescribed by the Shariah Governance Framework. The main duties and responsibilities of the Shariah Committee are as follows:
- advising the Board and providing input to the Company on Shariah matters in order for the Company to comply with Shariah principles at all times.
  - endorsing Shariah policies and procedures prepared by the Company and to ensure that the contents do not contain any elements which are not in line with Shariah.
  - ensuring that the products of the Company comply with Shariah principles by approving the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions.

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**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
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**SHARIAH COMMITTEE (CONTINUED)**

32. Functionally, the Shariah Committee reports to the Board and its duties and responsibilities are prescribed by the Shariah Governance Framework. The main duties and responsibilities of the Shariah Committee are as follows: (Continued)
- (d) approving the product manual, marketing advertisements, benefit illustrations and brochures used to describe the product.
  - (e) assessing the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties on providing their assessment of Shariah compliance and assurance information in the Shariah Committee's Report at page 44 to 45.
  - (f) providing necessary assistance to the Company's related parties such as its legal counsel, auditor or consultant on Shariah matters.
  - (g) advising the Company in consultation with the BNM Shariah Advisory Council ("SAC") on Shariah matters which have not been resolved or endorsed by the BNM SAC.

**BOARD NOMINATIONS AND REMUNERATION COMMITTEE**

33. The CG PD requires the Board Nominations and Remuneration Committee to have at least three non-executive Directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.
34. For FY2019, the Board Nominations and Remuneration Committee comprised the following Directors:
- Mr Norman Ka Cheung Ip, Chairman
  - YBhg. Datuk Kamaruddin bin Taib, Member
  - YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd), Member
35. The responsibilities of the Board Nominations and Remuneration Committee are set out in its Board-approved terms of reference. Amongst others the responsibilities include identifying, reviewing and recommending candidates for nominations and recommending the re-appointment and re-election of Directors on the Board and Board Committees and Shariah Committee members. It also reviews and recommends nominations of Senior Officer positions in the Company to the Board.

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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

36. The Board Nominations and Remuneration Committee held a total of six meetings in 2019.
37. The Board Nominations and Remuneration Committee has a key role in carrying out the formal and transparent process established for the appointment and re-appointment of Directors to the Board. Proposals for the appointment of new Directors are reviewed by the Board Nominations and Remuneration Committee. The Board Nominations and Remuneration Committee meets with the candidates to assess their suitability and commitment. Amongst others, the Board Nominations and Remuneration Committee takes into consideration the candidate's professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company, as well as his/her potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board. Competent individuals are nominated for the Board's consideration, before submitting the application to BNM for approval.

**Process for Appointment of New Directors**

38. In addition, the Board Nominations and Remuneration Committee further determines the proposed candidate's independence status under the CG PD, and ensures that the proposed candidate will satisfy the criteria under the CG PD that his/her appointment would not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he/she is a fit and proper person for the office, taking into account his/her track record, age, experience, capabilities, skills and other relevant factors as may be determined by the Board Nominations and Remuneration Committee. Similar checks are also conducted on an annual basis to ensure that each Director remains qualified for the office based on the above criteria.

**Re-appointment/Re-election of Directors**

39. All Directors subject themselves for re-appointment and/or re-election upon the expiry of their BNM Appointment Term or by rotation at the Annual General Meeting of the Company pursuant to the Company's Constitution, where applicable. The Board Nominations and Remuneration Committee is responsible to recommend the re-appointment and/or re-election of Directors to the Board, taking into account the comprehensive evaluation of the Directors in addition to the Directors' attendance at meetings, their expertise, knowledge, commitment, and contributions to Board discussions and to the overall effectiveness of the Board.

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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

**Board Orientation and Training**

40. Upon the appointment of a new Director, a formal appointment letter will be issued together with a Director's Orientation Kit which will include key information on the Company, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations. As part of the induction programme for new Directors, the Senior Officers will conduct presentation sessions for new Directors on the Company's principal activities, business operations, staff strengths, and applicable rules and regulations. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which may affect the Directors and to enable them to have a more comprehensive understanding of the Company, the takaful business and practices and the Company's financial performance.
41. The Board Nominations and Remuneration Committee ensures there is a professional development programme for all Directors, so that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Directors are continually updated on developments affecting the takaful industry. The Company facilitates the attendance of the first-time Directors in completing the mandatory "Financial Institutions Directors' Education ("FIDE") Core Programme within a year from their date of appointment. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management staff on topics relevant to the takaful industry and provides updates on developments in the industry locally. Industry-related and topical articles are regularly circulated to Directors as part of the Company's continuous development programme for Directors. Directors may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the FIDE FORUM, where relevant. The Company has dedicated sufficient resources towards the on-going development of its directors and also maintains formal records of the training and development received by its Directors.

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**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

42. During the financial year, the Directors, collectively or on their own, attended seminars, courses and briefing organised by professional bodies and regulatory authorities as well as those conducted in-house, including the following:
- FIDE FORUM: Reading the Signs: The Next Financial Crisis and Potential Impact on Asia
  - Board Educational Series: Cyber Security
  - Board Educational Series: Post Implementation Review of Agency Balanced Scorecard under the Life/Takaful Framework
  - IFRS 17 Training for Great Eastern Holdings and its subsidiaries
  - Board Educational Series: Amendment to Malaysian Anti-Corruption Commission Act ("MACC")
  - Board Educational Series: What is IFRS 17 and How it Affects the Financial Disclosure
  
  - Board Educational Series: Cloud Architecture Mechanisms on IFRS
  - Raising Defences: Section 17A, MACC Act
  - Board Educational Series: Implementation of MFRS 17 Insurance Contracts: Technical Accounting Papers
  - Board Educational Series: IT Strategies and Cyber Security Roadmap
  - Board Educational Series: Emerging Trend in Money Laundering and Terrorism Financing -eWallet
  - Board Educational Series: Amended Agency Contract Effective 1 January 2020 and its impact on the Company
  - Directors' Continuing Education Programme 2019: Corporate Governance & The MACC, Introduction to Blue Ocean Shift and Emerging AI Trends that Shape Future Strategies
  - FIDE FORUM-ISRA Programme: Value Based Intermediation - Directors Role
  - BNM-FIDE FORUM Dialogue on Innovation and Fintech in the Financial Services Industry
  - Cyber Range Exercise 2019
  - 5th BNM-FIDE Forum Annual Dialogue
  - Anti-Money Laundering/Counter Financing of Terrorism - Insurance & Takaful Sector

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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

**Board Performance**

43. The Board has an annual performance evaluation process, carried out by the Board Nominations and Remuneration Committee, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process, which is facilitated by external consultants, consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees. The assessment of the contributions of individual directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year. Board Evaluation questionnaire focused on areas such as competency and independence, information quality and timeliness, conduct of meetings, corporate social responsibility, managing performance, succession planning, Directors development, internal controls and risk management as well as Board Committees. An external consultant is engaged to facilitate the process, provide industry benchmarks and maintain confidentiality of results.
44. The purpose of the evaluation is to increase the overall effectiveness of the Board. The Board has found the evaluation process useful and constructive since its implementation several years ago. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board.
45. Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Directors provide declarations of changes in their other appointments which are disseminated to all Board Members. The Company has established guidelines on meeting attendance and the extent of other appointments outside the Company that a Director may assume. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than four other listed companies, and fifteen unlisted companies, while a Director who does not have any full-time employment shall have appointments in no more than seven listed companies and fifteen unlisted companies. The Board Nominations and Remuneration Committee annually assess each Director's attendance record.

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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

**Conflicts of Interest**

46. The Company has implemented a Directors' Conflict of Interest ("COI") Guide which sets out the procedures to address actual and potential conflicts of interest of the Directors. The COI Guide serves to safeguard against the risk that a Director's decision may be unduly influenced by other secondary interests, instead of the interests of the Company. Pursuant to the COI Guide, the Directors of the Company shall disclose to the Board the nature and extent of such Director's interest whether directly or indirectly, in a material transaction or material arrangement with the Company.

**Appointment and Performance of Shariah Committee and Senior Officers**

47. The Board Nominations and Remuneration Committee also recommends and assesses the nominee for the position of Shariah Committee members and CEO and re-appointment of existing Shariah Committee members and CEO as well as oversees the appointment and succession planning of the Senior Officers of the Company.
48. Additionally, it is responsible to oversee the performance evaluation of the CEO, Shariah Committee and Senior Officers. Whenever applicable and consistent with the prescribed internal Remuneration Framework, the Board Nominations and Remuneration Committee's recommendations on the CEO and Senior Officers would be made in consultation with the input from the Board Audit Committee and Board Risk Management Committee.
49. Further, the Board Nominations and Remuneration Committee is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements in line with the Fit and Proper Policy for KRPs.

**Procedure for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure on Remuneration**

50. The Board Nominations and Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of individual Directors, Shariah Committee members and Senior Officers.
51. It is also responsible to recommend to the Board the Policy on Remuneration for Directors, Shariah Committee, CEO and Senior Officers; and its review thereof from time to time. This will ensure that the Company remains competitive along with the industry and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the remuneration packages are not excessive and consistent with the prudent management of the Company's affairs.



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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

**Remuneration of Non-Executive Directors**

52. The non-executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at meetings and frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his/her own remuneration.
53. The Board Nominations and Remuneration Committee performs an annual review of the fee structure for Directors' fees and of the computation of the aggregate Directors' fees based on the Board-approved fee structure. The Directors' fees proposed by the Board each year are subject to the shareholders' approval at the Company's Annual General
54. The Board has considered the market practices for non-executive Director remuneration, and has decided to use the same fee structure for computing the fee for each non-executive Director for the FY2019 as that used in the previous financial year (in the table set out below):

		<b>Annual Retainer</b>
<b>Board</b>	Chairman	RM70,000
	Member	RM35,000
<b>Board Committees</b>	<u>Chairman</u> • Board Audit Committee • Board Risk Management Committee	RM18,000
	<u>Chairman:</u> • Board Nominations and Remuneration Committee • Governance Committee	RM12,000
	<u>Member:</u> • Board Audit Committee • Board Risk Management Committee	RM9,000
	<u>Member:</u> • Board Nominations and Remuneration Committee • Governance Committee	RM6,000
<b>Attendance fees per Board or Board Committee meeting</b>		RM1,400

Attendance fees are paid to non-executive Directors to recognise their contribution and time spent in attending meetings.

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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

**Disclosure of Directors' and CEO Remuneration**

55. The total Directors' Remuneration from the Company in respect of FY2019 is shown under Note 25(b) in the Company's financial statements. Fees for Non-Executive Directors totalling RM600,350 in respect of FY2019 will be tabled for approval at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2019 are disclosed under Note 25(b) and Note 25(a) in the Company's financial statements.

**Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers of the Company**

56. The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel. The remuneration policy is approved by the Board and is subject to annual review taking into account changes in the remuneration practices and/or regulator's requirements from time to time.
57. The remuneration of the CEO and the respective SOs of the Company are reviewed annually by the Board Nominations and Remuneration Committee, based on the overall remuneration framework approved by the Board. SOs comprises the Senior Management Team and such other executives as the Board of Directors and/or regulator should determine. Currently, there are nine identified SOs.
58. Staff engaged in all control functions including Compliance, Risk, Actuarial, Shariah and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.
59. Besides the SOs, the Company has identified another key segment of officers; i.e. OMRT. OMRT is defined to include an officer who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile. There are two identified OMRTs who are subject to risk control Key Performance Indicators and risk adjusted variable compensation commencing from FY2017.

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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

**Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers of the Company (Continued)**

60. In such annual remuneration reviews, the Board Nominations and Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration packages commensurate with individual performance and contribution. The Board Nominations and Remuneration Committee also takes into account the time horizon of risks, such as ensuring that variable compensation payments shall not be fully paid over short periods when risks are realised over long
61. As part of the Company's continuous efforts to create sustainable value for stakeholders through broad-based growth across its core markets, delivering sustained earning, driving core competencies of disciplined risk management, prudent investment and continued upgrading of technology and people, and ensuring sustainable business practices, the performance measures set for each business units embeds these objectives, which match their functions and are consistent with the Company's risk appetite. In determining the remuneration of SOs and OMRTs, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing their overall performance, in addition to their achievement in business and operations performance. SOs and OMRTs are remunerated based on the achievements of their own performance measures, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles.
62. To ensure that its remuneration packages are competitive, the Company regularly reviews salary levels and benefits packages based on market data provided by recognised consultants who conduct surveys on comparative groups in the financial sector. The determination of the Company's variable compensation pool is fully discretionary and the factors taken into consideration include financial and non-financial metrics such as the Company's performance, audit ratings, risk indicators and compliance issues, market condition and competitive market practices.
63. The total compensation packages for SOs and OMRTs comprise basic salary, various performance bonus, allowances and benefits. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Board Nominations and Remuneration Committee and the Board. SOs are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

**Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers of the Company (Continued)**

64. The annual budget for salary increment, performance-related variable compensation, reviewed and endorsed by the Board Nominations and Remuneration Committee, is submitted to the Board for approval.
65. As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has adopted compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it also continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to sustain business performance. In its deliberations, the Board Nominations and Remuneration Committee also takes into account the remuneration principles, practices and standards issued by the regulator from time to time.
66. SOs and OMRT, through annual self-declaration, commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.
67. In collaboration with the Board Nominations and Remuneration Committee, the Company has designed and developed its Performance Assessment and Remuneration Framework, which takes into consideration the prevailing regulatory requirements, and with the input from the SOs. The Performance Assessment and Remuneration Framework is independently reviewed by the Board Audit Committee and Board Risk Management Committee. The Board Risk Management Committee may with the assistance of the Risk Management Department assess how the Performance Assessment and Remuneration Framework affects the Company's risk profile.
68. The Company's variable compensation varies in line with its financial performance and the meeting of corporate governance requirements.

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**BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)**

**Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers of the Company (Continued)**

69. All grants and awards are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Company's risk profile/rating. Details of the remuneration granted to the eligible executives are disclosed in the table below:

Total value of remuneration awards for the financial year	Unrestricted		Deferred	
	No. of pax	RM	No. of pax	Units
Fixed remuneration				
Cash-based	9	3,859,218	-	-
Other	9	108,113	-	-
Variable remuneration				
Cash-based	7	864,250	-	-
Other*	5	6,699	-	-

\* Include SOs

**ACCESS TO INFORMATION**

70. The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. For matters requiring approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget (if applicable) and Management's recommendation. The Senior Officers who can provide additional information and insight or provide clarifications to queries raised are usually present at the meeting during discussion on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board or Board Committees, where relevant. All Board Members have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

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**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
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**ACCESS TO INFORMATION (CONTINUED)**

71. Directors have separate and independent access to the Company Secretary and to Senior Officers of the Company at all times.
72. The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. The Company Secretary assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and Board Committees and between Senior Officers and Directors. The Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of Company Secretary is considered to be a matter for the Board as a whole.
73. The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively. Similarly, the Board and each Board Committee may obtain the professional advice, whenever necessary and appropriate, so as to effectively discharge their roles and responsibilities.

**BOARD AUDIT COMMITTEE**

74. The CG PD requires the Board Audit Committee to have at least three non-executive directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.
75. For FY2019, the Board Audit Committee comprised the following Directors:
  - Mr Lee Kong Yip, Chairman
  - YBhg. Datuk Kamaruddin bin Taib, Member
  - YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd), Member

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**BOARD AUDIT COMMITTEE (CONTINUED)**

76. The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2019 included the following:

- (a) Reviewed with the Internal Auditors:-
  - (i) their audit plan, their evaluation of the system of internal controls, and their audit reports;
  - (ii) the scope and results of the internal audits; and
  - (iii) the assistance given by the officers of the Company to the internal auditors.
- (b) Reviewed with the External Auditors:-
  - (i) their audit plan prior to the commencement of the annual audit;
  - (ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval thereafter;
  - (iii) the scope and results of the audit procedures and cost effectiveness and their independence and objectivity taking into consideration factors including the nature and extent of the non-audit services provided by them (if any);
  - (iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies or regulatory requirements on the financial statements together with the Senior Officers;
  - (v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and
  - (vi) the assistance given by the officers of the Company, including the internal auditors to the external auditors.
- (c) Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company, including financial, operational, compliance and information technology controls and systems established by Management.

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**BOARD AUDIT COMMITTEE (CONTINUED)**

76. The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2019 included the following: (continued)
- (d) Reviewed the effectiveness of the outsourced internal audit function of the Company.
  - (e) Maintained an appropriate relationship with both the internal and external auditors, and in separate sessions met at least annually with the Management, internal and external auditors without the presence of Management, to consider any other matters which may be raised privately.
  - (f) Recommended the appointment of the new external auditors to the Board.
  - (g) Recommended the remuneration and terms of engagement of the existing external auditors to the Board.
  - (h) Reviewed and updated the Board on all related-party transaction.
  - (i) Monitored compliance with the Directors' Conflict of Interest Guide.
77. The Board Audit Committee held a total of five meetings in 2019, and its members' attendance at these meetings is disclosed herein. The Board Audit Committee meetings were attended by the internal auditors, external auditors (when required), Group CEO, Group Chief Financial Officer, Group Chief Internal Auditor and certain members of the Senior Officers.
78. The Company has instituted a whistle-blowing policy whereby employees of the Company and any other persons may raise genuine concerns about possible improprieties in matters of financial reporting or other malpractices at the earliest opportunity. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Board Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Board Audit Committee would be updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith. The Board Audit Committee Chairman is responsible for the effective implementation of the whistle-blowing policy which includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing the periodic review of the effectiveness of the policy.



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**BOARD AUDIT COMMITTEE (CONTINUED)**

79. The Board Audit Committee has explicit authority to investigate any matters within its terms of reference, has full co-operation of and access to Management, and has resources to enable it to discharge its functions properly. The Board Audit Committee has full discretion to invite any Director or Senior Officers to attend its meetings.

**INTERNAL AUDIT**

80. The auditors, both internal and external, have unrestricted access to the Board Audit Committee, and to information and such persons within the Company as necessary to conduct the audit.
81. The Company utilises the outsourced services of the Internal Audit Department of Great Eastern Life Assurance (Malaysia) Berhad ("GELM"), which assists the Board Audit Committee in discharging its duties and responsibilities. The internal audit function ("Internal Audit") serves to provide the Board and Management with independent and objective assessments of the adequacy and effectiveness of the governance, risk management and internal control processes as designed and implemented by Management. The Internal Audit Charter is approved by the Board Audit Committee. Internal Audit function is independent of the activities it audits.
82. Internal Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, which include financial, strategic, reputational, operational, technology, legal and regulatory risks. The work undertaken by Internal Audit involves the assessment of the adequacy and effectiveness of the Company's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring that significant financial, managerial and operating information is accurate, reliable and timely, operations and programs are effective and efficient, and assets are safeguarded. Reviews conducted by Internal Audit also focus on the Company's compliance with relevant laws and regulations, adherence to established policies and whether Management has taken appropriate measures to address control deficiencies.

**GREAT EASTERN TAKAFUL BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**BOARD RISK MANAGEMENT COMMITTEE**

83. The CG PD requires the Board Risk Management Committee to have at least three non-executive directors, with the necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.
84. For FY2019, the Board Risk Management Committee comprised the following Directors:
- YBhg. Datin Zaharah binti Ali, Chairman
  - Mr Lee Kong Yip, Member
  - YBhg. Rear Admiral Dato' Anuwar bin Mad Said, Member
85. The Board Risk Management Committee is responsible for the oversight of strategic market, credit, liquidity, takaful, operational, technology, cyber security, data, regulatory, compliance and shariah risks; and any other category of risks as delegated by the Board or as deemed necessary by the committee to manage the financial and reputational impact arising from these risks. It reviews the overall risk management philosophy, including, the risk profile, risk tolerance level, and risk and capital management strategy, guided by the overall corporate strategy and risk appetite as set and approved by the Board. The Board Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management process and systems set up by the Company.
86. The Board Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. The terms of reference include the review and endorsement or the review and approval of (where applicable) frameworks, policies and charters; strategies for effective risk management, investment management and asset-liability management as well as the review of major risk management initiatives, significant investment and certain financial transactions that exceed the authorisation limits of the Management Committees. Material investment-related activities and transactions are reviewed by the Board Risk Management Committee and recommended to the Board for information or approval, as applicable.
87. The Company engages the services of the Risk Management and Compliance Department of GELM in discharging its duties and responsibilities. Risk Management and Compliance Department of GELM are adequately resourced with experienced and qualified employees who are sufficiently independent to perform their duties objectively. They regularly engage Senior Management to develop enterprise-wide risk controls and risk mitigation procedures. The Board Risk Management Committee reviews the performance of the outsourced services and its servicing fees.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)**

88. The Board Risk Management Committee meets with the Chief Risk Officer and the Head of Compliance of GELM at least once a year without the presence of Management to discuss matters which may be raised privately.
89. The Board Risk Management Committee held a total of five meetings in 2019.
90. The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 31 of the Audited Financial Statements.

**GOVERNANCE COMMITTEE**

91. The Governance Committee comprises of at least three members, who are an Independent Director, a Shariah Committee member, an Appointed Actuary and be chaired by an Independent Director. The Governance Committee was formed following the Guiding Principles on Governance for Islamic Insurance (Takaful) Operations (IFSB-8) issued by the Islamic Financial Services Board ("IFSB"), an international standard-setting body of regulatory and supervisory agencies based in Kuala Lumpur, Malaysia.
92. For FY2019, the Governance Committee comprised the following:
  - YBhg. Datuk Kamaruddin bin Taib, Chairman
  - YBhg. Datin Zaharah binti Ali, Member
  - YBhg. Professor Dato' Dr Wan Sabri bin Wan Yusof, Member
  - En. Mohd Khalid bin Khairullah, Member
93. YBhg. Professor Dato' Dr. Wan Sabri bin Wan Yusof is also a member of the Shariah Committee.
94. The primary objective of the Governance Committee is to discover, support and maintain the balance in addressing the interests of the Company's stakeholders such as its shareholders, management and the government, whilst giving special attention vis-a-vis to the interests of its Takaful participants.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**GOVERNANCE COMMITTEE (CONTINUED)**

95. The Governance Committee carries out the functions set out in its Board-approved written terms of reference. The duties and responsibilities of the Governance Committee are, amongst others, to develop and recommend to the Board a set of effective corporate governance policies and procedures applicable to the Takaful undertaking, including the formulation of appropriate business conduct and code of ethics for the Company's employees and agents. The Governance Committee is also responsible to monitor the financial management of the Takaful undertaking, particularly in reserving and distribution of underwriting surplus and/or investment profit. In addition, the Governance Committee will regularly carry out a full analysis in order to detect and mitigate any conflict of interest in the course of operating and management of the Takaful funds, especially on the costs and expenses chargeable to the Takaful funds and to consider the best solutions to address the Company's stakeholder's interests by focusing on the Takaful participants' interests and concerns in the management of the Takaful fund.
96. The Governance Committee held a total of two meetings in 2019.

**INTERNAL CONTROL FRAMEWORKS**

97. The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and that the Company has effective operations and risk management, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Company and the stakeholders' interest.
98. The system of internal controls provide reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, it is noted that no system of internal controls can provide absolute assurance against material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.
99. The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; frameworks, policies and procedures; risk and compliance self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their system of internal controls and their level of compliance with applicable rules and regulations; and a monitoring and reporting process.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**INTERNAL CONTROL FRAMEWORKS (CONTINUED)**

**Infrastructure**

100. While the Board is ultimately responsible for the management of risks within the Company, there are risk oversight committees that facilitate in depth review of the risks associated with specific aspects of the business such as the Senior Management Team, the Asset Liability Committee, the Information Technology Steering Committee, the Product Development Committee and the Financial Crime Committee. The duties and scope of work of these committees are documented in their respective terms of reference.
101. The authority delegated by the Board to the Board Committees and the CEO are formalised in the Company's Authority Grid. Other documents that guide on the delegation of the CEO's authority include underwriting limits, claim limits and investment limits.
102. The segregation of duties is paramount in ensuring that members of staff are not assigned with potential conflicting responsibilities, that relate to matters such as approvals, disbursements and administration of certificates, execution and recording of investment, operational and internal audit/compliance functions, underwriting and credit control.

**Frameworks, Policies and Procedures**

103. The Company has established risk management frameworks and policies that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The frameworks outline the common risk management process across all risk types within the Company.
104. A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the board. These cover key risk areas such as:
- Investments
  - Family takaful operations
  - Information technology and information security
  - Cyber Security
  - Data
  - Fraud and market conduct
  - Anti-money laundering and countering the financing of terrorism
  - Capital management, capital contingency and stress testing
  - Related party and interested party transactions
  - Shariah compliance standards
  - Outsourcing
  - Retakaful management strategy
  - Business continuity management

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**INTERNAL CONTROL FRAMEWORKS (CONTINUED)**

**Frameworks, Policies and Procedures (Continued)**

105. The frameworks, policies and procedures are reviewed each year to ensure continued relevance and to capture the latest regulatory and Group requirements. They are then approved by the relevant Board or Board Committees or Management Committees.

**Shariah Internal Controls**

106. Shariah internal controls play a vital role in ensuring that the activities and operations of the Company are in compliance with Shariah regulations and resolutions. It also will contribute to the public confidence in the Company as an Islamic Financial Institution. The Company has established robust Shariah governance functions with distinct roles in order to assess and evaluate the Company activities and operations to be consistent with Shariah and regulatory requirements.

(i) Shariah Review

Shariah review is conducted regularly by the Company's qualified Shariah officers to assess the level of Shariah compliance on the Company's activities and operations. The annual Shariah review plans are reviewed and approved by the Shariah Committee for implementation by the review officer.

The findings and reports are deliberated in the Shariah Committee meetings to confirm that the Company is operating within the applicable Shariah regulations and resolutions.

(ii) Shariah Audit

The Company engages the services of GELM Internal Audit Department to conduct periodic Shariah audits and provide independent and objective assessments to help improve the quality and effectiveness of governance, risk management and internal controls on Shariah compliance. The annual audit plan is endorsed by the Shariah Committee and Shariah-related findings are circulated to the Shariah Committee. The Internal Audit regularly updates the Shariah Committee on the status of implementation of the Shariah-related action plans for more effective monitoring.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**INTERNAL CONTROL FRAMEWORKS (CONTINUED)**

**Shariah Internal Controls (Continued)**

106. Shariah internal controls play a vital role in ensuring that the activities and operations of the Company are in compliance with Shariah regulations and resolutions. It also will contribute to the public confidence in the Company as an Islamic Financial Institution. The Company has established robust Shariah governance functions with distinct roles in order to assess and evaluate the Company activities and operations to be consistent with Shariah and regulatory requirements. (continued)

(iii) Shariah Risk Management

The Company has established a Shariah Risk Management Policy to set forth the means by which the Company shall manage Shariah Compliance risks. The policy which was endorsed and approved by the Shariah Committee and Board respectively, outlines the roles and responsibilities of the Board, Senior Management and individual functions in relation to Shariah risk management and provides a framework for monitoring, reviewing, reporting and improving Shariah risk management standards throughout the Company on an ongoing basis. The Company's Shariah risk management is supported by a self-assessment process that uses the Risk and Control Self-assessment as a tool to document the risks and the controls identified to mitigate the Shariah non-compliance risks in each business unit. With respect to Shariah compliance risk management, the Compliance Requirements Self-Assessment is in place to facilitate assessment on the Company's level of compliance with the relevant Shariah regulations and resolutions.

(iv) Shariah Research

Shariah research is conducted regularly to identify gaps and recommend solutions on the Company's activities and operations in efforts of improving the level of Shariah compliance within the Company. The Shariah research papers are deliberated in the Shariah Committee meetings and recommendations from these research papers, where applicable, are implemented accordingly by the Company.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**INTERNAL CONTROL FRAMEWORKS (CONTINUED)**

**Self-assessment Process**

107. A mature self-assessment process that is supported by the use of the Risk and Control Self-Assessment and Compliance Requirements Self-Assessment tools is entrenched in the Company. The results of the assessment are reviewed by the Senior Officers who in turn would provide an annual assurance to the CEO on the adequacy and effectiveness of the Company's operational risk management and internal control systems, and compliance with the relevant statutory and regulatory requirements. In 2019, an annual Own Risk and Solvency Assessment report was submitted to the Board and Board Risk Management Committee on the Company's risk profile, the manner in which the Company determines its solvency and the various measures put in place to ensure that the solvency requirements are met at all times. This self-assessment process is further supplemented by an annual assurance report on the adequacy of risk management and internal controls.

**Monitoring and Reporting**

108. An Enterprise Risk Dashboard that features the Company's risk profile from various perspectives (namely strategic, financial, operational, technology, compliance and shariah) is submitted to the Board, Board Risk Management Committee and Senior Management Team for notation.
109. Stress test scenarios and the corresponding stress factors are developed and used to stress the financial positions annually. Thereafter, the stress scenarios, factors, test results and relevant management actions are reviewed by the Board.
110. Regulatory breach and operational incidents are reported in the Enterprise Risk Dashboard while investment breaches are reported via the limits report and compliance examination reports. The respective business units are required to provide the corrective and preventive measures once a regulatory breach or operational incident is discovered. The Company has a process to collate statistics for several Key Risk Indicators for reporting to BNM on a regular basis.



**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**  
**(CONTINUED)**

**RELATED PARTY TRANSACTION**

111. The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions and the authorities and procedures for approving and monitoring whenever necessary, and writing off such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflict of interest are excluded from the approval process of granting and managing related party transactions. Material and/or special related party transactions and the write-off of material and/or special related party transactions are reported to the Board Audit Committee for review and to the Board for approval.
112. Details of the Company's related party transactions during FY2019 are set out in Note 28 of the Notes to the Financial Statements.

**ETHICAL STANDARDS**

113. The Directors and Management are committed to promoting and maintaining values which emphasise integrity, honesty and proper conduct at all times in the business operations and dealings of the Company. The Company has adopted a Code of Conduct that sets out the guiding principles and minimum standards expected of its employees such as the highest standards of conduct and professional integrity. The Code of Conduct also provides guidance on areas such as responsible stewardship of the Company's resources, the Company's position against fraudulent conduct, conflicts of interests and the appropriate disclosures to be made, and maintaining confidentiality of information. The Code of Conduct is available on the Company's staff intranet.
114. The Company has a suite of policies in place for proper governance and management that staff have to comply with. All policies are prepared in accordance with the Company's risk management and internal control systems and processes, including Management self-assessment and independent audits.
115. The Company treats feedback and complaints from its customers seriously, and has instituted channels whereby customers may provide feedback or complaints. The Company aims to resolve feedback and complaints professionally and fairly in accordance with the service standards indicated on its website.

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**BOARD OF DIRECTORS' PROFILE**

**YBhg. Datuk Kamaruddin bin Taib, Chairman\***

YBhg. Datuk Kamaruddin bin Taib was appointed to the Company's Board on 4 November 2010 as an Independent Director and Chairman of the Board. He is also a Director of Great Eastern General Insurance (Malaysia) Berhad.

YBhg. Datuk Kamaruddin has significant experience in merchant banking, corporate finance, mergers and acquisition. His career started in 1980 with a leading merchant bank in Malaysia. Subsequently, he served as director of several private companies and companies listed in Bursa Malaysia. Apart from his vast experience serving the board of companies listed on Bursa Malaysia, he also served the board of companies listed on the Stock Exchange of India as well as on Nasdaq (U.S.A).

Currently, he is the Chairman of GHL Systems Berhad and HSBC Amanah Malaysia Berhad. He also sits on the Board of several companies, namely Fraser & Neave Holdings Berhad, Malaysia Smelting Corporation Berhad, RAM Holdings Berhad, DNV GL Malaysia Sdn Bhd, FIDE Forum, Maksud Sdn Bhd and Harta Maksud Sdn Bhd.

*\*resigned due to tenure limit on 31 December 2019*

**Mr Norman Ka Cheung Ip**

Mr Norman Ka Cheung Ip was appointed to the Company's Board on 8 August 2014 as an Independent Director. He is also the Chairman of Great Eastern Life Assurance (Malaysia) Berhad and Great Eastern General Insurance (Malaysia) Berhad.

He retired from the post of President & Group CEO and Executive Director of The Straits Trading Company Limited in Singapore, the immediate holding company of Malaysia Smelting Corporation Berhad. He was also the Chairman of Malaysia Smelting Corporation Berhad until 1 July 2014 and a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange until 22 June 2011.

Mr Ip is the Chairman of WBL Corporation Limited. He is presently a Senior Advisor of United Engineers Limited. He is also the Deputy Chairman of Building and Construction Authority and a Member of Securities Industry Council.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**BOARD OF DIRECTORS' PROFILE (CONTINUED)**

**YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)**

YBhg. Major General Dato' Zulkiflee bin Mazlan was appointed to the Company's Board as a Non-Independent Non-Executive Director on 29 April 2016.

YBhg. Major General Dato' Zulkiflee had served distinguishably in the Malaysian Army Forces and held numerous commands and staff appointments at the Ministry of Defence. He had served on the Board of Yayasan Veteran Angkatan Tentera Malaysia and Perbadanan Hal Ehwal Bekas Tentera.

He is the Chairman of Koperasi Angkatan Tentera Malaysia Berhad. He presently sits on the Board of Affin Hwang Investment Bank Berhad and Affin Hwang Trustee Berhad.

**YBhg. Datin Zaharah binti Ali**

YBhg. Datin Zaharah binti Ali was appointed to the Company's Board as Non-Independent Non-Executive Director on 29 April 2016. She was redesignated as an Independent Director on 29 April 2018.

YBhg. Datin Zaharah has over 30 years of experience in the public sector and served as the Secretary of Information Management Division in the Ministry of Defence since 2005 until her retirement in November 2015. She had previously served on the Board of Koperasi Angkatan Tentera Malaysia Berhad between June 2013 to May 2016.

**Mr Lee Kong Yip**

Mr Lee Kong Yip was appointed to the Company's Board as an Independent Director on 1 July 2016.

Mr Lee Kong Yip held various executive positions in Oversea-Chinese Banking Corporation Limited. In 1995, he was appointed as the Executive Vice-President and Director of OCBC Bank (Malaysia) Berhad, a post he held until his retirement in April 2000. He was previously a board member of Great Eastern Life Assurance (Malaysia) Berhad, Great Eastern General Insurance (Malaysia) Berhad and Overseas Assurance Corporation (Holdings) Berhad.

He is currently a Board Member of Fraser & Neave Holdings Berhad.

**GREAT EASTERN TAKAFUL BERHAD**  
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**BOARD OF DIRECTORS' PROFILE (CONTINUED)**

**YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)**

YBhg. Rear Admiral Dato' Anuwar bin Mad Said was appointed to the Company's Board on 18 May 2018 as a Non-Independent Non-Executive Director.

He joined the Royal Malaysian Navy (RMN) in 1976 as a Training Cadet. In his 40 years of service, he has held various appointments in RMN. Among his previous appointments was Director of Information Technology, Assistance Chief of Human Resource as well as Strategic Management. He had also served as an Officer in the Ministry of Defence.

YBhg. Rear Admiral Dato' Anuwar had served on the Board of Koperasi Angkatan Tentera Malaysia Berhad from June 2008 until July 2017. He is currently the Director of Wiramaju Sdn Bhd, a subsidiary of Koperasi Angkatan Tentera Malaysia Berhad.

**Mr Khor Hock Seng**

Mr Khor Hock Seng was appointed to the Company's Board on 1 March 2016 as a Non-Independent Non-Executive Director and was later redesignated as a Non-Independent Executive Director on 3 August 2016. He is also a Director of Great Eastern Life Assurance (Malaysia) Berhad and Great Eastern General Insurance (Malaysia) Berhad.

He has over 30 years of insurance experience and has held senior leadership positions in major multinational insurance companies.

Mr Khor presently sits on the Board of several companies within the Great Eastern Group in Singapore and Malaysia.

**YBhg. Dato' Yeoh Beow Tit**

YBhg. Dato' Yeoh Beow Tit was appointed to the Company's Board on 1 January 2020 as an Independent Non-Executive Director. He is also a Director of Great Eastern General Insurance (Malaysia) Berhad.

YBhg. Dato' Yeoh started his career in the financial industry particularly in banking sector and has held various senior management positions in Citibank Berhad, the last being the Director of Corporate Banking till February 1996. He was the Chief Executive Officer of OCBC Bank (Malaysia) Berhad, a position which he held until his retirement in 2008.

He was formerly the Director of Great Eastern Life Assurance (Malaysia) Berhad from 2002 until March 2019. He was also the Director of Alliance Investment Bank Berhad from May 2016 until May 2019.

YBhg. Dato' Yeoh is currently a Director in several companies, namely Cagamas MBS Berhad, Cagamas SRP Berhad and Pacific Mutual Fund Berhad.

201001032332 (916257-H)

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Lee Kong Yip and Major General Dato' Zulkiflee bin Mazlan (Rtd), being two of the Directors of Great Eastern Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 50 to 199 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 4 February 2020.



Lee Kong Yip



Major General Dato' Zulkiflee bin Mazlan (Rtd)

Kuala Lumpur, Malaysia

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

I, Jasveen Kaur Marne, being the officer primarily responsible for the financial management of Great Eastern Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 50 to 199 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )  
declared by the abovenamed )  
Jasveen Kaur Marne )  
at Kuala Lumpur in the )  
Federal Territory of )  
Kuala Lumpur on 4 February 2020 )



Jasveen Kaur Marne

Before me, W 749  
AMRUL IMRAN BIN  
MOHD ALI  
1/10/2018-31/12/2020

No. 29, Tingkat Satu  
Jalan Melayu  
50100 Kuala Lumpur

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**REPORT OF THE SHARIAH COMMITTEE**

**Shariah Committee**

The Company is advised by a Shariah Committee, whose composition is as follows:

Dr. Akhtarzaite binti Abdul Aziz (*Chairman*)  
Prof. Dato' Dr. Wan Sabri bin Wan Yusof  
Dr. Mohamad Sabri bin Zakaria  
Assoc. Prof. Dr. Siti Salwani binti Razali  
Assoc. Prof. Dr. Suhaimi bin Ab Rahman  
Dr. Mohammad Firdaus bin Mohammad Hatta

The Shariah Committee meets, at minimum, six times a year. In 2019, the Shariah Committee met six times. The attendance of members at the Shariah Committee meetings is as follows:

Name	Number of meetings	
	Attended	Percentage (%)
Dr. Akhtarzaite binti Abdul Aziz	6/6	100%
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	6/6	100%
Dr. Mohamad Sabri bin Zakaria	5/6	83%
Assoc. Prof. Dr. Siti Salwani binti Razali	6/6	100%
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	5/6	83%
Dr. Mohammad Firdaus bin Mohammad Hatta	5/6	83%

**STATEMENT BY THE SHARIAH COMMITTEE**

In accordance with the letter of appointment and the requirements of the Shariah Governance Framework, we have fulfilled the responsibilities to Great Eastern Takaful Berhad which are as follows:

- providing a decision or advice to the Islamic Financial Institution ("IFI") on the application of any rulings of the Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the IFI;
- providing a decision or advice on matters which require a reference to be made to the SAC;
- providing a decision or advice on the operations, business, affairs and activities of the IFI which may trigger a Shariah non-compliance event;
- deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- endorsing a rectification measure to address a Shariah non-compliance event.

We have reviewed the principles and contracts relating to the transactions and applications introduced by Great Eastern Takaful Berhad during the period from 1 January 2019 to 31 December 2019. We have also conducted our review to form an opinion as to whether Great Eastern Takaful Berhad has complied with Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**REPORT OF THE SHARIAH COMMITTEE (CONTINUED)**

The management of Great Eastern Takaful Berhad is responsible for ensuring that Great Eastern Takaful Berhad conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Great Eastern Takaful Berhad and to report to you.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentations and procedures adopted by Great Eastern Takaful Berhad. We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Great Eastern Takaful Berhad has not violated any Shariah principles.

In our opinion, to the best of our knowledge:

1. the contracts, transactions and dealings entered into by Great Eastern Takaful Berhad, during the financial year from 1 January 2019 to 31 December 2019 that we have reviewed, are in compliance with Shariah principles. There was no incident involving Shariah Non-Compliance Event on the business conducted by Great Eastern Takaful Berhad.
2. the allocation of profit and surplus sharing and charging of losses and deficits between shareholders' fund and/or tabarru' and participant's investment funds conform to the basis that had been approved by us in accordance with Shariah principles;
3. no earnings that have been realised from sources or means prohibited by the Shariah principles during the financial year from 1 January 2019 to 31 December 2019; and
4. the calculation of zakat is in compliance with Shariah principles.

We, Dr. Akhtarzaite binti Abdul Aziz and Dr. Mohamad Sabri bin Zakaria, being two of the members of the Shariah Committee of Great Eastern Takaful Berhad, do hereby confirm that the operations of Great Eastern Takaful Berhad for the financial year from 1 January 2019 to 31 December 2019 were conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee.

  
Dr. Akhtarzaite binti Abdul Aziz

  
Dr. Mohamad Sabri bin Zakaria

Kuala Lumpur, Malaysia



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**Independent auditors' report to the members of  
Great Eastern Takaful Berhad  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Great Eastern Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 199.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence and other ethical responsibilities*

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

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Statement of Corporate Governance and the Board of Directors' profile but does not include the financial statements of the Company and our auditors' report thereon.



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**Independent auditors' report to the members of  
Great Eastern Takaful Berhad (Continued)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon (Continued)*

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

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

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

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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**Independent auditors' report to the members of  
Great Eastern Takaful Berhad (Continued)  
(Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements (Continued)*

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

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

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

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Independent auditors' report to the members of  
Great Eastern Takaful Berhad (Continued)  
(Incorporated in Malaysia)

Other matters

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



Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
4 February 2020



Yeo Beng Yean  
No. 03013/10/2020 J  
Chartered Accountant

201001032332 (916257-H)

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019			2018		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Assets</b>							
Motor vehicles and equipment	4	13,276	-	13,276	11,624	-	11,624
Right-of-use assets	5(a)	4,181	-	4,181	-	-	-
Intangible assets	6	8,244	-	8,244	6,217	-	6,217
Investments	7	91,720	780,380	866,171	99,422	578,621	672,605
Takaful receivables	8	-	489,985	489,985	-	10,777	10,777
Retakaful assets	9	-	368,401	368,401	-	124,132	124,132
Other receivables	10	64,046	4,480	7,001	28,019	3,810	5,811
Deferred tax assets	11	-	-	-	-	485	481
Tax recoverable		867	-	-	784	-	383
Cash and bank balances		5,284	25,531	30,815	5,351	16,021	21,372
<b>Total assets</b>		<b>187,618</b>	<b>1,668,777</b>	<b>1,788,074</b>	<b>151,417</b>	<b>733,846</b>	<b>853,402</b>
<b>Equity</b>							
Share capital	12	155,000	-	155,000	155,000	-	155,000
Accumulated losses		(85,998)	-	(87,940)	(89,322)	-	(90,773)
Other comprehensive income fair value reserves		41	-	41	(455)	-	(455)
<b>Total equity</b>		<b>69,043</b>	<b>-</b>	<b>67,101</b>	<b>65,223</b>	<b>-</b>	<b>63,772</b>
<b>Liabilities and participants' fund</b>							
Provision for taxation		-	1,796	929	-	401	-
Expense liabilities	13	41,553	-	41,553	26,791	-	26,791
Takaful certificate liabilities	14	-	1,334,528	1,365,259	-	666,627	682,846
Participants' fund	15	-	34,370	-	-	19,858	-
Deferred tax liabilities	11	1,014	1,061	1,727	352	-	-
Amounts due to related companies	16	19,229	-	19,229	8,939	-	8,939
Takaful payables	17	5,813	213,753	219,566	10,534	11,448	21,982
Lease liabilities	5(b)	4,277	-	4,277	-	-	-
Other payables	18	39,639	83,269	61,383	33,300	35,512	42,794
Provisions	19	7,050	-	7,050	6,278	-	6,278
<b>Total liabilities and participants' fund</b>		<b>118,575</b>	<b>1,668,777</b>	<b>1,720,973</b>	<b>86,194</b>	<b>733,846</b>	<b>789,630</b>
<b>Total equity, liabilities and participants' fund</b>		<b>187,618</b>	<b>1,668,777</b>	<b>1,788,074</b>	<b>151,417</b>	<b>733,846</b>	<b>853,402</b>

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

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**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019			2018		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Wakalah fee income</b>	20	217,746	-	-	155,746	-	-
Gross earned contributions		-	997,815	997,815	-	420,123	420,123
Earned contributions ceded to retakaful operators		-	(271,841)	(271,841)	-	(54,071)	(54,071)
<b>Net earned contributions</b>		-	725,974	725,974	-	366,052	366,052
Investment income	21	4,252	24,706	28,958	3,814	19,906	23,720
Realised gains/(losses)	22	757	9,345	10,102	105	(3,258)	(3,153)
Fair value gains/(losses)	23	2,104	5,033	6,646	(143)	(12,736)	(12,940)
Fee and commission income		-	2,110	331	-	1,378	257
Other operating revenue		103	133	236	196	95	291
<b>Other revenue</b>		7,216	41,327	46,273	3,972	5,385	8,175
Gross benefits and claims paid	14	-	(156,642)	(156,642)	-	(110,599)	(110,599)
Claims ceded to retakaful operators	14	-	58,352	58,352	-	38,980	38,980
Gross change in certificate liabilities	14	-	(654,080)	(672,354)	-	(132,845)	(150,835)
Change in certificate liabilities ceded to retakaful operators	14	-	244,269	244,269	-	25,603	25,603
<b>Net benefits and claims</b>		-	(508,101)	(526,375)	-	(178,861)	(196,851)
Wakalah fee expense	24	-	(217,746)	-	-	(155,746)	-
Commission expenses/administration fees		(101,460)	(2,323)	(102,004)	(86,242)	(1,854)	(86,975)
Management expenses	25	(114,755)	(3,357)	(118,112)	(88,104)	(2,188)	(90,292)
Change in expense liabilities	13	(14,762)	-	(14,762)	(4,157)	-	(4,157)
Impairment loss on FVOCI financial assets		-	(18)	(18)	-	(49)	(49)
Taxation of family takaful business	26(a)	-	(2,694)	(2,694)	-	267	267
<b>Other expenses</b>		(230,977)	(226,138)	(237,590)	(178,503)	(159,570)	(181,206)

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**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019			2018		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Operating (loss)/profit before surplus transfers</b>		(6,015)	33,062	8,282	(18,785)	33,006	(3,830)
Surplus attributable to participants		-	(18,274)	-	-	(17,990)	-
Surplus attributable to shareholders		14,788	(14,788)	-	15,016	(15,016)	-
<b>Profit/(loss) before zakat and taxation</b>		8,773	-	8,282	(3,769)	-	(3,830)
Zakat		-	-	-	-	-	-
Taxation	26(b)	(5,235)	-	(5,235)	(6,032)	-	(6,032)
<b>Net profit/(loss) for the year</b>		<u>3,538</u>	<u>-</u>	<u>3,047</u>	<u>(9,801)</u>	<u>-</u>	<u>(9,862)</u>
<b>Profit/(loss) per share (sen)</b>							
Basic and diluted	27	<u>2.3</u>	<u>-</u>	<u>2.3</u>	<u>(7.3)</u>	<u>-</u>	<u>(7.3)</u>

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

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**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019			2018		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Net profit/(loss) for the year</b>		3,538	-	3,047	(9,801)	-	(9,862)
<b>Other comprehensive income/(loss):</b>							
<b>Other comprehensive income/(loss) that will not be reclassified to income statement in subsequent periods (net of tax):</b>							
Equity instruments designated at Fair Value through Other Comprehensive Income ("FVOCI"):							
Net gain/(loss) on fair value changes		371	4,320	4,691	(887)	(3,925)	(4,812)
Tax on realised gain/(loss)		68	125	193	69	157	226
Deferred tax relating to components of other comprehensive (loss)/income	11	(157)	(356)	(513)	119	266	385
		<u>282</u>	<u>4,089</u>	<u>4,371</u>	<u>(699)</u>	<u>(3,502)</u>	<u>(4,201)</u>
Islamic debt instruments at FVOCI:							
Net gain on fair value changes		-	10,790	10,790	-	370	370
Net realised gain transferred to income statement	22	-	(1,372)	(1,372)	-	(427)	(427)
Changes in allowance for Expected Credit Loss ("ECL")	31(f)	-	18	18	-	931	931
Deferred tax relating to components of other comprehensive (loss)/income	11	-	(753)	(753)	-	10	10
Other comprehensive (loss)/income attributable to participants	15	-	(12,772)	(12,772)	-	2,618	2,618
Other comprehensive (loss)/income for the year, net of tax		<u>-</u>	<u>(4,089)</u>	<u>(4,089)</u>	<u>-</u>	<u>3,502</u>	<u>3,502</u>
<b>Total comprehensive income/(loss) for the year</b>		<u>3,820</u>	<u>-</u>	<u>3,329</u>	<u>(10,500)</u>	<u>-</u>	<u>(10,561)</u>

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

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>Attributable to Equity Holders of the Company</u>			
	Share capital	Non-distributable Fair value reserves	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000
	(Note 11)			
<b>At 1 January 2018</b>	155,000	27	(80,694)	74,333
Net loss for the year	-	-	(9,862)	(9,862)
Other comprehensive loss	-	(699)	-	(699)
Total comprehensive loss	-	(699)	(9,862)	(10,561)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	217	(217)	-
<b>At 31 December 2018</b>	<u>155,000</u>	<u>(455)</u>	<u>(90,773)</u>	<u>63,772</u>
<b>At 1 January 2019</b>	155,000	(455)	(90,773)	63,772
Net profit for the year	-	-	3,047	3,047
Other comprehensive income	-	282	-	282
Total comprehensive income	-	282	3,047	3,329
Transfer of fair value reserve of equity instruments designated at FVOCI	-	214	(214)	-
<b>At 31 December 2019</b>	<u>155,000</u>	<u>41</u>	<u>(87,940)</u>	<u>67,101</u>

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



**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) before zakat and taxation		8,282	(3,830)
Adjustments for:			
Depreciation for motor vehicles and equipment	4, 25	4,609	4,162
Depreciation for right-of-use assets	5(a), 25	1,374	-
Amortisation of intangible assets	6, 25	2,224	2,116
Investment income	21	(28,958)	(23,720)
Realised (gains)/losses	22	(10,102)	3,153
Fair value (gains)/losses in income statement	23	(6,646)	12,940
Impairment loss on FVOCI financial assets		18	49
Profit expense on lease liabilities	5(b), 25	325	-
Taxation of family takaful business	26(a)	2,694	(267)
Operating loss before working capital changes		(26,180)	(5,397)
Purchase of FVOCI investments		(215,530)	(253,233)
Proceeds from sales of FVOCI investments		140,660	219,499
Purchase of FVTPL investments		(575,456)	(461,521)
Proceeds from sales of FVTPL investments		504,728	368,531
(Increase)/decrease in takaful and other receivables		(479,347)	1,092
Increase in retakaful assets		(244,269)	(25,603)
Increase in lease liabilities		5,555	-
Increase in takaful and other payables		231,513	20,958
Increase in takaful certificate liabilities		669,641	146,705
Net change in balance with related companies		10,291	4,038
Cash generated from operating activities		21,606	15,069
Income tax paid		(5,482)	(7,412)
Investment income received		27,909	23,848
<b>Net cash generated from operating activities</b>		<b>44,033</b>	<b>31,505</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of motor vehicles and equipment	4	(6,261)	(5,769)
Increase of right-of-use assets	5	(5,555)	-
Proceeds from disposal of motor vehicles and equipment		-	10
Purchase of intangible assets	6	(4,251)	(241)
<b>Net cash used in investing activities</b>		<b>(16,067)</b>	<b>(6,000)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of principal portion of lease liabilities	5(b)	(1,603)	-
<b>Net cash used in financing activities</b>		<b>(1,603)</b>	<b>-</b>

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Net increase in cash and cash equivalents		26,363	25,505
Cash and cash equivalents at beginning of year		<u>141,752</u>	<u>116,247</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>168,115</u></b>	<b><u>141,752</u></b>
Cash and cash equivalents comprise:			
Cash and bank balances		30,815	21,372
Short term Islamic investment accounts with original maturity period of less than 3 months	7(c)	<u>137,300</u>	<u>120,380</u>
		<b><u>168,115</u></b>	<b><u>141,752</u></b>

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

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company incorporated and domiciled in Malaysia.

The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The Company is principally engaged in managing family takaful business including takaful investment-linked business. There has been no significant change in the principal activity during the financial year.

The immediate holding company is I Great Capital Holdings Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore.

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 4 February 2020.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Company had adopted the amended MFRSs and new MFRSs applicable for annual financial periods beginning on or after 1 January 2019, as described fully in Note 2.3.

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

**GREAT EASTERN TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 BASIS OF PREPARATION (CONTINUED)**

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Takaful Operators ("RBCT") issued by Bank Negara Malaysia ("BNM") as at the reporting date.

**Takaful operations and its funds**

In preparing the Company-level financial statements, the balances and transactions of the shareholders' fund are amalgamated and combined with those of the family takaful fund. Interfund balances, transactions and unrealised gains and losses are eliminated in full during amalgamation. The accounting policies adopted for shareholders' fund and family takaful fund are uniform for like transactions and events in similar circumstances.

The takaful funds are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which will occur when the Company's licence to manage takaful business is withdrawn or surrendered.

Under the concept of takaful, individuals make contributions to a pool which is managed by a takaful operator with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company is not a participant of the family takaful fund but manages the fund in line with the principles of Wakalah bi al-Ujrah (agency with fees) which is the business model adopted by the Company. The takaful operator manages both the shareholders' fund and the family takaful fund (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the Islamic Financial Services Act 2013, the assets and liabilities of the family takaful fund is segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the family takaful fund are consolidated with those of the takaful operator to represent the control of the operator over the fund. The balances and transactions of the family takaful fund include those of the mySalam family takaful fund and the balances and transactions of the Company/shareholders' fund include those of the mySalam shareholders' fund.

The inclusion of separate information of the family takaful fund, the takaful operator and those of the mySalam Scheme together with the consolidated financial information of the Company in the statement of the financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for Bank Negara Malaysia reporting.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Motor vehicles and equipment and depreciation**

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

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

Depreciation of motor vehicle and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. Work-in-progress is not depreciated until such time that it is available for active use. The annual depreciation rates are:

Motor vehicles	20%
Computer equipment	20 - 33%
Furniture and fittings	10 - 20%
Office equipment	10%

The carrying values of motor vehicle and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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

An item of motor vehicle and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the income statement.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Intangible assets and amortisation**

Intangible assets acquired separately are measured, on initial recognition, at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Intangible assets of the Company comprises:

- (i) A distribution agreement with a licensed Islamic bank which is amortised over its economic useful life in relation to the associated income from the related business and assessed for impairment whenever there is an indication that the intangible asset may be impaired. This distribution agreement is amortised on a straight-line basis over the life of the agreement, which is 5 years.

**GREAT EASTERN TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Intangible assets and amortisation (Continued)**

- (ii) Software intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software development costs are incurred for the development of software for the family takaful administration system and the distribution channel management system. These costs are amortised over a period of 4 years or 25% on a straight line basis from the date of system commissioning.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

- (iii) A portal ("Distribution Platform") developed to sell or distribute the Company's products digitally. This Distribution Platform is recognised at cost on initial recognition.

Following initial recognition, this Distribution Platform is amortised on a straight-line basis over its estimated useful life of 6.5 years.

**(c) Investments and financial assets**

**Initial Recognition and Measurement**

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial assets. The Company determines the classification of its financial assets and liabilities at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value, plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at fair value through profit or loss are recognised as expense in the income statement.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Investments and financial assets (Continued)**

**Initial Recognition and Measurement (Continued)**

Classification

On initial recognition, a financial asset is classified as measured at Amortised Cost ("AC"), Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Profit and Loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

An Islamic debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

A Shariah-approved equity that is not held for trading may by irrevocable election, be designated and measured at FVOCI. This election is made on an investment-by-investment basis. The Company has designated certain equity securities held for strategic purposes as measured at FVOCI.

A financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI may, by irrevocable election, be designated and measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company has designated certain debt securities which are held with the intent to, both, hold to collect contractual cash flows and to sell to be measured at FVTPL.

All other financial assets are measured as FVTPL.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Investments and financial assets (Continued)**

**Initial Recognition and Measurement (Continued)**

Business model assessment

The Company assesses the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If the cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Investments and financial assets (Continued)**

**Initial Recognition and Measurement (Continued)**

Assessment whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers the following key aspects:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money, credit risk, other basic financing risks and costs associated with the principal amount outstanding.

**Subsequent measurement**

**I. Islamic Debt Instruments**

Subsequent measurement of Islamic debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

**(i) Amortised Cost ("AC")**

Islamic debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost using the effective profit method. Profit income, foreign exchange gains and losses and impairment are recognised in the income statement. Gains or losses are also recognised in the income statement when the assets are derecognised.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Investments and financial assets (Continued)**

**Subsequent measurement (Continued)**

**I. Islamic Debt Instruments (Continued)**

**(ii) Fair value through other comprehensive income ("FVOCI")**

Islamic debt instruments that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and profit, are classified as FVOCI. Any gains or losses from changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve. Impairment, foreign exchange gains and losses and profit calculated using the effective profit method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognised.

**(iii) Fair value through profit or loss ("FVTPL")**

Islamic debt instruments that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL. Any gains or losses from changes in fair value and profit are recognised in the income statement.

**II. Shariah-approved Equity Instruments**

The Company subsequently measures all Shariah-approved equity instruments at fair value. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than held for trading. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to income statement, including upon disposal. Equity instruments designated at FVOCI are not subject to impairment assessment. Dividends, when representing a return from such investments are to be recognised in income statement when the Company's right to receive payments is established.

Changes in fair value of financial assets at FVTPL are recognised in the income statement.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Investments and financial assets (Continued)**

**Subsequent measurement (Continued)**

**III. Derivatives and Hedging Activities**

The Company applies economic hedge for currency and foreign exchange risks involving derivatives such as cross currency swap and forward currency contracts. All derivatives are carried as financial asset when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. As at the reporting date, the Company has not invested in such instruments.

**IV. Loans and Receivables (“LAR”)**

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These investments are initially recognised at cost. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

After initial measurement, financing and other receivables are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

**(d) Takaful receivables**

Takaful receivables comprise outstanding contribution from certificate holders, agents, intermediaries and corporate shareholders and also retakaful receivables. Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective profit method.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Takaful receivables (Continued)**

Loss allowance is measured at an amount equal to the lifetime expected credit losses ("ECL") using a simplified net flow rate model for outstanding contributions from certificate holders, agents, intermediaries and corporate shareholders.

The ECL impairment provisional amounts are recognised in the income statement. Subsequent increases in the recoverable amount of the takaful receivables are treated as reversal of the previous ECL impairment amount.

Takaful receivables are derecognised when the derecognition criteria for financial assets as described in Note 2.2(h) have been met.

All financial assets, except for those measured at FVTPL, are subject to review for impairment as in Note 2.2(g).

**(e) Financial liabilities and takaful payables**

Financial liabilities and takaful payables are recognised in the statement of financial position when the Company becomes a party to the contractual obligations of the financial instrument.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

**(i) Financial liabilities at FVTPL**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains and losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities at FVTPL.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Financial liabilities and takaful payables (Continued)**

**(ii) Other financial liabilities**

Other financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the income statement.

**(f) Fair value measurement**

The Company measures certain financial instruments at fair value at each reporting date. In addition, fair values of financial instruments measured at amortised cost are also disclosed in Note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Fair value measurement (Continued)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable including quotes from brokers and market makers, discounted cash flows and other valuation techniques commonly used by market participants.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial assets that are actively traded in organised financial markets i.e. quoted Shariah-approved equities and financial instruments with embedded derivatives is determined by reference to quoted market bid prices for assets at the close of business on statement of financial position date. Fair value for investments in quoted unit trusts - REITS, and similar investments, is determined by reference to published net asset values.

For financial instruments where there is no active market such as unquoted Islamic private debt securities and government investment issues, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM").

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Fair value measurement (Continued)**

For unquoted and unrated Islamic private debt securities, the unrated Islamic private debt securities are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against BPAM's indicative yields for an Islamic private debt security with similar rating, classification and tenure.

In cases where the fair value cannot be reliably measured, the financial instruments are stated at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

**(g) Impairment of financial assets**

The Company recognises ECL on the following financial instruments that are not measured at FVTPL:

- (i) Islamic private debt instruments measured at FVOCI;
- (ii) Financing and other receivables measured at amortised cost; and
- (iii) Financing commitments.

The Company assesses on a forward looking basis the ECL associated with its financing and Islamic debt instruments carried at amortised cost and FVOCI and its financing commitments. For trade and takaful receivables, the Company measures the loss allowance at an amount equal to the lifetime ECL. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL represents the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Impairment of financial assets (Continued)**

Modified financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected modification will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected modification will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the statement of financial position date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company considers factors as evidence that a financial instrument is credit impaired:

- Significant financial difficulty of the counterparty or issuer;
- A breach of contract such as default or past due event;
- The restructuring of a financing or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Impairment of financial assets (Continued)**

Credit-impaired financial assets (Continued)

For financial assets that are not credit-impaired at the reporting date: the ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

For financial assets that are credit-impaired at the reporting date: the ECL is the difference between the gross carrying amount and the present value of estimated future cash flows.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement at the reporting date.

Write-off

Financing and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**(h) Derecognition of financial assets and liabilities**

A financial asset is derecognised when:

- The contractual right to receive cash flows from the asset has expired.
- The Company has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Derecognition of financial assets and liabilities (Continued)**

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

On derecognition of a financial asset except for equity securities measured at FVOCI, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised in other comprehensive income is recognised in the income statement.

On derecognition of Shariah-approved equity securities measured at FVOCI, any cumulative gain/loss recognised in other comprehensive income is not recognised in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

**(i) Regular way purchase or sale of a financial asset**

All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Regular way purchase or sale of a financial asset (Continued)**

A regular way purchase or sale of financial assets is recognised and de-recognised, as applicable, using the trade date accounting. Trade date accounting refers to:

- (i) The recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) Derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

**(j) Impairment of non-financial assets**

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured in reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

**(k) Employee benefits**

**(i) Defined contribution plans under statutory regulations**

As required by law, companies in Malaysia make contributions to the statutory pension fund, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Employee benefits (Continued)**

**(ii) Employee leave entitlements**

An employee's entitlement to annual leave is estimated and accrued according to the Company's Human Capital policy.

**(l) Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision is discounted using a current pre-tax rate that reflects the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**(m) Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

**(n) Agents' retirement benefits**

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions in the respective agents' agreements ("Agreements"). The terms and conditions of the Agreements stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the agent shall be allocated a deferred benefit/retirement benefit.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Agents' retirement benefits (Continued)**

The deferred benefit/retirement benefit accumulated at the reporting date includes an element of accrued profit, which is calculated at the shareholders' fund's investment rate of return, net of tax. The accrued deferred benefit shall only become payable provided the Agreements have been in force for certain continuous contract years and the agent has attained the minimum age stipulated in the Agreements.

**(o) Income tax**

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

Besides income tax incurred in the shareholders' fund, the family takaful business pays tax on participants' investment returns at a tax rate of 8%. Tax on participants' investment returns is recognised as an expense and disclosed separately under taxation of family takaful business in the income statement.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused taxed losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in other comprehensive income/participants' fund, in which case the deferred tax is also charged or credited directly in other comprehensive income/participants' fund.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Family takaful fund**

The family takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and consists of FVOCI reserves and accumulated surplus in the fund attributable to participants which represents the participants' share in FVOCI reserves and net surplus of the family takaful fund. The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful fund.

Surplus distributable to participants is determined by net cash flows (excluding investment income) in the family takaful fund and distributed in accordance with the terms and conditions prescribed by the Shariah Committee, is aligned with GETB's Tabarru' Surplus and Investment Profit Management Policy and is in compliance with the BNM's Takaful Operational Framework Guidelines.

**(i) Contribution income**

Contribution is recognised as soon as the amount of the contribution can be reliably measured. For recurring contribution business, first year contribution is recognised from inception date and subsequent contribution is recognised when due. For single contribution business, revenue is recognised on the date on which the certificate is effective. Contributions from the investment-linked business are recognised as revenue when payment is received.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured. Contribution not received on due date are recognised as revenue in the income statement and reported as outstanding contributions in the statement of financial position.

**(ii) Creation or cancellation of units**

Net creation of units which represent contributions paid by participants or unit holders as payments for new certificate or subsequent payments to increase the amount of that certificate are reflected in the income statement of the investment-linked funds. Net creation of units is recognised on a receipt basis.

Creation or cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase or sell units is received from the participants or unit holders.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Family takaful fund (Continued)**

**(iii) Retakaful ceded contribution**

Gross retakaful ceded contributions are recognised as an expense when payable or on the date when the certificate is effective.

**(iv) Benefits and claim expenses**

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

Claims and provisions for claims arising from family takaful certificates, including settlement costs less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under family takaful certificates are recognised as follows:

- Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- Death, surrender and other benefits without due dates are treated as claims payables on the date of receipt of intimation of death of the participant or occurrence of the contingency covered; and
- Benefits payable under investment-linked business include net cancellation of units and are recognised as surrender.

**(v) Commission and agency expenses**

Commission and agency expenses, which are costs directly incurred in securing contribution on takaful certificates, net of income derived from retakaful operators in the course of ceding of contribution to retakaful operators, are charged to the income statement in the period in which they are incurred.

**(vi) Actuarial liabilities**

Takaful certificate liabilities are recognised and measured in accordance with the terms and conditions of the respective takaful certificates and are based on regulatory guidelines. Contribution, claims and benefit payments, acquisition and management expenses and valuation of future certificate benefit payments or contribution reserve as the case may be, are recognised in the income statement of the family takaful fund in line with the concept of takaful.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Family takaful fund (Continued)**

**(vi) Actuarial liabilities (Continued)**

Types of Takaful Certificates

Takaful certificate liabilities are classified into principal components as follows:

- i. Family takaful liabilities comprising:
  - Ordinary family takaful plans
  - Investment-linked takaful plans
  - Group credit takaful plans
- ii. Retakaful arrangements

Family takaful liabilities are recognised when certificates are entered into and contribution is charged. The liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of liabilities. Zerorisation is applied at certificate level and no certificate is treated as an asset under the valuation method adopted.

In the case of a family certificate where a part of, or the whole of the contributions are accumulated in a fund, the accumulated amount, as declared to the participants, are set as liabilities.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits originating from margins of adverse deviations on run-off certificates are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off.

The liability is de-recognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful liabilities are adequate by using a liability adequacy test.

Any deficiency is recorded in the income statement by establishing technical reserves for the loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of loss recognition. Losses arising from liability adequacy testing can be reversed in future years if the deficiency no longer exists.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(q) Product classification**

The family takaful fund consists of certificates that transfer takaful and financial risks. Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the certificate. Takaful risk is risk other than financial risk.

Takaful certificates are those certificates that transfer significant takaful risk. A takaful certificate is a certificate under which the fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate participants if a specified uncertain future event (the covered event) adversely affects participants. As a general guideline, to determine whether a certificate has significant takaful risk, benefits paid are compared with benefits payable if the covered event did not occur.

Investment certificates are those certificates that do not transfer significant takaful risk. There are no certificates that are classified as investment certificates in the family takaful fund.

Once a certificate has been classified as a takaful certificate, it remains a takaful certificate for the remainder of its life time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Takaful certificates in the current portfolio are classified as being without discretionary participation features ("DPF") as it does not satisfy the criteria for DPF. DPF is a contractual right to receive additional benefits that are supplemental to guaranteed benefits and:

- i. Are likely to be a significant portion of the total contractual benefits;
- ii. Whose amount or timing is contractually at the discretion of the issuer; and
- iii. That are contractually based on the:
  - Performance of a specified pool of certificates or a specified type of contract; or
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - Profit or loss of the fund.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(r) Retakaful**

The Company cedes takaful risk in the normal course of business for all its business. Retakaful assets represent balances due from retakaful operators. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful contracts.

Retakaful arrangements entered into by the Company that meet the classification requirements of takaful certificates as described in Note 2.2(q) are accounted for as described below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all retakaful arrangements entered into by the Company during the year met the classification requirements of takaful certificates.

Retakaful assets are reviewed for impairment at each statement of financial position date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Company may not receive part or all outstanding amounts due under the terms of the contract.

Ceded retakaful arrangements do not relieve the Company from their obligations to participants. For both ceded and assumed retakaful, contributions and claims are presented on a gross basis. Retakaful assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

**(s) Other revenue recognition**

Revenue is recognised at an amount that reflects the consideration to which the Company/takaful fund expects to be entitled when the performance obligation is satisfied. Revenue is measured at the fair value of consideration received or receivable.

**Profit income**

Profit income is recognised on a time proportion basis that takes into account the effective yield of the asset.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(s) Other revenue recognition (Continued)**

**Dividend income**

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

**Realised gains and losses on investments**

All sales of investments are recognised on their trade dates i.e., the date the Company commits to sell the assets. Gains or losses arising from the sale of investments are calculated as the difference between net sales proceeds and the original or carrying amount and are credited or charged to the income statement.

**(t) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(u) Zakat**

This represent tithes payable by the Company to comply with the principles of Shariah and is approved by the Shariah Committee of the Company. Zakat is calculated using the net asset method and is only provided when there is a commitment or obligation to pay at the end of financial year, as approved by the Shariah Committee.

**(v) Shareholders' fund**

**(i) Wakalah fees, commission expenses, management expenses and other charges**

In accordance with the principles of wakalah, as approved by the Shariah Committee of the Company and agreed between the participants and the Company, wakalah fee will be charged by the shareholders' fund for the underwriting and management of the services provided to participants.

These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, the fees are deferred and recognised over those future periods.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(v) Shareholders' fund (Continued)**

**(i) Wakalah fees, commission expenses, management expenses and other charges (Continued)**

Wakalah fees include upfront fees, risk management charges and fund management and service charges as described in the certificate with the participants of the Company. The components of wakalah fee are disclosed in Note 20.

The wakalah fees charged by the shareholders' fund are used to pay all management and commission expenses in the shareholders' fund, which are incurred on behalf of the family takaful fund. All management expenses are recognised in the shareholders' fund as incurred.

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates are recognised in the shareholders' fund as incurred and properly allocated to the periods in which it is probable they give rise to income.

**(ii) Expense liabilities of the family takaful fund**

The valuation of expense liabilities in relation to certificates of the family takaful fund is conducted separately by the Appointed Actuary in the shareholders' fund. The method used to value expense liabilities is broadly consistent with the method used to value takaful liabilities of the corresponding family takaful certificates, with the added component of expense overruns.

The expense liabilities is released over the term of the takaful certificates and recognised in the income statement.

In valuing the expense liabilities, the present value of expected future expenses payable by the shareholders' fund in managing the takaful fund for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholders' fund that can be determined with reasonable certainty, are taken into consideration.

In valuing the expense overrun, a comparison is done between the projected expense in the budget against the best estimate expense projection.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(v) Shareholders' fund (Continued)**

**(ii) Expense liabilities of the family takaful fund (Continued)**

**Liability adequacy test**

At each reporting date, the Company reviews the expense liabilities of the shareholders' fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholders' fund for all managed takaful certificates still in force at the financial year end.

In performing this review, the Company considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

**(w) Foreign Currencies**

**(i) Functional and Presentation Currency**

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

**(ii) Foreign Currency Transactions**

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of transactions. At each statement of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and translation of monetary items are included in the income statement.

The principal exchange rate for every unit of Singapore Dollar ruling at the statement of financial position date is RM3.04 (2018: RM3.03).

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(x) Leases (Policy applicable before 1 January 2019)**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

**Operating leases - Company as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

The Company does not have any lease arrangements where the Company acts as a lessor.

**(y) Leases (Policy applicable after 1 January 2019)**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(y) Leases (Policy applicable after 1 January 2019) (Continued)**

**(i) As Lessee**

The Company recognises a right-of-use asset and a lease liability in its statement of financial position at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made or before the commencement date, any indirect costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental financing rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment (see Note 2.2(a)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective profit method. It is remeasured to reflect any lease modifications or reassessments.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and leases liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(z) Measurement and impairment of Qard**

Any deficit in the participants' tabarru' fund is made good via a benevolent loan, or Qard, granted by the shareholders' fund to the participants' tabarru' fund. The Qard is stated at cost less any accumulated impairment losses in the shareholders' fund. In the family takaful fund, the Qard is stated at cost. The Qard shall be repaid from future surpluses of the participants' tabarru' fund.

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the family tabarru' fund to determine whether there is objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised in the income statement, is recognised in the income statement.

Impairment losses are subsequently reversed in the income statement if objective evidence exists that the Qard is no longer impaired.

**(aa) Shareholders' Equity**

Shareholders' equity is defined as the residual profit in the assets of an entity after deducting all its liabilities. The following outlines the various types of equity and reserves of the Company.

**(i) Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**(ii) FVOCI reserves**

FVOCI reserves represent the cumulative fair value changes, net of tax, of FVOCI investments until they are disposed or impaired.

**(iii) Redeemable preference shares**

Proceeds from issuance of redeemable preference shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of redeemable preference shares are deducted against share capital.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(aa) Shareholders' Equity (Continued)**

**(iii) Redeemable preference shares (Continued)**

The redeemable preference shares ("RPS") are classified as equity as they are non-cumulative, non-convertible, non-participating in profits, assets or other rights, and has no fixed rate for dividends. The RPS are transferable only in the manner provided in the Articles of Association, and have no specific redemption date but the Company has an option to redeem the preference shares, which option shall only be exercisable after the expiry of the period of ten (10) years from 14 December 2017 to 14 December 2027.

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to standards and interpretation of standards:

On 1 January 2019, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2019.

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

**New and amended standards and interpretations (Continued)**

The adoption of the above amended standards and interpretations other than MFRS 16 Leases ("MFRS 16") did not have any significant impact on the financial statements of the Company. The nature and effect of adopting MFRS 16 are disclosed in Table A.

**MFRS 16 Leases**

The Company has adopted MFRS 16 on 1 January 2019. The Company applied the standard from its mandatory adoption date, applying the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. The adjustments arising from the new leasing rules are therefore recognised in the opening balances on 1 January 2019.

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental financing rate as of 1 January 2019.

**Table A**

	<b>RM'000</b>
<b>Right-of-use assets</b>	
Operating lease commitments disclosed as at 31 December 2018	2,316
Discounted using the Company's incremental financing rate at the date of initial application	
Less: short term leases recognised on a straight-line basis as expense	(4)
Less: low-value leases recognised on a straight-line basis as expense	(93)
Add: Rentals associated with extension options reasonably certain to be exercised	3,160
	<u>5,379</u>
<b>Lease liability recognised as at 1 January 2019</b>	
Of which are:	
Current lease liabilities	1,345
Non-current lease liabilities	4,034
	<u>5,379</u>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

**New and amended standards and interpretations (Continued)**

**MFRS 16 Leases (Continued)**

The recognised right-of-use assets relate to the following types of assets:

	<b>31.12.2019</b>	<b>1.01.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Right-of-use assets		
- Buildings	4,034	5,379
- Office equipment	147	-
Total right-of-use assets	<u>4,181</u>	<u>5,379</u>

Practical expedients applied

In applying MFRS 16 for the first time, the Company has used the following practical expedients as permitted by the standard:

- the use of a single source discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following are standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretations to standards, if applicable, when they become effective:

**Effective for financial periods beginning on or after 1 January 2020**

Amendments to References to the Conceptual Framework in MFRS Standards

- Amendments to MFRS 2 *Share-based Payments*
- Amendments to MFRS 3 *Business Combinations*
- Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 7 *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

**Effective for financial periods beginning on or after 1 January 2020 (Continued)**

- Amendments to MFRS 9 *Financial Instruments - Interest Rate Benchmark Reform*
- Amendments to MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134 *Interim Financial Reporting*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 *Intangible Assets*
- Amendments to MFRS 139 *Financial Instrument: Recognition and Measurement - Interest Rate Benchmark Reform*
- Amendments to IC Interpretation 12 *Service Concession Arrangements*
- Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*

**Effective for financial periods beginning on or after 1 January 2021 (proposed deferral to 1 January 2022)**

- MFRS 17 *Insurance Contracts*

**Deferred**

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

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

**MFRS 17 *Insurance Contracts***

In August 2017, MFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, was issued to replace MFRS 4.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021 (with proposed deferral to 1 January 2022). The Company plans to adopt the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with the Company's financial statements' presentation and disclosures.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

**3.1 Critical judgements made in application of accounting policies**

In the preparation of the Company's financial statements, management makes estimates, assumptions and judgements that affect the reported amounts of revenues, expenses, assets and liabilities at statement of financial position date. Estimates, assumptions and judgements are continually evaluated and based on internal studies of actual historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**(a) Impairment of FVOCI financial assets (Note 7(a))**

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**3.1 Critical judgements made in application of accounting policies (Continued)**

**(b) Takaful certificate classification (Note 14)**

Certificates are classified as takaful certificates where they transfer significant takaful risk from the certificate holder to the Company. The Company exercises judgement about the level of takaful risk transferred. As a general guideline, the Company determines whether it has significant takaful risk by comparing benefits paid with benefits payable if the covered event did not occur. These additional benefits include claims liability and assessment costs, but exclude loss of the ability to charge the certificate holder for future services. The assessment covers the whole of the expected term of the certificate where such additional benefits could be payable.

**(c) Impairment of receivables (Note 8 and Note 9)**

For retakaful receivables, the Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is an objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Takaful Operators (BNM/RH/PD 033-5). According to the Guidelines, objective evidence of impairment is deemed to exist where the financial assets are individually assessed for impairment if past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

**(d) mySalam Scheme (Note 37)**

In the current financial year, the Company was appointed by the National B40 Protection Trust Fund ("the Trust") to operate the mySalam Scheme.

The significant accounting policies applied by the Company over the mySalam Scheme is consistent with those applied to the Company's own shareholders' fund and family takaful funds.

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**3.2 Key sources of estimation uncertainty (Continued)**

**(a) Uncertainty in accounting estimates for family takaful certificate liabilities (Note 13 and Note 14)**

The estimation of the ultimate liability arising from claims made under family takaful certificates is a critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the family takaful fund will ultimately be required to pay as claims.

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns, surrenders, lapses, contribution holidays and expenses in accordance with contractual and regulatory requirements. One of the most critical liability for the Company would be the claims arising from the takaful certificates. The family takaful fund bases the estimate of expected number of deaths and event when disability occurs according to retakaful rates where applicable. Estimates for medical and accidental claims are made based on the Company's historical experience.

All of these will give rise to estimation uncertainties of projected ultimate liability of the family takaful fund. At each financial year end, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability. The principal uncertainty in the shareholders' fund takaful contract liabilities arises from the technical provisions, which comprise the expense liabilities.

The expense reserve for family takaful business is estimated assuming that the block of in-force certificates are to be maintained on a 'going concern' basis.

The expense reserve is calculated using adjusted parameters to provide sufficient reserves at the appropriate percentile of statistical variation that is higher than the best estimate values. It is the present value of future maintenance expenses on the current in-force family takaful certificates and is further reduced by the present value of future shareholders income that can be realised with reasonable certainty relating to those in-force family takaful certificates.

**(b) Deferred tax assets (Note 11)**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.



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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**3.2 Key sources of estimation uncertainty (Continued)**

**(b) Deferred tax assets (Note 11) (Continued)**

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

**4. MOTOR VEHICLES AND EQUIPMENT**

<u>Shareholders' fund/ Company</u>	<b>Motor vehicles RM'000</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Capital work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>2019</b>					
<b>Cost</b>					
At 1 January 2019	514	18,303	5,498	1,399	25,714
Additions	-	1,231	(134)	5,164	6,261
Transfer	-	4,289	-	(4,289)	-
At 31 December 2019	<u>514</u>	<u>23,823</u>	<u>5,364</u>	<u>2,274</u>	<u>31,975</u>
<b>Accumulated depreciation</b>					
At 1 January 2019	(476)	(9,454)	(4,160)	-	(14,090)
Charge for the year	(35)	(4,252)	(322)	-	(4,609)
At 31 December 2019	<u>(511)</u>	<u>(13,706)</u>	<u>(4,482)</u>	<u>-</u>	<u>(18,699)</u>
<b>Net book value</b>					
At 31 December 2019	<u>3</u>	<u>10,117</u>	<u>882</u>	<u>2,274</u>	<u>13,276</u>
<b>2018</b>					
<b>Cost</b>					
At 1 January 2018	514	11,209	5,501	2,744	19,968
Additions	-	245	20	5,504	5,769
Disposals	-	-	(23)	-	(23)
Transfer	-	6,849	-	(6,849)	-
At 31 December 2018	<u>514</u>	<u>18,303</u>	<u>5,498</u>	<u>1,399</u>	<u>25,714</u>

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**4. MOTOR VEHICLES AND EQUIPMENT (CONTINUED)**

<u>Shareholders' fund/ Company</u>	<b>Motor vehicles RM'000</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Capital work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>2018 (Continued)</b>					
<b>Accumulated depreciation</b>					
At 1 January 2018	(429)	(5,866)	(3,646)	-	(9,941)
Charge for the year	(47)	(3,588)	(527)	-	(4,162)
Disposals	-	-	13	-	13
At 31 December 2018	<u>(476)</u>	<u>(9,454)</u>	<u>(4,160)</u>	<u>-</u>	<u>(14,090)</u>
<b>Net book value</b>					
At 31 December 2018	<u>38</u>	<u>8,849</u>	<u>1,338</u>	<u>1,399</u>	<u>11,624</u>

Included in motor vehicles and equipment are the cost of fully depreciated assets which are still in use amounting to RM10,782,792 (2018: RM6,874,273).

**5. (a) RIGHT-OF-USE ASSETS**

<u>Shareholders' fund/Company</u>	<b>Right-of- Use: Buildings RM'000</b>	<b>Right-of- Use: Office equipment RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Cost</b>			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16	5,379	-	5,379
At 1 January 2019 (restated)	<u>5,379</u>	<u>-</u>	<u>5,379</u>
Additions	-	176	176
At 31 December 2019	<u>5,379</u>	<u>176</u>	<u>5,555</u>
<b>Accumulated amortisation</b>			
At 1 January 2019	-	-	-
Charge for the year	(1,345)	(29)	(1,374)
At 31 December 2019	<u>(1,345)</u>	<u>(29)</u>	<u>(1,374)</u>
<b>Net book value</b>			
At 31 December 2019	<u>4,034</u>	<u>147</u>	<u>4,181</u>

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**5. (a) RIGHT-OF-USE ASSETS (CONTINUED)**

This note provides information for leases where the Company is a lessee.

The Company has entered into operating lease agreements for office rental and other office equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 5 years. There are also several lease contracts that include extension and termination options.

The Company also has certain leases of office rental with lease terms of 12 months or less and leases of low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Depreciation expense of right-of-use assets	1,374	-
Profit expense on lease liabilities	325	-
Expense related to short-term leases	1	-
Expense related to leases of low-value assets	9	-
Rental of properties	12	1,499
Total amount recognised in profit or loss	<u>1,721</u>	<u>1,499</u>

**5. (b) LEASE LIABILITIES**

<u>Shareholders' fund/Company</u>	<b>Lease</b> <b>Liabilities:</b> <b>Buildings</b> <b>RM'000</b>	<b>Lease</b> <b>Liabilities:</b> <b>Office</b> <b>equipment</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>2019</b>			
<b>Lease liabilities</b>			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16	5,379	-	5,379
At 1 January 2019 (restated)	5,379	-	5,379
Increase	-	176	176
Payment of lease liabilities	(1,568)	(35)	(1,603)
Profit expense on lease liabilities	286	39	325
At 31 December 2019	<u>4,097</u>	<u>180</u>	<u>4,277</u>

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**6. INTANGIBLE ASSETS**

<u>Shareholders' fund/Company</u>	<b>Computer software and licences RM'000</b>	<b>Distribution agreement RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Cost</b>			
At 1 January 2019	3,130	13,000	16,130
Additions	4,251	-	4,251
At 31 December 2019	<u>7,381</u>	<u>13,000</u>	<u>20,381</u>
<b>Accumulated amortisation</b>			
At 1 January 2019	(2,243)	(7,670)	(9,913)
Charge for the year	(584)	(1,640)	(2,224)
At 31 December 2019	<u>(2,827)</u>	<u>(9,310)</u>	<u>(12,137)</u>
<b>Net book value</b>			
At 31 December 2019	<u>4,554</u>	<u>3,690</u>	<u>8,244</u>
<b>2018</b>			
<b>Cost</b>			
At 1 January 2018	2,889	13,000	15,889
Additions	241	-	241
At 31 December 2018	<u>3,130</u>	<u>13,000</u>	<u>16,130</u>
<b>Accumulated amortisation</b>			
At 1 January 2018	(1,767)	(6,030)	(7,797)
Charge for the year	(476)	(1,640)	(2,116)
At 31 December 2018	<u>(2,243)</u>	<u>(7,670)</u>	<u>(9,913)</u>
<b>Net book value</b>			
At 31 December 2018	<u>887</u>	<u>5,330</u>	<u>6,217</u>

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**7. INVESTMENTS**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
FVOCI financial assets:			
Quoted Shariah-approved equities	8,596	85,051	93,647
Government investment issues	-	141,393	141,393
Unquoted Islamic private debt securities	-	159,701	159,701
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	173,584	173,584
Financial instruments with embedded derivatives	-	242	242
Unit trusts - REITS	-	6,390	6,390
Government investment issues	25,885	30,600	56,485
Unquoted Islamic private debt securities	51,310	46,119	97,429
Units held in investment-linked fund	5,929	-	-
Financial assets at AC:			
Islamic investment accounts with licensed Islamic banks	-	137,300	137,300
	<u>91,720</u>	<u>780,380</u>	<u>866,171</u>

The funds' and Company's financial assets are summarised by categories as follows:

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
FVOCI financial assets (Note 7(a))	8,596	386,145	394,741
Financial assets at FVTPL (Note 7(b))	83,124	256,935	334,130
Financial assets at AC (Note 7(c))	-	137,300	137,300
	<u>91,720</u>	<u>780,380</u>	<u>866,171</u>

The following investments mature after  
12 months:

FVOCI financial assets	-	266,614	266,614
Financial assets at FVTPL	72,178	74,696	146,874
	<u>72,178</u>	<u>341,310</u>	<u>413,488</u>

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**7. INVESTMENTS (CONTINUED)**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2018</b>			
FVOCI financial assets:			
Quoted Shariah-approved equities	9,183	67,348	76,531
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	121,683	121,683
Financial instruments with embedded derivatives	-	6	6
Unit trusts - REITS	-	5,297	5,297
Government investment issues	29,213	1,022	30,235
Unquoted Islamic private debt securities	52,088	38,719	90,807
Units held in investment-linked fund	5,438	-	-
Financial assets at AC:			
Islamic investment accounts with licensed Islamic banks	3,500	116,880	120,380
	<u>99,422</u>	<u>578,621</u>	<u>672,605</u>

The funds' and Company's financial assets are summarised by categories as follows:

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
FVOCI financial assets (Note 7(a))	9,183	295,014	304,197
Financial assets at FVTPL (Note 7(b))	86,739	166,727	248,028
Financial assets at AC (Note 7(c))	3,500	116,880	120,380
	<u>99,422</u>	<u>578,621</u>	<u>672,605</u>

The following investments mature after  
12 months:

FVOCI financial assets	-	220,641	220,641
Financial assets at FVTPL	81,301	38,237	119,538
	<u>81,301</u>	<u>258,878</u>	<u>340,179</u>

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**7. INVESTMENTS (CONTINUED)**

**(a) FVOCI financial assets**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2019</b>			
<b>At cost:</b>			
Quoted Shariah-approved equities	8,542	84,547	93,089
Government investment issues	-	136,888	136,888
Unquoted Islamic private debt securities	-	153,975	153,975
	<u>8,542</u>	<u>375,410</u>	<u>383,952</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	8,596	85,051	93,647
Government investment issues	-	141,393	141,393
Unquoted Islamic private debt securities	-	159,701	159,701
	<u>8,596</u>	<u>386,145</u>	<u>394,741</u>
<b>2018</b>			
<b>At cost:</b>			
Quoted Shariah-approved equities	9,781	71,290	81,071
Government investment issues	-	92,332	92,332
Unquoted Islamic private debt securities	-	134,519	134,519
	<u>9,781</u>	<u>298,141</u>	<u>307,922</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	9,183	67,348	76,531
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
	<u>9,183</u>	<u>295,014</u>	<u>304,197</u>

During the financial year ended 31 December 2019, the Company sold quoted Shariah-approved equities as the underlying investments are no longer aligned with the Company's long-term investment strategy. These investments had a fair value of RM3,547,864 (2018: RM3,203,817) at the date of disposal. The cumulative loss on disposal of RM281,420 was reclassified from fair value reserve to retained earnings (2018: RM286,035).

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**7. INVESTMENTS (CONTINUED)**

**(b) Financial assets at FVTPL**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2019</b>			
<b>At fair value:</b>			
<b>Mandatorily measured:</b>			
Quoted Shariah-approved equities	-	173,584	173,584
Financial instruments with embedded derivatives	-	242	242
Unit trusts - REITS	-	6,390	6,390
Units held in investment-linked fund	5,929	-	-
Government investment issues	-	30,600	30,600
Unquoted Islamic private debt securities	-	46,119	46,119
<b>Designated upon initial recognition:</b>			
Government investment issues	25,885	-	25,885
Unquoted Islamic private debt securities	51,310	-	51,310
	<u>83,124</u>	<u>256,935</u>	<u>334,130</u>
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>At fair value:</b>			
<b>Mandatorily measured:</b>			
Quoted Shariah-approved equities	-	121,683	121,683
Financial instruments with embedded derivatives	-	6	6
Unit trusts - REITS	-	5,297	5,297
Units held in investment-linked fund	5,438	-	-
Government investment issues	-	1,022	1,022
Unquoted Islamic private debt securities	-	38,719	38,719
<b>Designated upon initial recognition:</b>			
Government investment issues	29,213	-	29,213
Unquoted Islamic private debt securities	52,088	-	52,088
	<u>86,739</u>	<u>166,727</u>	<u>248,028</u>



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**7. INVESTMENTS (CONTINUED)**

**(c) Financial assets at AC**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2019</b>			
<b>At amortised cost/fair value:</b>			
Islamic investment accounts with licensed Islamic banks	-	137,300	137,300
<b>2018</b>			
<b>At amortised cost/fair value:</b>			
Islamic investment accounts with licensed Islamic banks	3,500	116,880	120,380

Included in Islamic investment accounts with licensed Islamic banks of the Company are short term Islamic investment accounts with original maturity periods of less than 3 months amounting to RM137,300,000 (2018: RM120,380,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

The carrying value of the Islamic investment accounts with licensed Islamic banks approximates fair value due to the relatively short term maturities.

**8. TAKAFUL RECEIVABLES**

<u>Family takaful fund/Company</u>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Contributions due from agents, other intermediaries and corporate shareholder	8,423	10,445
Contribution due arising from the mySalam Scheme (Note 37)	483,609	-
Amount due arising from retakaful operators	1,641	984
	493,673	11,429
Allowance for impairment	(3,688)	(652)
	489,985	10,777
 Movement in impairment allowance account:		
Individual impairment:		
At 1 January	(652)	(3)
Impairment for the year	(3,036)	(649)
At 31 December	(3,688)	(652)

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**8. TAKAFUL RECEIVABLES (CONTINUED)**

Included in the takaful receivables is an amount of RM3.6 million (2018: RM7.0 million) due from a corporate shareholder of the Company, Koperasi Angkatan Tentera (Note 28). The amount receivable is subject to settlement terms stipulated in the takaful certificates.

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

The family takaful fund's and Company's amount due from retakaful operators that are offset are as follows:

	<b>Gross carrying amount RM'000</b>	<b>Gross amounts offset in the statement of financial position RM'000</b>	<b>Net amounts in the statement of financial position RM'000</b>
<b>31 December 2019</b>			
Retakaful contributions	(9,043)	-	(9,043)
Commission earned	-	70	70
Claims recoveries	-	10,614	10,614
	<u>(9,043)</u>	<u>10,684</u>	<u>1,641</u>
<b>31 December 2018</b>			
Retakaful contributions	(12,230)	-	(12,230)
Commission earned	-	28	28
Claims recoveries	-	13,186	13,186
	<u>(12,230)</u>	<u>13,214</u>	<u>984</u>

**9. RETAKAFUL ASSETS**

	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b><u>Family takaful fund/Company</u></b>		
Retakaful of takaful certificates	154,512	124,132
Retakaful of takaful certificates arising from the mySalam Scheme (Note 37)	213,889	-
Total retakaful of takaful certificates (Note 14)	<u>368,401</u>	<u>124,132</u>

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**10. OTHER RECEIVABLES**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2019</b>			
Profit due and accrued	959	4,480	5,439
Other receivables and deposits	1,562	-	1,562
Amount due from family takaful fund *			
(Note 18)	61,525	-	-
	<u>64,046</u>	<u>4,480</u>	<u>7,001</u>
<b>2018</b>			
Profit due and accrued	988	3,402	4,390
Other receivables and deposits	1,013	408	1,421
Amount due from family takaful fund *			
(Note 18)	26,018	-	-
	<u>28,019</u>	<u>3,810</u>	<u>5,811</u>

\* The amount due from family takaful fund is unsecured, not subject to any profit elements and is repayable upon demand.

**11. DEFERRED TAX (LIABILITIES)/ASSETS**

	2019 RM'000	2018 RM'000
<b><u>Shareholders' fund</u></b>		
At beginning of year	(352)	(418)
Recognised in other comprehensive income	(157)	119
Recognised in income statement (Note 26(b))	(505)	(53)
At end of year	<u>(1,014)</u>	<u>(352)</u>

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**11. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)**

The components and movements of deferred tax (liability)/asset of the shareholders' fund during the financial year are as follows:

	← (Liability)/Asset →		
	FVOCI reserves RM'000	FVTPL investment assets RM'000	Total RM'000
<b><u>Shareholders' fund (Continued)</u></b>			
<b>2019</b>			
At 1 January 2019	(299)	(53)	(352)
Recognised in other comprehensive income	(157)	-	(157)
Recognised in income statement	-	(505)	(505)
At 31 December 2019	(456)	(558)	(1,014)
<b>2018</b>			
At 1 January 2018	(418)	-	(418)
Recognised in other comprehensive income	119	-	119
Recognised in income statement	-	(53)	(53)
At 31 December 2018	(299)	(53)	(352)

Deferred tax asset and liability of the shareholders' fund are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	2019 RM'000	2018 RM'000
<b><u>Family takaful fund</u></b>		
At beginning of year	485	(918)
Recognised in other comprehensive income	(1,109)	347
Recognised in income statement (Note 26(a))	(437)	1,056
At end of year	(1,061)	485

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**11. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)**

The components and movements of deferred tax (liability)/asset of the family takaful fund during the financial year are as follows:

	← (Liability)/Asset →		
	FVOCI reserves RM'000	FVTPL investment assets RM'000	Total RM'000
<b><u>Family takaful fund (Continued)</u></b>			
<b>2019</b>			
At 1 January 2019	251	234	485
Recognised in other comprehensive income	(1,109)	-	(1,109)
Recognised in income statement	-	(437)	(437)
At 31 December 2019	(858)	(203)	(1,061)
<b>2018</b>			
At 1 January 2018	(96)	(822)	(918)
Recognised in other comprehensive income	347	-	347
Recognised in income statement	-	1,056	1,056
At 31 December 2018	251	234	485

Deferred tax asset and liability of the family takaful fund are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	2019 RM'000	2018 RM'000
<b><u>Company</u></b>		
At beginning of year	481	(988)
Recognised in other comprehensive income	(1,266)	466
Recognised in income statement	(942)	1,003
At end of year	(1,727)	481

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**11. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)**

The components and movements of deferred tax (liability)/asset of the Company during the financial year are as follows:

	← (Liability)/Asset →		
	FVOCI reserves RM'000	FVTPL investment assets RM'000	Total RM'000
<b><u>Company (Continued)</u></b>			
<b>2019</b>			
At 1 January 2019	250	231	481
Recognised in other comprehensive income	(1,266)	-	(1,266)
Recognised in income statement	-	(942)	(942)
At 31 December 2019	<u>(1,016)</u>	<u>(711)</u>	<u>(1,727)</u>
<b>2018</b>			
At 1 January 2018	(216)	(772)	(988)
Recognised in other comprehensive income	466	-	466
Recognised in income statement	-	1,003	1,003
At 31 December 2018	<u>250</u>	<u>231</u>	<u>481</u>

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

**12. SHARE CAPITAL**

	Number of shares		Amount	
	2019	2018	2019 RM	2018 RM
<b><u>Shareholders' fund/Company</u></b>				
Ordinary shares (a)	135,000	135,000	135,000	135,000
Redeemable preference shares (b)	20,000	20,000	20,000	20,000
	<u>155,000</u>	<u>155,000</u>	<u>155,000</u>	<u>155,000</u>
(a) Ordinary shares:				
At 1 January/31 December	<u>135,000</u>	<u>135,000</u>	<u>135,000</u>	<u>135,000</u>

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**12. SHARE CAPITAL (CONTINUED)**

	Number of shares		Amount	
	2019	2018	2019 RM	2018 RM
(b) Redeemable preference shares:				
At 1 January/31 December	20,000	20,000	20,000	20,000
At 31 December	155,000	155,000	155,000	155,000

The salient features of the redeemable preference shares ("RPS") are as follows:

- (a) The non-cumulative dividend payable to preference shareholders shall be in priority to the dividend (if any) payable to the ordinary shareholders, subject to the ordinary shareholders agreeing to the amount of the dividend to be distributed prior to each distribution;
- (b) Each RPS confers on the preference shareholder the right to receive, *pari passu* with the ordinary shareholders in the share capital of the Company, the repayment in full of the nominal amount of that RPS;
- (c) The RPS are non-cumulative, non-convertible, non-participating in profits, assets or other rights, and there is no fixed rate for dividends declared (if any);
- (d) The RPS are transferable only in the manner provided in the Articles of Association, and have no specific redemption date but the Company has an option to redeem the preference shares. The Company had entered into a Supplemental Agreement dated 21 October 2016 with its shareholders, I Great Capital Holdings Sdn. Bhd. and Koperasi Angkatan Tentera Malaysia Berhad to extend the tenure for the option to redeem the RPS for a further period of 10 years as part of the measure to improve the Company's capital adequacy ratio. The redemption period of the RPS was accordingly, extended from 14 December 2017 to 14 December 2027; and
- (e) The redeemable preference shares confer on a preference shareholder the right to receive notices of general meetings, reports and balance sheets of the Company, and to attend general meetings and the preference shareholder is entitled to vote in each of the relevant circumstances as stipulated in the Companies Act, 2016 only.

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**13. EXPENSE LIABILITIES**

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
<b><u>Shareholders' fund/Company</u></b>		
Provision for expense liabilities	35,127	22,048
Provision for expense over-run	6,426	4,743
	<u>41,553</u>	<u>26,791</u>
At beginning of the year	26,791	22,634
Change in expense liabilities	13,079	4,955
Expense over-run reserves	1,683	(798)
	<u>14,762</u>	<u>4,157</u>
	<u>41,553</u>	<u>26,791</u>

The expense liabilities are set aside as a provision, as determined by the Appointed Actuary, in the Shareholders' fund. The total reserves amount in the Shareholders' fund includes the expense liabilities, as well as any potential expense over-run.

**14. TAKAFUL CERTIFICATE LIABILITIES**

	<b>Gross</b> <b>RM'000</b>	<b>Retakaful</b> <b>(Note 9)</b> <b>RM'000</b>	<b>Net</b> <b>RM'000</b>
<b><u>Family takaful fund</u></b>			
<b>2019</b>			
Provision for outstanding claims reported by certificate holders	86,226	(60,011)	26,215
Actuarial reserves	128,562	(94,501)	34,061
Participants' investment account ("PIA")	321,458	-	321,458
Net asset value attributable to certificate holders	312,031	-	312,031
Accumulated surplus	33,087	-	33,087
Takaful certificate liabilities for mySalam (including accumulated surplus (Note 37))	453,164	(213,889)	239,275
	<u>1,334,528</u>	<u>(368,401)</u>	<u>966,127</u>



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**14. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)**

The movement of the family takaful certificate liabilities is further analysed as follows:

	<b>Gross RM'000</b>	<b>Retakaful (Note 9) RM'000</b>	<b>Net RM'000</b>
<b><u>Family takaful fund (Continued)</u></b>			
<b>2019 (continued)</b>			
At 1 January 2019	666,627	(124,132)	542,495
Benefits intimated during the year	218,858	(102,345)	116,513
Benefits paid during the year	(156,642)	58,352	(98,290)
Increase in liabilities due to:			
Portfolio movements	402,937	(202,764)	200,173
Surplus allocated to participants during the year (Note 15(i))	16,534	-	16,534
Change in assumptions and basis	(3,243)	2,488	(755)
Surplus arising during the year	189,457	-	189,457
At 31 December 2019	<u>1,334,528</u>	<u>(368,401)</u>	<u>966,127</u>
<b>2018</b>			
Provision for outstanding claims reported by certificate holders	32,942	(23,163)	9,779
Actuarial reserves	128,885	(100,969)	27,916
Participants' investment account ("PIA")	253,540	-	253,540
Net asset value attributable to certificate holders	221,827	-	221,827
Accumulated surplus	29,433	-	29,433
	<u>666,627</u>	<u>(124,132)</u>	<u>542,495</u>

The movement of the family takaful certificate liabilities is further analysed as follows:

At 1 January 2018	520,598	(98,529)	422,069
Benefits intimated during the year	120,680	(45,006)	75,674
Benefits paid during the year	(110,599)	38,980	(71,619)
Increase in liabilities due to:			
Portfolio movements	109,310	(12,313)	96,997
Surplus allocated to participants during the year (Note 15(i))	17,314	-	17,314
Change in assumptions and basis	8,126	(7,264)	862
Surplus arising during the year	1,198	-	1,198
At 31 December 2018	<u>666,627</u>	<u>(124,132)</u>	<u>542,495</u>

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**14. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)**

<u>Company</u>	<b>Gross RM'000</b>	<b>Retakaful (Note 9) RM'000</b>	<b>Net RM'000</b>
<b>2019</b>			
Provision for outstanding claims reported by certificate holders	95,157	(67,156)	28,001
Actuarial reserves	386,992	(301,245)	85,747
Participants' investment account ("PIA")	321,458	-	321,458
Net asset value attributable to certificate holders	308,392	-	308,392
Accumulated surplus	218,890	-	218,890
Unallocated surplus	23,542	-	23,542
FVOCI reserves	10,828	-	10,828
	<u>1,365,259</u>	<u>(368,401)</u>	<u>996,858</u>

The movement of the family takaful certificate liabilities is further analysed as follows:

At 1 January 2019	682,846	(124,132)	558,714
Benefits intimated during the year	218,858	(102,345)	116,513
Benefits paid during the year	(156,642)	58,352	(98,290)
Increase in liabilities due to:			
Portfolio movements	402,937	(202,764)	200,173
Change in assumptions and basis	(3,243)	2,488	(755)
Net surplus arising during the year	189,457	-	189,457
Surplus distributable to participants	18,274	-	18,274
FVOCI fair value gain for the year	13,881	-	13,881
Deferred tax relating to FVOCI fair value gain	(1,109)	-	(1,109)
At 31 December 2019	<u>1,365,259</u>	<u>(368,401)</u>	<u>996,858</u>

**2018**

Provision for outstanding claims reported by certificate holders	32,942	(23,163)	9,779
Actuarial reserves	128,885	(100,969)	27,916
Participants' investment account ("PIA")	253,540	-	253,540
Net asset value attributable to certificate holders	218,188	-	218,188
Accumulated surplus	29,433	-	29,433
Unallocated surplus	21,802	-	21,802
FVOCI reserves	(1,944)	-	(1,944)
	<u>682,846</u>	<u>(124,132)</u>	<u>558,714</u>

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**14. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)**

The movement of the family takaful certificate liabilities is further analysed as follows:

	<b>Gross RM'000</b>	<b>Retakaful (Note 9) RM'000</b>	<b>Net RM'000</b>
<b><u>Company (Continued)</u></b>			
<b>2018 (continued)</b>			
At 1 January 2018	538,759	(98,529)	440,230
Benefits intimated during the year	120,680	(45,006)	75,674
Benefits paid during the year	(110,599)	38,980	(71,619)
Increase in liabilities due to:			
Portfolio movements	109,310	(12,313)	96,997
Change in assumptions and basis	8,126	(7,264)	862
Net surplus arising during the year	1,198		1,198
Surplus distributable to participants	17,990	-	17,990
FVOCI fair value gain for the year	(2,894)	-	(2,894)
Deferred tax relating to FVOCI fair value gain	276	-	276
At 31 December 2018	<u>682,846</u>	<u>(124,132)</u>	<u>558,714</u>

**15. PARTICIPANTS' FUND**

	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b><u>Family takaful fund</u></b>		
Unallocated surplus (Note (i))	23,542	21,802
FVOCI reserves (Note (ii))	<u>10,828</u>	<u>(1,944)</u>
	<u>34,370</u>	<u>19,858</u>
(i) Unallocated surplus:		
At beginning of the year	21,802	21,126
Surplus distributable to participants	18,274	17,990
Surplus allocated to participants (Note 14)	<u>(16,534)</u>	<u>(17,314)</u>
At end of the year	<u>23,542</u>	<u>21,802</u>
(ii) FVOCI reserves:		
At beginning of the year	(1,944)	674
Net gain/(loss) recognised during the year	<u>12,772</u>	<u>(2,618)</u>
At end of the year	<u>10,828</u>	<u>(1,944)</u>

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**16. AMOUNT DUE TO RELATED COMPANIES - SHAREHOLDERS' FUND/COMPANY**

The amount due to related companies is unsecured, not subject to any profit elements and repayable upon demand.

**17. TAKAFUL PAYABLES**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2019</b>			
Due to clients, agents and other intermediaries	5,813	-	5,813
Amount due to retakaful operators	-	12,393	12,393
Amount due to retakaful operators of the mySalam Scheme (Note 37)	-	201,360	201,360
	<u>5,813</u>	<u>213,753</u>	<u>219,566</u>

**2018**

Due to clients, agents and other intermediaries	10,534	-	10,534
Amount due to retakaful operators	-	11,448	11,448
	<u>10,534</u>	<u>11,448</u>	<u>21,982</u>

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

The family takaful fund's and Company's amount due to retakaful operators that are offset are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
<b>2019</b>			
Retakaful contributions	236,018	-	236,018
Claims recoveries	-	(22,221)	(22,221)
Commissions	-	(44)	(44)
	<u>236,018</u>	<u>(22,265)</u>	<u>213,753</u>

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**17. TAKAFUL PAYABLES (CONTINUED)**

	<b>Gross carrying amount RM'000</b>	<b>Gross amounts offset in the statement of financial position RM'000</b>	<b>Net amounts in the statement of financial position RM'000</b>
<b>2018</b>			
Retakaful contributions	18,584	-	18,584
Claims recoveries	-	(7,111)	(7,111)
Commissions	-	(25)	(25)
	<u>18,584</u>	<u>(7,136)</u>	<u>11,448</u>

**18. OTHER PAYABLES**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Deposit contributions	-	10,899	10,899
Amount due to shareholders' fund* (Note 10)	-	61,525	-
Accruals	16,238	-	16,238
Agents' retirement benefits (Note 18.1)	8,543	-	8,543
Other payables and sundry creditors	<u>14,858</u>	<u>10,845</u>	<u>25,703</u>
	<u>39,639</u>	<u>83,269</u>	<u>61,383</u>
<b>2018</b>			
Deposit contributions	-	1,195	1,195
Amount due to shareholders' fund* (Note 10)	-	26,018	-
Accruals	9,953	-	9,953
Agents' retirement benefits (Note 18.1)	8,773	-	8,773
Other payables and sundry creditors	<u>14,574</u>	<u>8,299</u>	<u>22,873</u>
	<u>33,300</u>	<u>35,512</u>	<u>42,794</u>

\* The amount due to shareholders' fund is unsecured, not subject to any profit elements and repayable upon demand.

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**18. OTHER PAYABLES (CONTINUED)****18.1 Agents' retirement benefits**

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
<b><u>Shareholders' fund</u></b>		
At 1 January	8,773	5,644
(Reversals)/provision for the year	(230)	3,129
At 31 December	<u>8,543</u>	<u>8,773</u>
 Payable after 12 months	 <u>8,543</u>	 <u>8,773</u>

**19. PROVISIONS**

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
<b><u>Shareholders' fund/Company</u></b>		
Provision for bonus (Note 19.1)	6,612	5,905
Provision for short-term accumulating compensated absences	438	373
	<u>7,050</u>	<u>6,278</u>

**19.1 Provision for bonus**

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
<b><u>Shareholders' fund</u></b>		
At 1 January	5,905	5,120
Provision for the year	6,612	5,904
Utilised during the year	(4,935)	(4,057)
Overprovision in prior year	(970)	(1,062)
At 31 December	<u>6,612</u>	<u>5,905</u>

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**20. WAKALAH FEE INCOME**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Shareholders' fund</u></b>		
Upfront fee	205,832	145,867
Fund management and service charges	11,914	9,879
	<u>217,746</u>	<u>155,746</u>

**21. INVESTMENT INCOME**

	<b>Shareholders' fund</b>	<b>Family takaful fund</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2019</b>			
FVOCI financial assets:			
Profit income	-	11,357	11,357
Dividend income	476	3,304	3,780
Net amortisation	-	(167)	(167)
Financial assets at FVTPL:			
- mandatorily measured:			
Profit income	-	2,937	2,937
Dividend income	-	4,611	4,611
- designated upon initial recognition:			
Profit income	3,641	-	3,641
Profit income from financial assets at AC	295	3,487	3,782
Gross investment income	4,412	25,529	29,941
Less: Investment expenses	(160)	(823)	(983)
	<u>4,252</u>	<u>24,706</u>	<u>28,958</u>

During the year ended 31 December 2019, dividend income relating to quoted shariah-approved equities measured at FVOCI were:

	<b>RM'000</b>
Derecognised during the reporting year	171
Held at the end of the reporting year	<u>3,609</u>
	<u>3,780</u>

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**21. INVESTMENT INCOME (CONTINUED)**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2018</b>			
FVOCI financial assets:			
Profit income	-	9,510	9,510
Dividend income	398	2,698	3,096
Net amortisation	-	(110)	(110)
Financial assets at FVTPL:			
- mandatorily measured:			
Profit income	-	2,080	2,080
Dividend income	-	3,646	3,646
- designated upon initial recognition:			
Profit income	3,212	-	3,212
Profit income from financial assets at AC	205	3,122	3,327
Gross investment income	3,815	20,946	24,761
Less: Investment expenses	(1)	(1,040)	(1,041)
	<u>3,814</u>	<u>19,906</u>	<u>23,720</u>

During the year ended 31 December 2018, dividend income relating to quoted shariah-approved equities measured at FVOCI were:

	RM'000
Derecognised during the reporting year	716
Held at the end of the reporting year	<u>2,380</u>
	<u>3,096</u>

**22. REALISED GAINS/(LOSSES)**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2019</b>			
<b>FVOCI financial assets:</b>			
Realised gains:			
Government investment issues	-	1,372	1,372
<b>Total realised gains for FVOCI financial assets</b>	<u>-</u>	<u>1,372</u>	<u>1,372</u>



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**22. REALISED GAINS/(LOSSES) (CONTINUED)**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2019 (Continued)</b>			
<b>Financial assets at FVTPL:</b>			
Realised gains/(losses):			
<u>Mandatorily measured:</u>			
Shariah-approved equities			
- quoted in Malaysia	-	4,103	4,103
Unit trusts - REITS	-	141	141
Government investment issues	-	2,578	2,578
Unquoted Islamic private debt securities	-	1,151	1,151
	<u>-</u>	<u>7,973</u>	<u>7,973</u>
<u>Designated upon initial recognition:</u>			
Government investment issues	131	-	131
Unquoted Islamic private debt securities	626	-	626
	<u>757</u>	<u>-</u>	<u>757</u>
<b>Total realised gains for financial assets at FVTPL</b>	<u>757</u>	<u>7,973</u>	<u>8,730</u>
	<u>757</u>	<u>9,345</u>	<u>10,102</u>
	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2018</b>			
<b>FVOCI financial assets:</b>			
Realised gains:			
Government investment issues	-	407	407
Unquoted Islamic private debt securities	-	20	20
<b>Total realised gains for FVOCI financial assets</b>	<u>-</u>	<u>427</u>	<u>427</u>

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**22. REALISED GAINS/(LOSSES) (CONTINUED)**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2018 (Continued)</b>			
<b>Financial assets at FVTPL:</b>			
Realised gains/(losses):			
<u>Mandatorily measured:</u>			
Shariah-approved equities			
- quoted in Malaysia	-	(4,338)	(4,338)
Financial instruments with embedded derivatives	8	83	91
Unit trusts - REITS	-	29	29
Government investment issues	-	297	297
Unquoted Islamic private debt securities	-	244	244
	<u>8</u>	<u>(3,685)</u>	<u>(3,677)</u>
<u>Designated upon initial recognition:</u>			
Government investment issues	36	-	36
Unquoted Islamic private debt securities	61	-	61
	<u>97</u>	<u>-</u>	<u>97</u>
<b>Total realised gains/(losses) for financial assets at FVTPL</b>	<u>105</u>	<u>(3,685)</u>	<u>(3,580)</u>
	<u>105</u>	<u>(3,258)</u>	<u>(3,153)</u>

**23. FAIR VALUE GAINS/(LOSSES)**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2019</b>			
Financial assets at FVTPL	<u>2,104</u>	<u>5,033</u>	<u>6,646</u>
<b>2018</b>			
Financial assets at FVTPL	<u>(143)</u>	<u>(12,736)</u>	<u>(12,940)</u>

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**24. WAKALAH FEE EXPENSE**

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
<b><u>Family takaful fund</u></b>		
Upfront fee	205,832	145,867
Fund management and service charges	11,914	9,879
	<u>217,746</u>	<u>155,746</u>

**25. MANAGEMENT EXPENSES**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Staff costs:			
Salaries, bonus and other related costs	28,890	-	28,890
Deferred contribution plans	4,059	-	4,059
Social security contribution	193	-	193
Short-term accumulating compensated absences	65	-	65
	33,207	-	33,207
Non-executive directors' remuneration (Note 25(b))	600	-	600
Shariah committee members' remuneration (Note 25(c))	262	-	262
Auditors' remuneration:			
- statutory audit	307	13	320
- regulatory related fees	74	-	74
- non-audit fee	320	-	320
Agency related expenses	24,907	-	24,907
Advertising and marketing expenses	7,612	6	7,618
Rental of properties	12	-	12
Rental of equipment	54	-	54
Depreciation of motor vehicles and equipment (Note 4)	4,609	-	4,609
Depreciation of right-of-use assets (Note 5a)	1,374	-	1,374
Amortisation of intangible assets (Note 6)	2,224	-	2,224
Profit expense on lease liabilities (Note 5b)	325	-	325
Marketing and communication	3,922	-	3,922
Electronic data processing	532	-	532
Management fees	2,322	-	2,322
Shared services charges	12,923	-	12,923
Outsourcing charges	11,307	-	11,307
Other expenses	7,862	3,338	11,200
	<u>114,755</u>	<u>3,357</u>	<u>118,112</u>

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**25. MANAGEMENT EXPENSES (CONTINUED)**

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2018</b>			
Staff costs:			
Salaries, bonus and other related costs	24,635	-	24,635
Deferred contribution plans	3,555	-	3,555
Social security contribution	170	-	170
Short-term accumulating compensated absences	-	-	-
	28,360	-	28,360
Non-executive directors' remuneration (Note 25(b))	544	-	544
Shariah committee members' remuneration (Note 25(c))	221	-	221
Auditors' remuneration:			
- statutory audit	252	12	252
- regulatory related fees	58	-	70
- non-audit fee	128	-	128
Agency related expenses	18,540	-	18,540
Advertising and marketing expenses	6,812	5	6,817
Rental of properties	1,499	-	1,499
Rental of equipment	159	-	159
Depreciation of motor vehicles and equipment (Note 4)	4,162	-	4,162
Amortisation of intangible assets (Note 6)	2,116	-	2,116
Marketing and communication	1,554	-	1,554
Electronic data processing	436	-	436
Management fees	4,327	-	4,327
Shared services charges	10,853	-	10,853
Other expenses	8,083	2,171	10,254
	<u>88,104</u>	<u>2,188</u>	<u>90,292</u>

**(a) Chief Executive Officer ("CEO")'s remuneration**

The details of remuneration received and receivable by the CEO included in staff costs during the year are as follows:

	2019 RM'000	2018 RM'000
Salaries and bonus	1,017	1,048
Deferred contribution plans	163	167
Others	32	19
	<u>1,212</u>	<u>1,234</u>

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**25. MANAGEMENT EXPENSES (CONTINUED)**

**(b) Non-executive directors' remuneration:**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Shareholders' fund/Company</u></b>		
<b>Non-executive directors' remuneration:</b>		
<u>Fees:</u>		
<u>Current directors:</u>		
Datuk Kamaruddin bin Taib (Chairman)	97	98
Mr Norman Ka Cheung Ip	51	65
Major General Dato' Zulkiflee bin Mazlan (Rtd)	50	50
Datin Zaharah binti Ali	57	50
Mr Lee Kong Yip	62	62
Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	42	26
	<u>359</u>	<u>351</u>
<u>Allowances:</u>		
<u>Current directors:</u>		
Datuk Kamaruddin bin Taib (Chairman)	37	34
Mr Norman Ka Cheung Ip	35	36
Major General Dato' Zulkiflee bin Mazlan (Rtd)	43	37
Datin Zaharah binti Ali	44	31
Mr Lee Kong Yip	43	39
Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	39	16
	<u>241</u>	<u>193</u>
	<u>600</u>	<u>544</u>

The directors' fees are subject to the recommendation of the Nominations and Remuneration Committee to the Board of Directors for endorsement and approval by shareholders at the Annual General Meeting.

The number of directors whose total remuneration received from the Company during the year that fall within the following bands is analysed as follows:

	<b>2019</b>	<b>2018</b>
<b><u>Shareholders' fund/Company</u></b>		
<b>Non-Executive directors</b>		
Below RM50,000	-	1
RM50,001 - RM100,000	3	2
RM100,001 - RM150,000	3	3
	<u>3</u>	<u>3</u>

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**25. MANAGEMENT EXPENSES (CONTINUED)**

**(c) Shariah Committee Members' remuneration:**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Shareholders' fund/Company</u></b>		
<u>Fees:</u>		
Dr. Akhtarzaite binti Abdul Aziz	41	36
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	35	30
Dr. Mohamad Sabri bin Zakaria	35	30
Assoc. Prof. Dr. Siti Salwani binti Razali	35	30
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	35	30
Dr. Mohammad Firdaus bin Mohammad Hatta	35	30
	<u>216</u>	<u>186</u>
<u>Other emoluments:</u>		
Dr. Akhtarzaite binti Abdul Aziz	8	6
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	8	5
Dr. Mohamad Sabri bin Zakaria	8	6
Assoc. Prof. Dr. Siti Salwani binti Razali	8	6
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	7	6
Dr. Mohammad Firdaus bin Mohammad Hatta	7	6
	<u>46</u>	<u>35</u>
	<u>262</u>	<u>221</u>

**26. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) <u>Family takaful fund</u></b>		
Malaysian income tax:		
Current year	1,922	558
Under provision in prior year	335	231
	2,257	789
Deferred tax relating to the origination and reversal of temporary differences:		
Current year	400	(1,056)
Under provision in prior year	37	-
	437	(1,056)
Tax expense for the year	<u>2,694</u>	<u>(267)</u>

The Malaysian income tax of the family takaful fund is based on the method prescribed under the Income Tax Act, 1967 for takaful business. The income tax for the family takaful fund is calculated based on tax rate of 8% (2018: 8%) of the chargeable investment income net of allowable deductions for the year.

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**26. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION (CONTINUED)**

	2019 RM'000	2018 RM'000
<b>(b) <u>Shareholders' fund/Company</u></b>		
Malaysian income tax:		
Current year	4,701	4,496
Under provision in prior year	29	1,483
	4,730	5,979
Deferred tax relating to the origination and reversal of temporary differences (Note 11):		
Current year	505	(36)
Under provision in prior year	-	89
	505	53
Tax expense for the year	<u>5,235</u>	<u>6,032</u>

Domestic income tax for the shareholders' fund/Company is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated chargeable income for the year.

A reconciliation of income tax expense applicable to loss before zakat and taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the shareholders' fund is as follows:

	2019 RM'000	2018 RM'000
<b><u>Shareholders' fund</u></b>		
Profit/(loss) before zakat and taxation	<u>8,773</u>	<u>(3,769)</u>
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	2,106	(905)
Expenses not deductible for tax purposes	48,083	42,740
Income not subject to tax	(44,983)	(37,375)
Under provision in prior years	29	1,572
Tax expense for the year	<u>5,235</u>	<u>6,032</u>

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**26. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION (CONTINUED)**

**(b) Shareholders' fund/Company (Continued)**

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

<b><u>Company</u></b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Profit/(loss) before zakat and taxation	8,282	(3,830)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	1,988	(919)
Expenses not deductible for tax purposes	48,201	42,754
Income not subject to tax	(44,983)	(37,375)
Under provision in prior years	29	1,572
Tax expense for the year	5,235	6,032

**27. PROFIT/(LOSS) PER SHARE - BASIC AND DILUTED**

The basic profit/(loss) per share is calculated by dividing the net profit/(loss) for the year by the number of ordinary shares in issue during the year as follows:

<b><u>Company</u></b>	<b>2019</b>	<b>2018</b>
Net profit/(loss) for the year (RM'000)	3,047	(9,862)
Weighted average number/number of ordinary shares in issue ('000)	135,000	135,000
Basic profit/(loss) per share (sen)	2.3	(7.3)

The Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position and therefore, diluted earnings per share are not separately disclosed.



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**28. RELATED PARTY DISCLOSURES**

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and/or operational decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company, the Chief Executive Officer and members of the Senior Management Team.

The main related parties and their relationship with the Company are as follows:

<u>Related parties</u>	<u>Relationship</u>
Oversea-Chinese Banking Corporation Ltd. ("OCBC Bank")	Ultimate holding company
Great Eastern Holdings Ltd.	Penultimate holding company
Great Eastern Life Assurance Co. Ltd.	Intermediate holding company
Great Eastern Capital (Malaysia) Sdn Bhd	Intermediate holding company
I Great Capital Holdings Sdn Bhd	Immediate holding company
Koperasi Angkatan Tentera Malaysia Berhad	Corporate shareholder of the Company
Great Eastern Life Assurance (Malaysia) Berhad	Subsidiary of intermediate holding company
OCBC Al-Amin Berhad	Subsidiary of ultimate holding company
OCBC Bank (Malaysia) Berhad	Subsidiary of ultimate holding company

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

(i) Transactions with related parties during the financial year:

<u>Company</u>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<u>(Expenses)/income:</u>		
Service charges (vi):		
- Koperasi Angkatan Tentera Malaysia Berhad	(1,120)	(1,164)
Commission expenses/administration fees paid (ii):		
- OCBC Al-Amin Bank Berhad	(1,975)	(724)
- Koperasi Angkatan Tentera Malaysia Berhad	(4,143)	(4,178)

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**28. RELATED PARTY DISCLOSURES (CONTINUED)**

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year: (Continued)

(i) Transactions with related parties during the financial year: (Continued)

<b><u>Company</u></b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b><u>(Expenses)/income: (Continued)</u></b>		
Custodian fees (ii):		
- OCBC Bank (Malaysia) Berhad	-	(68)
Bank charges (ii):		
- OCBC Al-Amin Bank Berhad	(124)	(173)
Credit card charges (ii):		
- OCBC Bank (Malaysia) Berhad	(1,414)	(1,077)
Rental of properties (v):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,517)	(1,399)
- Koperasi Angkatan Tentera Malaysia Berhad	(18)	(41)
Profit income (iii):		
- OCBC Al-Amin Bank Berhad	2,140	1,978
(Charges)/income for outsourcing services (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(8,929)	(8,932)
- I Great Capital Holdings Sdn Bhd	79	79
Charges for group services (vi):		
- Great Eastern Life Assurance (Malaysia) Berhad	(4,259)	(2,026)
- Great Eastern Life Assurance Co. Ltd.	(2,322)	(4,327)
Shariah Committee members' fees	<u>(262)</u>	<u>(221)</u>

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**28. RELATED PARTY DISCLOSURES (CONTINUED)**

(a) (Continued)

(ii) Balances with related parties at year end:

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Cash and bank balances:		
- OCBC Al-Amin Bank Berhad	20,893	16,364
Islamic investment accounts with licensed Islamic banks:		
- OCBC Al-Amin Bank Berhad	59,800	79,630
Amount due (to)/from related companies:		
- Great Eastern Life Assurance (Malaysia) Berhad	(7,612)	(3,891)
- Great Eastern Life Assurance Co. Ltd.	(11,650)	(5,054)
- I Great Capital Holdings Sdn Bhd	33	6
	<u>(19,229)</u>	<u>(8,939)</u>
Takaful receivables:		
- Koperasi Angkatan Tentera Malaysia Berhad	<u>3,618</u>	<u>7,042</u>

Related companies are companies within the Oversea-Chinese Banking Corporation Limited ("OCBC Group"):

- (i) The sale and purchase of investments to related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees;
- (ii) Payment of commissions, custodian fees and bank charges to related parties are made according to normal market prices;
- (iii) The profit income arose mainly from investments in fixed deposits and repurchase agreements which are made according to prevailing market rates, terms and conditions;
- (iv) The outsourcing agreements were made at arm's length and approved by the Board;
- (v) Rental of property from related parties are made according to normal market prices, terms and conditions; and
- (vi) Payment of Group function costs based on allocation rates governed by corporate service agreement and in line with Malaysian Transfer Pricing Guidelines and Organisation for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines. Group function services are derived from immediate parent company in Singapore, Great Eastern Life Assurance Co. Ltd.

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**28. RELATED PARTY DISCLOSURES (CONTINUED)**

(a) (Continued)

The table below shows the breakdown by type of services received and geographical location for inter company charges:

<b>Geographical Location</b>	<b>Type of Services</b>	<b>2019 RM</b>	<b>2018 RM</b>
Singapore	Group service charges for services rendered, which include those in respect of strategic management, finance, actuarial, risk management and compliance, human capital, investment management, operations, information technology and market distribution.		
		(2,322)	(4,327)
		(2,322)	(4,327)

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

	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>Key management personnel's remuneration:</b>		
Non-executive directors	600	544
Salaries and bonus	4,165	3,446
Deferred contribution plans	649	539
Benefits-in-kind	25	17
	<u>5,439</u>	<u>4,546</u>

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**29. REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as prescribed under the RBCT is provided below:

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
<b>Eligible Tier 1 Capital</b>			
Share capital	135,000	-	135,000
Accumulated losses	(85,998)	-	(85,998)
Valuation surplus maintained in the takaful funds	-	21,907	21,907
	<u>49,002</u>	<u>21,907</u>	<u>70,909</u>
<b>Eligible Tier 2 Capital</b>			
FVOCI reserves	41	(1,601)	(1,560)
Redeemable preference shares	20,000	-	20,000
	<u>20,041</u>	<u>(1,601)</u>	<u>18,440</u>
<b>Deductions</b>			
Intangible assets	(8,244)	-	(8,244)
	<u>(8,244)</u>	<u>-</u>	<u>(8,244)</u>
<b>Capital Available</b>	<u>60,799</u>	<u>20,306</u>	<u>81,105</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(7,473)	(7,473)
<b>Total Capital Available</b>	<u>60,799</u>	<u>12,833</u>	<u>73,632</u>
<b>2018</b>			
<b>Eligible Tier 1 Capital</b>			
Share capital	135,000	-	135,000
Accumulated losses	(89,322)	-	(89,322)
Valuation surplus maintained in the takaful funds	-	14,803	14,803
	<u>45,678</u>	<u>14,803</u>	<u>60,481</u>
<b>Eligible Tier 2 Capital</b>			
FVOCI reserves	(455)	(288)	(743)
Redeemable preference shares	20,000	-	20,000
	<u>19,545</u>	<u>(288)</u>	<u>19,257</u>
<b>Deductions</b>			
Intangible assets	(6,217)	-	(6,217)
	<u>(6,217)</u>	<u>-</u>	<u>(6,217)</u>
<b>Capital Available</b>	<u>59,006</u>	<u>14,515</u>	<u>73,521</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(6,997)	(6,997)
<b>Total Capital Available</b>	<u>59,006</u>	<u>7,518</u>	<u>66,524</u>

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**30. FINANCIAL INSTRUMENTS BY CATEGORY**

						Assets not in scope of	
<u>Shareholders' fund</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	MFRS 9 RM'000	Total RM'000
<b>2019</b>							
<b>Assets</b>							
Motor vehicles and equipment	4	-	-	-	-	13,276	13,276
Right-of-use assets	5(a)	-	-	-	-	4,181	4,181
Intangible assets	6	-	-	-	-	8,244	8,244
Investments	7	8,596	83,124	-	91,720	-	91,720
Other receivables	10	-	-	64,046	64,046	-	64,046
Tax recoverable		-	-	-	-	867	867
Cash and bank balances		-	-	5,284	5,284	-	5,284
<b>Total assets</b>		<b>8,596</b>	<b>83,124</b>	<b>69,330</b>	<b>161,050</b>	<b>26,568</b>	<b>187,618</b>

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**30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

		Assets not in scope of MFRS 9					
<u>Shareholders' fund (Continued)</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	MFRS 9 RM'000	Total RM'000
<b>2018</b>							
<b>Assets</b>							
Motor vehicles and equipment	4	-	-	-	-	11,624	11,624
Intangible assets	6	-	-	-	-	6,217	6,217
Investments	7	9,183	86,739	3,500	99,422	-	99,422
Other receivables	10	-	-	28,019	28,019	-	28,019
Tax recoverable		-	-	-	-	784	784
Cash and bank balances		-	-	5,351	5,351	-	5,351
<b>Total assets</b>		<u>9,183</u>	<u>86,739</u>	<u>36,870</u>	<u>132,792</u>	<u>18,625</u>	<u>151,417</u>
		Other financial liabilities		Sub-total		Liabilities not in scope of MFRS 9	Total
		RM'000		RM'000		RM'000	RM'000
		Note					
<b>Liabilities</b>							
Expense liabilities	13		-	-	-	26,791	26,791
Deferred tax liabilities	11		-	-	-	352	352
Amounts due to related companies	16		8,939	8,939	-	-	8,939
Takaful payables	17		10,534	10,534	-	-	10,534
Other payables	18		33,300	33,300	-	-	33,300
Provisions	19		6,278	6,278	-	-	6,278
<b>Total liabilities</b>			<u>59,051</u>	<u>59,051</u>		<u>27,143</u>	<u>86,194</u>

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**30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

		Assets not in scope of of MFRS 9					Total
<u>Family takaful fund</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	RM'000	RM'000
<b>2019</b>							
<b>Assets</b>							
Investments	7	386,145	256,935	137,300	780,380	-	780,380
Takaful receivables	8	-	-	489,985	489,985	-	489,985
Retakaful assets	9	-	-	-	-	368,401	368,401
Other receivables	10	-	-	4,480	4,480	-	4,480
Cash and bank balances		-	-	25,531	25,531	-	25,531
<b>Total assets</b>		<b>386,145</b>	<b>256,935</b>	<b>657,296</b>	<b>1,300,376</b>	<b>368,401</b>	<b>1,668,777</b>
				<b>Other financial liabilities RM'000</b>	<b>Sub-total RM'000</b>	<b>Liabilities not in scope of MFRS 9 RM'000</b>	<b>Total RM'000</b>
		<b>Note</b>					
<b>Liabilities and participants' fund</b>							
Provision for taxation				-	-	1,796	1,796
Takaful certificate liabilities			14	-	-	1,334,528	1,334,528
Participants' fund			15	-	-	34,370	34,370
Deferred tax liabilities			11	-	-	1,061	1,061
Takaful payables			17	213,753	213,753	-	213,753
Other payables			18	83,269	83,269	-	83,269
<b>Total liabilities and participants' fund</b>				<b>297,022</b>	<b>297,022</b>	<b>1,371,755</b>	<b>1,668,777</b>



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**30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

		Assets not in scope of of MFRS 9					Total
<u>Family takaful fund (Continued)</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	of MFRS 9 RM'000	RM'000
<b>2018</b>							
<b>Assets</b>							
Investments	7	295,014	166,727	116,880	578,621	-	578,621
Takaful receivables	8	-	-	10,777	10,777	-	10,777
Retakaful assets	9	-	-	-	-	124,132	124,132
Other receivables	10	-	-	3,810	3,810	-	3,810
Deferred tax assets		-	-	-	-	485	485
Cash and bank balances		-	-	16,021	16,021	-	16,021
<b>Total assets</b>		<b>295,014</b>	<b>166,727</b>	<b>147,488</b>	<b>609,229</b>	<b>124,617</b>	<b>733,846</b>
				<b>Other financial liabilities RM'000</b>	<b>Sub-total RM'000</b>	<b>Liabilities not in scope of MFRS 9 RM'000</b>	<b>Total RM'000</b>
		<b>Note</b>					
<b>Liabilities and participants' fund</b>							
Provision for taxation				-	-	401	401
Takaful certificate liabilities	14			-	-	666,627	666,627
Participants' fund	15			-	-	19,858	19,858
Takaful payables	17			11,448	11,448	-	11,448
Other payables	18			35,512	35,512	-	35,512
<b>Total liabilities and participants' fund</b>				<b>46,960</b>	<b>46,960</b>	<b>686,886</b>	<b>733,846</b>

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**30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

<u>Company</u> <b>2019</b>	<b>Note</b>	<b>FVOCI RM'000</b>	<b>FVTPL RM'000</b>	<b>AC RM'000</b>	<b>Sub-total RM'000</b>	<b>Assets not in scope of MFRS 9 RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Motor vehicles and equipment	4	-	-	-	-	13,276	13,276
Right-of-use assets	5(a)	-	-	-	-	4,181	4,181
Intangible assets	6	-	-	-	-	8,244	8,244
Investments	7	394,741	334,130	137,300	866,171	-	866,171
Takaful receivables	8	-	-	489,985	489,985	-	489,985
Retakaful assets	9	-	-	-	-	368,401	368,401
Other receivables	10	-	-	7,001	7,001	-	7,001
Cash and bank balances		-	-	30,815	30,815	-	30,815
<b>Total assets</b>		<b>394,741</b>	<b>334,130</b>	<b>665,101</b>	<b>1,393,972</b>	<b>394,102</b>	<b>1,788,074</b>
<b>Liabilities</b>							
	<b>Note</b>	<b>Other financial liabilities RM'000</b>		<b>Sub-total RM'000</b>	<b>Liabilities not in scope of MFRS 9 RM'000</b>	<b>Total RM'000</b>	
Provision for taxation		-	-	-	929	929	
Expense liabilities	13	-	-	-	41,553	41,553	
Takaful certificate liabilities	14	-	-	-	1,365,259	1,365,259	
Deferred tax liabilities	11	-	-	-	1,727	1,727	
Amounts due to related companies	16	19,229	19,229	-	-	19,229	
Takaful payables	17	219,566	219,566	-	-	219,566	
Lease liabilities	5(b)	4,277	4,277	-	-	4,277	
Other payables	18	61,383	61,383	-	-	61,383	
Provisions	19	7,050	7,050	-	-	7,050	
<b>Total liabilities</b>		<b>311,505</b>	<b>311,505</b>	<b>1,409,468</b>	<b>1,720,973</b>		

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**30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

<b><u>Company (Continued)</u></b>	<b>Note</b>	<b>Assets not in scope of MFRS 9</b>					<b>Total</b>
		<b>FVOCI</b>	<b>FVTPL</b>	<b>AC</b>	<b>Sub-total</b>	<b>RM'000</b>	
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2018</b>							
<b>Assets</b>							
Motor vehicles and equipment	4	-	-	-	-	11,624	11,624
Intangible assets	6	-	-	-	-	6,217	6,217
Investments	7	304,197	248,028	120,380	672,605	-	672,605
Takaful receivables	8	-	-	10,777	10,777	-	10,777
Retakaful assets	9	-	-	-	-	124,132	124,132
Other receivables	10	-	-	5,811	5,811	-	5,811
Deferred tax assets		-	-	-	-	481	481
Tax recoverable		-	-	-	-	383	383
Cash and bank balances		-	-	21,372	21,372	-	21,372
<b>Total assets</b>		<b>304,197</b>	<b>248,028</b>	<b>158,340</b>	<b>710,565</b>	<b>142,837</b>	<b>853,402</b>
		<b>Other financial liabilities</b>					
		<b>Sub-total</b>					
		<b>Liabilities not in scope of MFRS 9</b>					
<b>Liabilities</b>	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Total</b>
							<b>RM'000</b>
Expense liabilities	13	-	-	-	-	26,791	26,791
Takaful certificate liabilities	14	-	-	-	-	682,846	682,846
Amounts due to related companies	16	8,939	8,939	-	-	-	8,939
Takaful payables	17	21,982	21,982	-	-	-	21,982
Other payables	18	42,794	42,794	-	-	-	42,794
Provisions	19	6,278	6,278	-	-	-	6,278
<b>Total liabilities</b>		<b>79,993</b>	<b>79,993</b>	<b>709,637</b>	<b>789,630</b>		

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**

**Governance framework**

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall:

- Operate within parameters and limits that have been set based on the risk appetite approved by the Board; and
- Pursue appropriate risk-adjusted returns.

Risk Management Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Management Committee ("BRMC"), constituted in 2003, provides the oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by the following Management Committees comprising the Chief Executive Officer and key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset-Liability Committee ("ALC")
- Product Development Committee ("PDC")
- Information Technology Steering Committee ("ITSC")
- Financial Crime Committee ("FCC")

The SMT is responsible for providing leadership, direction and functional oversight with regard to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with governance and oversight framework, i.e. standards and guidelines.

The ALC is responsible for balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodologies relating to balance sheet management.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products.

The ITSC is responsible for providing the overall strategic direction and approval of all IT related initiatives to support the Company's strategic growth into the future.

The FCC provides an independent oversight of fraud investigation and anti-money laundering/counter financing of terrorism ("AML/CFT") review, and ensures that investigations and reviews are conducted in a manner that is fair, consistent and transparent.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES  
(CONTINUED)**

**Regulatory framework**

Takaful operators are regulated by the Islamic Financial Services Act, 2013 ("IFSA") which came into force on 30 June 2013, and other relevant regulations issued by regulators from time to time.

**Capital management framework**

The Company's capital management policy is to create shareholders' value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet obligations to certificate holders and regulatory requirements, and to make strategic investments for business growth. The Company has had no significant changes in the policies and processes relating to its capital structure during the year.

Under the Risk-Based Capital Framework for Takaful Operators ("RBCT"), the operator has to maintain a capital adequacy level that commensurate with its risk profiles. The Capital Adequacy Ratio of the Company remained well at above the minimum capital requirement of 130% under the RBCT Framework as prescribed by BNM.

The Internal Capital Adequacy Assessment Process ("ICAAP") Framework came into effect on 1 January 2017. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review of capital position. Capital management and contingencies policies have been further developed and refined under the Framework to outline the approaches and principles under which the Company's capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement has been established to outline the Company's capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The following sections provide details regarding the Company's exposure to the key risks faced by the Company and the objectives, policies and processes for the management of these risks. There has been no major change to the Company's exposure to these key risks or the manner in which it manages and measures these risks.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Takaful risk**

The principal activity of the Company is managing family takaful business including investment-linked business.

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of takaful coverage benefits. This is largely achieved through diversification of certificate holders across industry sectors and geography, the use of medical screening in order to ensure that product pricing takes into account the current health conditions and family medical history, regular review of the actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria.

Takaful risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of takaful contracts. The risks arise when the actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Assumptions that may cause takaful risks to be underestimated include assumptions on certificate lapses, mortality, morbidity and expenses.

The Company utilises retakaful arrangements to manage the mortality and morbidity risks. The Company's retakaful management strategy and policy are reviewed annually by the SMT, BRMC, and the Board as appropriate. Retakaful structures are set based on the type of risk. Catastrophe retakaful is procured to limit catastrophic losses.

Only retakaful operators meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, are considered when deciding on which retakaful operator to cede out the Company's risk to. The only exception is in regard to the required retakaful cessions made to the local national retakaful operators, if any. The Company shall not cede out risks to insurance or reinsurance companies, except in unavoidable cases. The Company limits its risk to any one retakaful operator by ceding different risks to different retakaful operators or to a panel of retakaful operators.

The SMT reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that the policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Takaful risk (Continued)**

For family takaful funds, the risk is that the guaranteed certificate benefits must be met even when investment markets perform poorly, or claims experience is higher than expected. As for investment-linked business, the risk exposure for the Company is predominantly to the underwriting aspect as investment risks are borne by the certificate holders.

Stress Testing ("ST") is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the Operator and Takaful Funds under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment, mortality/morbidity patterns and lapse rates.

**Concentration analysis**

Table 30(A): The table below shows the concentration of expense liabilities of the shareholders' fund actuarial liabilities and unit reserves of the family takaful fund as at the reporting date by type of takaful certificates issued:

<b><u>Shareholders' fund - expense liabilities</u></b>	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2019</b>			
Ordinary family takaful plans	9,328	-	9,328
Investment-linked takaful plans	14,242	-	14,242
Group credit takaful plans	4,069	-	4,069
MySalam	13,914	-	13,914
	<u>41,553</u>	<u>-</u>	<u>41,553</u>
<b>2018</b>			
Ordinary family takaful plans	8,791	-	8,791
Investment-linked takaful plans	13,669	-	13,669
Group credit takaful plans	4,331	-	4,331
	<u>26,791</u>	<u>-</u>	<u>26,791</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Takaful risk (Continued)**

**Concentration analysis (Continued)**

<b><u>Family takaful fund - actuarial reserves,</u></b> <b><u>PIA and net asset value attributable to</u></b> <b><u>certificate holders</u></b>	<b>Gross</b> <b>RM'000</b>	<b>Retakaful</b> <b>RM'000</b>	<b>Net</b> <b>RM'000</b>
<b>2019</b>			
Ordinary family takaful plans	114,925	(71,541)	43,384
Investment-linked takaful plans	354,636	(17,306)	337,330
Group credit takaful plans	286,280	(5,654)	280,626
Tabarru Fund 2	6,210	-	6,210
MySalam	258,430	(206,744)	51,686
	<u>1,020,481</u>	<u>(301,245)</u>	<u>719,236</u>
<b>2018</b>			
Ordinary family takaful plans	113,485	(79,813)	33,672
Investment-linked takaful plans	257,699	(14,935)	242,764
Group credit takaful plans	233,068	(6,221)	226,847
	<u>604,252</u>	<u>(100,969)</u>	<u>503,283</u>

**Sensitivity analysis**

The sensitivity analysis below shows the impact of change in key parameters on the carrying value of takaful certificate liabilities, and hence on the income statement and shareholders' equity.

Sensitivity analyses produced are based on parameters set out as follows:

**Change in Assumptions**

(a) Scenario 1 - Mortality and major illness	+ 25% for all future years
(b) Scenario 2 - Mortality and major illness	- 25% for all future years
(c) Scenario 3 - Health and disability	+ 25% for all future years
(d) Scenario 4 - Health and disability	- 25% for all future years
(e) Scenario 5 - Lapse and surrender rates	+ 25% for all future years
(f) Scenario 6 - Lapse and surrender rates	- 25% for all future years
(g) Scenario 7 - Expenses	+25% for all future years
(h) Scenario 8 - Expenses	-25% for all future years



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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Takaful risk (Continued)**

**Sensitivity analysis (Continued)**

Table 31(B): The table below shows the sensitivity analysis by applying possible shocks to each key variable, with all other assumptions held constant, showing the impact on gross and net liabilities, surplus of risk funds, profit/loss before taxation, shareholders' equity and participants' fund. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used and significant assumptions made for deriving sensitivity information have not changed from the previous year.

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit/(loss) before taxation RM'000	Impact on equity* RM'000
		← Increase/(decrease) →		← Increase/(decrease) →	
<b><u>Shareholders' fund - expense liabilities</u></b>					
<b>2019</b>					
Scenario 1 - Mortality and major illness	+25%	602	602	(602)	(457)
Scenario 2 - Mortality and major illness	-25%	(670)	(670)	670	509
Scenario 3 - Health and disability	+25%	3,052	3,052	(3,052)	(2,319)
Scenario 4 - Health and disability	-25%	(1,128)	(1,128)	1,128	857
Scenario 5 - Lapse and surrender rates	+25%	(1,161)	(1,161)	1,161	883
Scenario 6 - Lapse and surrender rates	-25%	1,469	1,469	(1,469)	(1,116)
Scenario 7 - Expenses	+25%	11,019	11,019	(11,019)	(8,374)
Scenario 8 - Expenses	-25%	(9,074)	(9,074)	9,074	6,896

\* The impact on equity is stated net of taxation of 24% (2018: 24%).

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Takaful risk (Continued)**

**Sensitivity analysis (Continued)**

<b><u>Shareholders' fund - expense liabilities</u></b> <b><u>(Continued)</u></b>	<b>Change in assumptions %</b>	<b>Impact on gross liabilities RM'000</b>	<b>Impact on net liabilities RM'000</b>	<b>Impact on profit/(loss) before taxation RM'000</b>	<b>Impact on equity*</b> <b>RM'000</b>
		← Increase/(decrease) →	← Increase/(decrease) →		
<b>2018</b>					
Scenario 1 - Mortality and major illness	+25%	581	581	(581)	(441)
Scenario 2 - Mortality and major illness	-25%	(559)	(559)	559	425
Scenario 3 - Health and disability	+25%	4,337	4,337	(4,337)	(3,296)
Scenario 4 - Health and disability	-25%	(1,942)	(1,942)	1,942	1,476
Scenario 5 - Lapse and surrender rates	+25%	(1,164)	(1,164)	1,164	885
Scenario 6 - Lapse and surrender rates	-25%	1,385	1,385	(1,385)	(1,053)
Scenario 7 - Expenses	+25%	9,042	9,042	(9,042)	(6,872)
Scenario 8 - Expenses	-25%	(6,413)	(6,413)	6,413	4,874

\* The impact on equity is stated net of taxation of 24% (2018: 24%).

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Takaful risk (Continued)**

**Sensitivity analysis (Continued)**

<u>Family takaful fund - takaful certificate liabilities</u>	Change in assumptions %	Impact on gross liabilities	Impact on net liabilities	Impact on surplus	Impact on profit/(loss) before taxation	Impact on participants' fund
		RM'000	RM'000	RM'000	RM'000	RM'000
		← Increase/(decrease) →		←	(Decrease)/increase	→
<b>2019</b>						
Scenario 1 - Mortality and major illness	+25%	62,930	6,827	(6,827)	2,163	(2,616)
Scenario 2 - Mortality and major illness	-25%	(41,637)	(1,492)	1,492	(493)	551
Scenario 3 - Health and disability	+25%	95,468	33,740	(33,740)	3,871	(19,747)
Scenario 4 - Health and disability	-25%	(72,454)	(15,479)	15,479	(456)	10,379
Scenario 5 - Lapse and surrender rates	+25%	(3,785)	(320)	320	(84)	140
Scenario 6 - Lapse and surrender rates	-25%	4,454	414	(414)	103	(187)
<b>2018</b>						
Scenario 1 - Mortality and major illness	+25%	58,309	6,144	(6,144)	1,900	(2,401)
Scenario 2 - Mortality and major illness	-25%	(45,309)	(1,408)	1,408	(462)	524
Scenario 3 - Health and disability	+25%	20,435	15,338	(15,338)	3,326	(7,411)
Scenario 4 - Health and disability	-25%	(1,812)	(611)	611	(142)	285
Scenario 5 - Lapse and surrender rates	+25%	(4,320)	(243)	243	(59)	112
Scenario 6 - Lapse and surrender rates	-25%	5,099	328	(328)	72	(157)

\* The impact on equity is stated net of taxation of 24% (2018: 24%).

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Takaful risk (Continued)**

**Sensitivity analysis (Continued)**

<u>Company - expense liabilities and takaful certificate liabilities</u>	Change in assumptions %	Impact on gross liabilities	Impact on net liabilities	Impact on profit/(loss) before taxation	Impact on equity*
		RM'000	RM'000	RM'000	RM'000
		← Increase/(decrease) →	← Increase/(decrease) →	← Increase/(decrease) →	← Increase/(decrease) →
<b>2019</b>					
Scenario 1 - Mortality and major illness	+25%	63,532	7,429	1,561	(1,186)
Scenario 2 - Mortality and major illness	-25%	(42,307)	(2,162)	177	(134)
Scenario 3 - Health and disability	+25%	98,520	36,792	819	(622)
Scenario 4 - Health and disability	-25%	(73,582)	(16,607)	670	(509)
Scenario 5 - Lapse and surrender rates	+25%	(4,946)	(1,481)	1,077	(819)
Scenario 6 - Lapse and surrender rates	-25%	5,923	1,883	(1,366)	1,038
Scenario 7 - Expenses	+25%	11,019	11,019	(11,019)	8,374
Scenario 8 - Expenses	-25%	(9,074)	(9,074)	9,074	(6,896)
<b>2018</b>					
Scenario 1 - Mortality and major illness	+25%	58,890	6,725	1,319	1,003
Scenario 2 - Mortality and major illness	-25%	(45,868)	(1,967)	97	74
Scenario 3 - Health and disability	+25%	24,773	19,675	(1,011)	(769)
Scenario 4 - Health and disability	-25%	(3,755)	(2,553)	1,800	1,368
Scenario 5 - Lapse and surrender rates	+25%	(5,484)	(1,406)	1,105	840
Scenario 6 - Lapse and surrender rates	-25%	6,484	1,713	(1,313)	(998)
Scenario 7 - Expenses	+25%	9,042	9,042	(9,042)	(6,872)
Scenario 8 - Expenses	-25%	(6,413)	(6,413)	6,413	4,874

\* The impact on equity is stated net of taxation of 24% (2018: 24%).

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk**

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

The Company is exposed to market risk in the shareholders' fund as well as market mismatch risk between the assets and the liabilities of the takaful funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement. In the case of the investment-linked funds, investment risks are borne by the certificate holders. Nevertheless, the revenues of the takaful operations are linked to the value of the underlying funds since this has an impact on the level of fund management fees earned.

Investment limits are monitored at various levels to ensure that all investment activities are conducted within the Company's risk appetite and in line with the Company's risk management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by the Company in managing the various types of risk, including profit rate risk, foreign exchange risk, equity price risk, credit spread risk, liquidity risk, credit risk and concentration risk, is briefly described as follows:

**(a) Profit rate risk**

The Company is exposed to profit rate risk through (i) investments in fixed income instruments and money market instruments and (ii) expense liabilities in the shareholders' fund. Since the Company discounts its investments in fixed income instruments for valuation, it will incur an economic loss when profit rates rise or vice versa. This effect is offset by expense liabilities in the shareholders' fund which behave in the contrary. This results in a net profit rate risk which is managed and monitored by the ALC.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(a) Profit rate risk (Continued)**

The following tables set out the carrying amount, by maturity, of the Company's financial instruments that are exposed to profit rate risk.

<b><u>Shareholders' fund</u></b>	<b>Within 1 year RM'000</b>	<b>1 to 5 years RM'000</b>	<b>More than 5 years RM'000</b>	<b>Total RM'000</b>
<b>2019</b>				
Government investment issues	-	-	25,885	25,885
Unquoted Islamic private debt securities	5,017	37,516	8,777	51,310
	<u>5,017</u>	<u>37,516</u>	<u>34,662</u>	<u>77,195</u>

**2018**

Government investment issues	-	19,189	10,024	29,213
Unquoted Islamic private debt securities	-	39,178	12,910	52,088
Islamic investment accounts with licensed Islamic banks	3,500	-	-	3,500
	<u>3,500</u>	<u>58,367</u>	<u>22,934</u>	<u>84,801</u>

**Family takaful fund**

**2019**

Government investment issues	20,014	8,714	143,265	171,993
Unquoted Islamic private debt securities	16,489	83,538	105,793	205,820
Islamic investment accounts with licensed Islamic banks	137,300	-	-	137,300
	<u>173,803</u>	<u>92,252</u>	<u>249,058</u>	<u>515,113</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES  
(CONTINUED)**

**Market and credit risk (Continued)**

**(a) Profit rate risk (Continued)**

	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b><u>Family takaful fund</u></b>				
<b><u>(Continued)</u></b>				
<b>2018</b>				
Government investment issues	-	52,008	41,670	93,678
Unquoted Islamic private debt securities	8,528	87,803	77,398	173,729
Islamic investment accounts with licensed Islamic banks	116,880	-	-	116,880
	<u>125,408</u>	<u>139,811</u>	<u>119,068</u>	<u>384,287</u>
<b><u>Company</u></b>				
<b>2019</b>				
Government investment issues	20,014	8,714	169,150	197,878
Unquoted Islamic private debt securities	21,506	121,054	114,570	257,130
Islamic investment accounts with licensed Islamic banks	137,300	-	-	137,300
	<u>178,820</u>	<u>129,768</u>	<u>283,720</u>	<u>592,308</u>
<b>2018</b>				
Government investment issues	-	71,197	51,694	122,891
Unquoted Islamic private debt securities	8,528	126,981	90,308	225,817
Islamic investment accounts with licensed Islamic banks	120,380	-	-	120,380
	<u>128,908</u>	<u>198,178</u>	<u>142,002</u>	<u>469,088</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES  
(CONTINUED)**

**Market and credit risk (Continued)**

**(a) Profit rate risk (Continued)**

The sensitivity analysis below shows the impact by applying possible shocks to each key variable, with all other variables held constant. While the co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets, to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit or loss after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of takaful certificate liabilities. The impact on equity represents the impact on net profit or loss after taxation and the effect on changes in fair value reserves of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI").

Change in profit rate	← 2019 →				
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on profit before taxation RM'000	Impact on equity/ participants' fund* RM'000
	← Increase/(Decrease) →				
<b>Shareholders' fund</b>					
+100 basis points	(1,495)	(1,495)	-	1,495	1,136
-100 basis points	1,164	1,164	-	(1,164)	(884)
<b>Family takaful fund</b>					
+100 basis points	(1,077)	(1,077)	1,077	326	248
-100 basis points	1,288	1,288	(1,288)	(391)	(297)
<b>Company</b>					
+100 basis points	(2,572)	(2,572)	1,077	1,821	1,384
-100 basis points	2,451	2,451	(1,288)	(1,555)	(1,182)



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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES  
(CONTINUED)**

**Market and credit risk (Continued)**

**(a) Profit rate risk (Continued)**

Change in profit rate	← 2018 →				
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on loss before taxation RM'000	Impact on equity/ participants' fund* RM'000
	← Increase/(Decrease) →				
<b>Shareholders' fund</b>					
+100 basis points	(876)	(876)	-	876	666
-100 basis points	1,062	1,062	-	(1,062)	(807)
<b>Family takaful fund</b>					
+100 basis points	(730)	(730)	730	212	161
-100 basis points	853	853	(853)	(249)	(189)
<b>Company</b>					
+100 basis points	(1,607)	(1,607)	730	1,088	827
-100 basis points	1,916	1,916	(853)	(1,311)	(996)

\* Impact on equity is after taxation of 24% (2018: 24%) and the impact on participants' fund is after tax of 8% (2018: 8%).

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(b) Foreign currency risk**

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. In addition, net foreign currency exposure at the Company-level is limited to 10% of the total invested assets. (Refer to Table 31(C)).

Table 31(C): The table below shows the foreign exchange position of the assets and liabilities of the shareholders' fund, family takaful fund and the Company by major currencies.

<b><u>Shareholders' fund</u></b>	<b>RM RM'000</b>	<b>SGD RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Assets</b>			
Motor vehicles and equipment	13,276	-	13,276
Right-of-use assets	4,181	-	4,181
Intangible assets	8,244	-	8,244
Investments:			
FVOCI financial assets	8,596	-	8,596
Financial assets at FVTPL	83,124	-	83,124
Other receivables	64,046	-	64,046
Tax recoverable	867	-	867
Cash and bank balances	5,284	-	5,284
<b>Total assets</b>	<b>187,618</b>	<b>-</b>	<b>187,618</b>
<b>Liabilities</b>			
Expense liabilities	41,553	-	41,553
Deferred tax liabilities	1,014	-	1,014
Amounts due to related companies	7,579	11,650	19,229
Takaful payables	5,813	-	5,813
Lease liabilities	4,277	-	4,277
Other payables	39,639	-	39,639
Provisions	7,050	-	7,050
<b>Total liabilities</b>	<b>106,925</b>	<b>11,650</b>	<b>118,575</b>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(b) Foreign currency risk (Continued)**

Table 31(C): (Continued)

<b><u>Shareholders' fund (Continued)</u></b>	<b>RM RM'000</b>	<b>SGD RM'000</b>	<b>Total RM'000</b>
<b>2018</b>			
<b>Assets</b>			
Motor vehicles and equipment	11,624	-	11,624
Intangible assets	6,217	-	6,217
Investments:			
FVOCI financial assets	9,183	-	9,183
Financial assets at FVTPL	86,739	-	86,739
Financial assets at AC	3,500	-	3,500
Other receivables	28,019	-	28,019
Tax recoverable	784	-	784
Cash and bank balances	5,351	-	5,351
<b>Total assets</b>	<b>151,417</b>	<b>-</b>	<b>151,417</b>
<b>Liabilities</b>			
Expense liabilities	26,791	-	26,791
Deferred tax liabilities	352	-	352
Amounts due to related companies	3,885	5,054	8,939
Takaful payables	10,534	-	10,534
Other payables	33,300	-	33,300
Provisions	6,278	-	6,278
<b>Total liabilities</b>	<b>81,140</b>	<b>5,054</b>	<b>86,194</b>
<b><u>Family takaful fund</u></b>			
<b>2019</b>			
<b>Assets</b>			
Investments:			
FVOCI financial assets	386,145	-	386,145
Financial assets at FVTPL	256,935	-	256,935
Financial assets at AC	137,300	-	137,300
Takaful receivables	489,985	-	489,985
Retakaful assets	368,401	-	368,401
Other receivables	4,480	-	4,480
Cash and bank balances	25,529	2	25,531
<b>Total assets</b>	<b>1,668,775</b>	<b>2</b>	<b>1,668,777</b>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(b) Foreign currency risk (Continued)**

Table 31(C): (Continued)

<b><u>Family takaful fund (Continued)</u></b>	<b>RM RM'000</b>	<b>SGD RM'000</b>	<b>Total RM'000</b>
<b>2019 (Continued)</b>			
<b>Liabilities and participants' fund</b>			
Provision for taxation	1,796	-	1,796
Takaful certificate liabilities	1,334,528	-	1,334,528
Participants' fund	34,370	-	34,370
Takaful payables	213,753	-	213,753
Other payables	83,269	-	83,269
<b>Total liabilities and participants' fund</b>	<b>1,668,777</b>	<b>-</b>	<b>1,668,777</b>
<b>2018</b>			
<b>Assets</b>			
Investments:			
FVOCI financial assets	295,014	-	295,014
Financial assets at FVTPL	166,727	-	166,727
Financial assets at AC	116,880	-	116,880
Takaful receivables	10,777	-	10,777
Retakaful assets	124,132	-	124,132
Other receivables	3,810	-	3,810
Deferred tax assets	485	-	485
Cash and bank balances	16,019	2	16,021
<b>Total assets</b>	<b>733,844</b>	<b>2</b>	<b>733,846</b>
<b>Liabilities and participants' fund</b>			
Provision for taxation	401	-	401
Takaful certificate liabilities	666,627	-	666,627
Participants' fund	19,858	-	19,858
Takaful payables	11,448	-	11,448
Other payables	35,512	-	35,512
<b>Total liabilities and participants' fund</b>	<b>733,846</b>	<b>-</b>	<b>733,846</b>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(b) Foreign currency risk (Continued)**

Table 31(C): (Continued)

<b><u>Company</u></b>	<b>RM RM'000</b>	<b>SGD RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Assets</b>			
Motor vehicles and equipment	13,276	-	13,276
Right-of-use assets	4,181	-	4,181
Intangible assets	8,244	-	8,244
Investments:			
FVOCI financial assets	394,741	-	394,741
Financial assets at FVTPL	334,130	-	334,130
Financial assets at AC	137,300	-	137,300
Takaful receivables	489,985	-	489,985
Retakaful assets	368,401	-	368,401
Other receivables	7,001	-	7,001
Cash and bank balances	30,813	2	30,815
<b>Total assets</b>	<b>1,788,072</b>	<b>2</b>	<b>1,788,074</b>
<b>Liabilities</b>			
Provision for taxation	929	-	929
Expense liabilities	41,553	-	41,553
Takaful certificate liabilities	1,365,259	-	1,365,259
Deferred tax liabilities	1,727	-	1,727
Amounts due to related companies	7,579	11,650	19,229
Takaful payables	219,566	-	219,566
Lease liabilities	4,277	-	4,277
Other payables	61,383	-	61,383
Provisions	7,050	-	7,050
<b>Total liabilities</b>	<b>1,709,323</b>	<b>11,650</b>	<b>1,720,973</b>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(b) Foreign currency risk (Continued)**

Table 31(C): (Continued)

<b><u>Company (Continued)</u></b>	<b>RM RM'000</b>	<b>SGD RM'000</b>	<b>Total RM'000</b>
<b>2018</b>			
<b>Assets</b>			
Motor vehicles and equipment	11,624	-	11,624
Intangible assets	6,217	-	6,217
Investments:			
FVOCI financial assets	304,197	-	304,197
Financial assets at FVTPL	248,028	-	248,028
Financial assets at AC	120,380	-	120,380
Takaful receivables	10,777	-	10,777
Retakaful assets	124,132	-	124,132
Other receivables	5,811	-	5,811
Deferred tax assets	481	-	481
Tax recoverable	383	-	383
Cash and bank balances	21,370	2	21,372
<b>Total assets</b>	<b>853,400</b>	<b>2</b>	<b>853,402</b>
<b>Liabilities</b>			
Expense liabilities	26,791	-	26,791
Takaful certificate liabilities	682,846	-	682,846
Amounts due to related companies	3,885	5,054	8,939
Takaful payables	21,982	-	21,982
Other payables	42,794	-	42,794
Provisions	6,278	-	6,278
<b>Total liabilities</b>	<b>784,576</b>	<b>5,054</b>	<b>789,630</b>

The following table shows the sensitivity analysis for foreign currency:

	<b>2019</b>		<b>2018</b>	
	<b>Impact on profit before taxation RM'000</b>	<b>Impact on equity RM'000</b>	<b>Impact on loss before taxation RM'000</b>	<b>Impact on equity RM'000</b>
<b><u>Foreign Currency</u></b>				
+/-5%	+/- 582	+/- 582	+/- 253	+/- 253

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
(CONTINUED)

**Market and credit risk (Continued)**

**(c) Equity price risk**

Exposure to equity price risk exists in assets. Asset exposure exists through equity investments where the Company bears the volatility in returns and investment performance risk.

A robust monitoring process is in place to manage equity risk by having appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

Change in variables	← 2019 →		← 2018 →	
	Impact on		Impact on	
	surplus		surplus	
	arising	equity/ participants' fund*	arising	equity/ participants' fund*
	RM'000	RM'000	RM'000	RM'000
	← Increase/(decrease) →		← Increase/(decrease) →	
<b>Shareholders' fund</b>				
+ 20%	-	1,307	-	1,396
- 20%	-	(1,307)	-	(1,396)
<b>Family takaful fund</b>				
+ 20%	36,043	48,809	25,397	35,757
- 20%	(36,043)	(48,809)	(25,397)	(35,757)
<b>Company</b>				
+ 20%	-	1,307	-	1,396
- 20%	-	(1,307)	-	(1,396)

\* Impact on equity is after taxation of 24% (2018: 24%) and the impact on participants' fund is after tax of 8% (2018: 8%).

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES  
(CONTINUED)**

**Market and credit risk (Continued)**

**(d) Credit spread risk**

Exposure to credit spread risk exists in the Company's investments in Islamic private debt securities or corporate sukuks. Credit spread is the difference between the corporate yields against the risk-free rate of similar tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the sukuks. A widening in credit spreads will generally result in a fall in the value of the Company's sukuk portfolio.

**(e) Liquidity risk**

Liquidity risk arises when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough to meet its financial obligations. For a takaful company, the greatest liquidity needs typically arise from its takaful liabilities. Demands for funds can usually be met through ongoing normal operations, contributions received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated certificate claims, or other unexpected cash demands from participants.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The projected cash flows from the in-force takaful certificate liabilities consist of renewal contributions, expenses, commissions, claims, maturities and surrenders. Renewal contributions, expenses, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, investment diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in certain takaful contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in profit rates. (Refer to Table 31(D1) and (D2)).



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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows.

For takaful certificate liabilities and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the 0 - 6 months and 6 - 12 months columns.

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b><u>Shareholders' fund</u></b>							
<b>2019</b>							
FVOCI financial assets:							
Quoted Shariah-approved equities	8,596	-	-	-	-	8,596	8,596
Financial assets at FVTPL:							
Government investment issues	25,885	265	495	3,960	26,710	-	31,430
Unquoted Islamic private debt securities	51,310	5,622	1,141	43,099	9,936	-	59,798
Units held in investment-linked fund	5,929	-	-	-	-	5,929	5,929
Other receivables	64,046	64,046	-	-	-	-	64,046
Cash and bank balances	5,284	5,284	-	-	-	-	5,284
Total financial assets	<u>161,050</u>	<u>75,217</u>	<u>1,636</u>	<u>47,059</u>	<u>36,646</u>	<u>14,525</u>	<u>175,083</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Shareholders' fund (Continued)</u>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2019 (Continued)</b>							
Expense liabilities	41,553	3,851	1,526	17,935	18,241		41,553
Amounts due to related companies	19,229	19,229	-	-	-	-	19,229
Takaful payables	5,813	5,813	-	-	-	-	5,813
Lease liabilities	4,277	665	672	2,805	-	-	4,142
Other payables	39,639	39,639	-	-	-	-	39,639
Provisions	7,050	7,050	-	-	-	-	7,050
Total financial and takaful liabilities	<u>117,561</u>	<u>76,247</u>	<u>2,198</u>	<u>20,740</u>	<u>18,241</u>	<u>-</u>	<u>117,426</u>
Total liquidity surplus/(gap)	<u>43,489</u>	<u>(1,030)</u>	<u>(562)</u>	<u>26,319</u>	<u>18,405</u>	<u>14,525</u>	<u>57,657</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Shareholders' fund (Continued)</u>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2018</b>							
FVOCI financial assets:							
Quoted Shariah-approved equities	9,183	-	-	-	-	9,183	9,183
Financial assets at FVTPL:							
Government investment issues	29,213	346	586	23,640	10,337	-	34,909
Unquoted Islamic private debt securities	52,088	526	1,272	47,158	14,748	-	63,704
Units held in investment-linked fund	5,438	-	-	-	-	5,438	5,438
Financial assets at AC:							
Islamic investment accounts with licensed							
Islamic banks	3,500	3,502	-	-	-	-	3,502
Other receivables	28,019	28,019	-	-	-	-	28,019
Cash and bank balances	5,351	5,351	-	-	-	-	5,351
Total financial assets	<u>132,792</u>	<u>37,744</u>	<u>1,858</u>	<u>70,798</u>	<u>25,085</u>	<u>14,621</u>	<u>150,106</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<b><u>Shareholders' fund (Continued)</u></b>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2018 (Continued)</b>							
Expense liabilities	26,791	2,995	1,270	3,073	19,453	-	26,791
Amounts due to related companies	8,939	8,939	-	-	-	-	8,939
Takaful payables	10,534	10,534	-	-	-	-	10,534
Other payables	33,300	33,300	-	-	-	-	33,300
Provisions	6,278	6,278	-	-	-	-	6,278
Total financial and takaful liabilities	<u>85,842</u>	<u>62,046</u>	<u>1,270</u>	<u>3,073</u>	<u>19,453</u>	<u>-</u>	<u>85,842</u>
Total liquidity surplus/(gap)	<u>46,950</u>	<u>(24,302)</u>	<u>588</u>	<u>67,725</u>	<u>5,632</u>	<u>14,621</u>	<u>64,264</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b><u>Family takaful fund</u></b>							
<b>2019</b>							
FVOCI financial assets:							
Quoted Shariah-approved equities	85,051	-	-	-	-	85,051	85,051
Government investment issues	141,393	21,605	2,454	27,793	151,652	-	203,504
Unquoted Islamic private debt securities	159,701	12,805	6,802	93,995	99,731	-	213,333
Financial assets at FVTPL:							
Quoted Shariah-approved equities	173,584	-	-	-	-	173,584	173,584
Financial instruments with embedded derivatives	242	-	-	-	-	242	242
Unit trusts - REITS	6,390	-	-	-	-	6,390	6,390
Government investment issues	30,600	431	627	5,014	50,568	-	56,640
Unquoted Islamic private debt securities	46,119	1,518	2,098	16,945	46,612	-	67,173

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b><u>Family takaful fund (Continued)</u></b>							
<b>2019 (Continued)</b>							
Financial assets at AC:							
Islamic investment accounts with licensed							
Islamic banks	137,300	137,350	-	-	-	-	137,350
Takaful receivables	489,985	489,985	-	-	-	-	489,985
Retakaful assets	368,401	99,024	412	267,632	1,333	-	368,401
Other receivables	4,480	4,480	-	-	-	-	4,480
Cash and bank balances	25,531	25,531	-	-	-	-	25,531
Total financial/takaful assets	<u>1,668,777</u>	<u>792,729</u>	<u>12,393</u>	<u>411,380</u>	<u>349,897</u>	<u>265,267</u>	<u>1,831,664</u>
Takaful certificate liabilities	1,334,528	356,702	2,153	337,780	637,893	-	1,334,528
Participants' fund	34,370	34,370	-	-	-	-	34,370
Takaful payables	213,753	213,753	-	-	-	-	213,753
Other payables	83,269	83,269	-	-	-	-	83,269
Total financial/takaful liabilities	<u>1,665,920</u>	<u>688,094</u>	<u>2,153</u>	<u>337,780</u>	<u>637,893</u>	<u>-</u>	<u>1,665,920</u>
Total liquidity surplus/(gap)	<u>2,857</u>	<u>104,634</u>	<u>10,240</u>	<u>73,600</u>	<u>(287,996)</u>	<u>265,267</u>	<u>165,744</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b><u>Family takaful fund (Continued)</u></b>							
<b>2018</b>							
FVOCI financial assets:							
Quoted Shariah-approved equities	67,348	-	-	-	-	67,348	67,348
Government investment issues	92,656	1,253	1,960	65,406	61,826	-	130,445
Unquoted Islamic private debt securities	135,010	3,480	8,240	86,607	88,058	-	186,385
Financial assets at FVTPL:							
Quoted Shariah-approved equities	121,683	-	-	-	-	121,683	121,683
Financial instruments with embedded derivatives	6	-	-	-	-	6	6
Unit trusts - REITS	5,297	-	-	-	-	5,297	5,297
Government investment issues	1,022	1	22	1,220	-	-	1,243
Unquoted Islamic private debt securities	38,719	1,931	935	26,940	20,405	-	50,211
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	116,880	116,966	-	-	-	-	116,966
Takaful receivables	10,777	10,777	-	-	-	-	10,777
Retakaful assets	124,132	56,720	433	66,261	718	-	124,132
Other receivables	3,810	3,810	-	-	-	-	3,810
Cash and bank balances	16,021	16,021	-	-	-	-	16,021
<b>Total financial/takaful assets</b>	<b>733,361</b>	<b>210,959</b>	<b>11,590</b>	<b>246,434</b>	<b>171,007</b>	<b>194,334</b>	<b>834,324</b>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b><u>Family takaful fund (Continued)</u></b>							
<b>2018 (Continued)</b>							
Takaful certificate liabilities	666,627	106,068	1,281	77,471	481,807	-	666,627
Participants' fund	19,858	19,858	-	-	-	-	19,858
Takaful payables	11,448	11,448	-	-	-	-	11,448
Other payables	35,512	35,512	-	-	-	-	35,512
Total financial/takaful liabilities	<u>733,445</u>	<u>172,886</u>	<u>1,281</u>	<u>77,471</u>	<u>481,807</u>	<u>-</u>	<u>733,445</u>
Total liquidity (gap)/surplus	<u>(84)</u>	<u>38,073</u>	<u>10,309</u>	<u>168,963</u>	<u>(310,800)</u>	<u>194,334</u>	<u>100,879</u>



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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<b>Company</b>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2019</b>							
FVOCI financial assets:							
Quoted Shariah-approved equities	93,647	-	-	-	-	93,647	93,647
Government investment issues	141,393	21,605	2,454	27,793	151,652	-	203,504
Unquoted Islamic private debt securities	159,701	12,805	6,802	93,995	99,731	-	213,333
Financial assets at FVTPL:							
Quoted Shariah-approved equities	173,584	-	-	-	-	173,584	173,584
Financial instruments with embedded derivatives	242	-	-	-	-	242	242
Unit trusts - REITS	6,390	-	-	-	-	6,390	6,390
Government investment issues	56,485	696	1,122	8,974	77,278	-	88,071
Unquoted Islamic private debt securities	97,429	7,140	3,239	60,044	56,548	-	126,971
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	137,300	137,350	-	-	-	-	137,350
Takaful receivables	489,985	489,985	-	-	-	-	489,985
Retakaful assets	368,401	99,024	412	267,632	1,333	-	368,401
Other receivables	7,001	7,001	-	-	-	-	7,001
Cash and bank balances	30,815	30,815	-	-	-	-	30,815
<b>Total financial/takaful assets</b>	<b>1,762,373</b>	<b>806,421</b>	<b>14,029</b>	<b>458,439</b>	<b>386,543</b>	<b>273,863</b>	<b>1,939,294</b>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Company (Continued)</u>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2019</b>							
Expense liabilities	41,553	3,851	1,526	17,935	18,241	-	41,553
Takaful certificate liabilities	1,365,259	387,433	2,153	337,780	637,893	-	1,365,259
Amounts due to related companies	19,229	19,229	-	-	-	-	19,229
Takaful payables	219,566	219,566	-	-	-	-	219,566
Lease liabilities	4,277	665	672	2,805	-	-	4,142
Other payables	61,383	61,383	-	-	-	-	61,383
Provisions	7,050	7,050	-	-	-	-	7,050
Total financial/takaful liabilities	<u>1,718,317</u>	<u>699,177</u>	<u>4,351</u>	<u>358,520</u>	<u>656,134</u>	<u>-</u>	<u>1,718,182</u>
Total liquidity surplus/(gap)	<u>44,056</u>	<u>107,244</u>	<u>9,678</u>	<u>99,918</u>	<u>(269,591)</u>	<u>273,863</u>	<u>221,112</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<b><u>Company (Continued)</u></b>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2018</b>							
FVOCI financial assets:							
Quoted Shariah-approved equities	76,531	-	-	-	-	76,531	76,531
Government investment issues	92,656	1,253	1,960	65,406	61,826	-	130,445
Unquoted Islamic private debt securities	135,010	3,480	8,240	86,607	88,058	-	186,385
Financial assets at FVTPL:							
Quoted Shariah-approved equities	121,683	-	-	-	-	121,683	121,683
Financial instruments with embedded derivatives	6	-	-	-	-	6	6
Unit trusts - REITS	5,297	-	-	-	-	5,297	5,297
Government investment issues	30,235	347	608	24,860	10,337	-	36,152
Unquoted Islamic private debt securities	90,807	2,457	2,207	74,098	35,153	-	113,915
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	120,380	120,468	-	-	-	-	120,468
Takaful receivables	10,777	10,777	-	-	-	-	10,777
Retakaful assets	124,132	56,720	433	66,261	718	-	124,132
Other receivables	5,811	5,811	-	-	-	-	5,811
Cash and bank balances	21,372	21,372	-	-	-	-	21,372
<b>Total financial/takaful assets</b>	<b>834,697</b>	<b>222,685</b>	<b>13,448</b>	<b>317,232</b>	<b>196,092</b>	<b>203,517</b>	<b>952,974</b>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity profiles (Continued)**

Table 31(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Company (Continued)</u>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2018 (Continued)</b>							
Expense liabilities	26,791	2,995	1,270	3,073	19,453	-	26,791
Takaful certificate liabilities	682,846	122,287	1,281	77,471	481,807	-	682,846
Amounts due to related companies	8,939	8,939	-	-	-	-	8,939
Takaful payables	21,982	21,982	-	-	-	-	21,982
Other payables	42,794	42,794	-	-	-	-	42,794
Provisions	6,278	6,278	-	-	-	-	6,278
Total financial/takaful liabilities	<u>789,630</u>	<u>205,275</u>	<u>2,551</u>	<u>80,544</u>	<u>501,260</u>	<u>-</u>	<u>789,630</u>
Total liquidity surplus/(gap)	<u>45,067</u>	<u>17,410</u>	<u>10,897</u>	<u>236,688</u>	<u>(305,168)</u>	<u>203,517</u>	<u>163,344</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity analysis on expected maturity bases**

Table 31(D2): The following table shows the current and non-current classification of assets and liabilities of the Company.

<b><u>Shareholders' fund</u></b>	<b>Current* RM'000</b>	<b>Non-current RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Assets</b>			
Motor vehicles and equipment	-	13,276	13,276
Right-of-use assets	-	4,181	4,181
Intangible assets	-	8,244	8,244
Investments:			
FVOCI financial assets	-	8,596	8,596
Financial assets at FVTPL	10,946	72,178	83,124
Other receivables	64,046	-	64,046
Tax recoverable	867	-	867
Cash and bank balances	5,284	-	5,284
<b>Total assets</b>	<b>81,143</b>	<b>106,475</b>	<b>187,618</b>
<b>Liabilities</b>			
Expense liabilities	5,377	36,176	41,553
Deferred tax liabilities	1,014	-	1,014
Amounts due to related companies	19,229	-	19,229
Takaful payables	5,813	-	5,813
Lease liabilities	1,337	2,940	4,277
Other payables	39,639	-	39,639
Provisions	7,050	-	7,050
<b>Total liabilities</b>	<b>79,459</b>	<b>39,116</b>	<b>118,575</b>

\* Expected utilisation or settlement within 12 months from the reporting date.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity analysis on expected maturity bases (Continued)**

Table 31(D2): The following table shows the current and non-current classification of assets and liabilities of the Company. (Continued)

<b><u>Shareholders' fund (Continued)</u></b>	<b>Current* RM'000</b>	<b>Non-current RM'000</b>	<b>Total RM'000</b>
<b>2018</b>			
<b>Assets</b>			
Motor vehicles and equipment	-	11,624	11,624
Intangible assets	-	6,217	6,217
Investments:			
FVOCI financial assets	-	9,183	9,183
Financial assets at FVTPL	5,438	81,301	86,739
Financial assets at AC	3,500	-	3,500
Other receivables	28,019	-	28,019
Tax recoverable	784	-	784
Cash and bank balances	5,351	-	5,351
<b>Total assets</b>	<b>43,092</b>	<b>108,325</b>	<b>151,417</b>
<b>Liabilities</b>			
Expense liabilities	4,265	22,526	26,791
Deferred tax liabilities	352	-	352
Amounts due to related companies	8,939	-	8,939
Takaful payables	10,534	-	10,534
Other payables	33,300	-	33,300
Provisions	6,278	-	6,278
<b>Total liabilities</b>	<b>63,668</b>	<b>22,526</b>	<b>86,194</b>

\* Expected utilisation or settlement within 12 months from the reporting date.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity analysis on expected maturity bases (Continued)**

Table 31(D2): The following table shows the current and non-current classification of assets and liabilities of the Company. (Continued)

<b><u>Family takaful fund</u></b>	<b>Current* RM'000</b>	<b>Non-current RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Assets</b>			
Investments:			
FVOCI financial assets	34,481	351,664	386,145
Financial assets at FVTPL	182,240	74,695	256,935
Financial assets at AC	137,300	-	137,300
Takaful receivables	489,985	-	489,985
Retakaful assets	99,436	268,965	368,401
Other receivables	4,480	-	4,480
Deferred tax assets	-	-	-
Cash and bank balances	25,531	-	25,531
<b>Total assets</b>	<b>973,453</b>	<b>695,324</b>	<b>1,668,777</b>
<b>Liabilities and participants' fund</b>			
Provision for taxation	1,796	-	1,796
Takaful certificate liabilities	358,855	975,673	1,334,528
Participants' fund	34,370	-	34,370
Deferred tax liabilities	1,061	-	1,061
Takaful payables	213,753	-	213,753
Other payables	83,269	-	83,269
<b>Total liabilities and participants' fund</b>	<b>693,104</b>	<b>975,673</b>	<b>1,668,777</b>

\* Expected utilisation or settlement within 12 months from the reporting date.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity analysis on expected maturity bases (Continued)**

Table 31(D2): The following table shows the current and non-current classification of assets and liabilities of the Company. (Continued)

<b><u>Family takaful fund (Continued)</u></b>	<b>Current* RM'000</b>	<b>Non-current RM'000</b>	<b>Total RM'000</b>
<b>2018</b>			
<b>Assets</b>			
Investments:			
FVOCI financial assets	7,025	287,989	295,014
Financial assets at FVTPL	128,490	38,237	166,727
Financial assets at AC	116,880	-	116,880
Takaful receivables	10,777	-	10,777
Retakaful assets	57,153	66,979	124,132
Other receivables	3,810	-	3,810
Deferred tax assets	485	-	485
Cash and bank balances	16,021	-	16,021
<b>Total assets</b>	<b>340,641</b>	<b>393,205</b>	<b>733,846</b>
<b>Liabilities and participants' fund</b>			
Provision for taxation	401	-	401
Takaful certificate liabilities	107,349	559,278	666,627
Participants' fund	19,858	-	19,858
Takaful payables	11,448	-	11,448
Other payables	35,512	-	35,512
<b>Total liabilities and participants' fund</b>	<b>174,568</b>	<b>559,278</b>	<b>733,846</b>

\* Expected utilisation or settlement within 12 months from the reporting date.



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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity analysis on expected maturity bases (Continued)**

Table 31(D2): The following table shows the current and non-current classification of assets and liabilities of the Company. (Continued)

<b><u>Company</u></b>	<b>Current* RM'000</b>	<b>Non-current RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Assets</b>			
Motor vehicles and equipment	-	13,276	13,276
Right-of-use assets	-	4,181	4,181
Intangible assets	-	8,244	8,244
Investments:			
FVOCI financial assets	34,481	360,260	394,741
Financial assets at FVTPL	187,256	146,874	334,130
Financial assets at AC	137,300	-	137,300
Takaful receivables	489,985	-	489,985
Retakaful assets	99,436	268,965	368,401
Other receivables	7,001	-	7,001
Deferred tax assets	-	-	-
Tax recoverable	-	-	-
Cash and bank balances	30,815	-	30,815
<b>Total assets</b>	<b>986,273</b>	<b>801,800</b>	<b>1,788,074</b>
<b>Liabilities</b>			
Provision for taxation	929	-	929
Expense liabilities	5,377	36,176	41,553
Takaful certificate liabilities	389,586	975,673	1,365,259
Deferred tax liabilities	1,727	-	1,727
Amounts due to related companies	19,229	-	19,229
Takaful payables	219,566	-	219,566
Lease liabilities	1,337	2,940	4,277
Other payables	61,383	-	61,383
Provisions	7,050	-	7,050
<b>Total liabilities</b>	<b>706,184</b>	<b>1,014,789</b>	<b>1,720,973</b>

\* Expected utilisation or settlement within 12 months from the reporting date.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(e) Liquidity risk (Continued)**

**Maturity analysis on expected maturity bases (Continued)**

Table 31(D2): The following table shows the current and non-current classification of assets and liabilities of the Company. (Continued)

<b><u>Company (Continued)</u></b>	<b>Current*</b> <b>RM'000</b>	<b>Non-current</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>2018</b>			
<b>Assets</b>			
Motor vehicles and equipment	-	11,624	11,624
Intangible assets	-	6,217	6,217
Investments:			
FVOCI financial assets	7,025	297,172	304,197
Financial assets at FVTPL	128,490	119,538	248,028
Financial assets at AC	120,380	-	120,380
Takaful receivables	10,777	-	10,777
Retakaful assets	57,153	66,979	124,132
Other receivables	5,811	-	5,811
Deferred tax assets	481	-	481
Tax recoverable	383	-	383
Cash and bank balances	21,372	-	21,372
<b>Total assets</b>	<b>351,872</b>	<b>501,530</b>	<b>853,402</b>
<b>Liabilities</b>			
Expense liabilities	4,265	22,526	26,791
Takaful certificate liabilities	123,568	559,278	682,846
Amounts due to related companies	8,939	-	8,939
Takaful payables	21,982	-	21,982
Other payables	42,794	-	42,794
Provisions	6,278	-	6,278
<b>Total liabilities</b>	<b>207,826</b>	<b>581,804</b>	<b>789,630</b>

\* Expected utilisation or settlement within 12 months from the reporting date.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(f) Credit risk**

Credit risk is the risk that one party to a financial contract will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk mainly through (i) cash and bank balances (ii) investments in government investment issues and corporate sukuks (iii) exposure to retakaful certificates and (iv) non-payment of contributions. For the four types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in sukuks, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring of credit risk arising from financial instruments is undertaken by ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of retakaful operators, issuers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Retakaful arrangement is placed with counterparties that have good credit rating and the Company limits its risk to any retakaful operator by ceding to different retakaful operators.

Credit risk in respect of non-payment of contributions by customers predominantly persists during the grace period specified in the certificate document until the certificate is either paid up or terminated. The credit risk in respect of group takaful outstanding contribution is being actively monitored and guided by strict credit control guidelines.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(f) Credit risk (Continued)**

Table 31(E1): The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

<b>2019</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
FVOCI financial assets:			
Government investment issues	-	141,393	141,393
Unquoted Islamic private debt securities	-	159,701	159,701
Financial assets at FVTPL:			
Government investment issues	25,885	30,600	56,485
Unquoted Islamic private debt securities	51,310	46,119	97,429
Financial assets at AC:			
Islamic investment accounts with licensed Islamic banks	-	137,300	137,300
Takaful receivables	-	489,985	489,985
Retakaful assets	-	368,401	368,401
Other receivables	64,046	4,480	7,001
Cash and bank balances	5,284	25,531	30,815
	<u>146,525</u>	<u>1,403,510</u>	<u>1,488,510</u>
<b>2018</b>			
FVOCI financial assets:			
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
Financial assets at FVTPL:			
Government investment issues	29,213	1,022	30,235
Unquoted Islamic private debt securities	52,088	38,719	90,807
Financial assets at AC:			
Islamic investment accounts with licensed Islamic banks	3,500	116,880	120,380
Takaful receivables	-	10,777	10,777
Retakaful assets	-	124,132	124,132
Other receivables	28,019	3,810	5,811
Cash and bank balances	5,351	16,021	21,372
	<u>118,171</u>	<u>539,027</u>	<u>631,180</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(f) Credit risk (Continued)**

Table 31(E2): The following table sets out information about the credit quality of financial assets and debt securities at FVOCI.

For explanation of the terms '12 month ECL', 'Lifetime ECL' and 'credit impaired', refer to Note 2.2(g).

<u>Family takaful fund/Company</u>	2019			2018		
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Total RM'000	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Total RM'000
<b>Debt securities at FVOCI</b>						
Government investment issues	40	-	40	25	-	25
Investment Grade* (BBB to AAA)	175	734	909	145	761	906
	<u>215</u>	<u>734</u>	<u>949</u>	<u>170</u>	<u>761</u>	<u>931</u>

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(f) Credit risk (Continued)**

Table 31(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost:

<b><u>Shareholders' fund</u></b>	<b>Government guaranteed RM'000</b>	<b>Investment grade* (BBB to AAA) RM'000</b>	<b>Not rated RM'000</b>	<b>Not subject to credit risk RM'000</b>	<b>Past due RM'000</b>	<b>Total RM'000</b>
<b>2019</b>						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	8,596	-	8,596
Financial assets at FVTPL:						
Government investment issues	25,885	-	-	-	-	25,885
Unquoted Islamic private debt securities	-	44,063	7,247	-	-	51,310
Units held in investment-linked fund	-	-	-	5,929	-	5,929
Other receivables	-	-	64,046	-	-	64,046
Cash and bank balances	-	5,284	-	-	-	5,284
	<u>25,885</u>	<u>49,347</u>	<u>71,293</u>	<u>14,525</u>	<u>-</u>	<u>161,050</u>

\* Based on internal rating grades which are equivalent to grades of external rating agencies

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(f) Credit risk (Continued)**

Table 31(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost:  
(Continued)

<u>Shareholders' fund (Continued)</u>	<b>Government guaranteed RM'000</b>	<b>Investment grade* (BBB to AAA) RM'000</b>	<b>Not rated RM'000</b>	<b>Not subject to credit risk RM'000</b>	<b>Past due RM'000</b>	<b>Total RM'000</b>
<b>2018</b>						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	9,183	-	9,183
Financial assets at FVTPL:						
Government investment issues	29,213	-	-	-	-	29,213
Unquoted Islamic private debt securities	-	45,007	7,081	-	-	52,088
Units held in investment-linked fund	-	-	-	5,438	-	5,438
Financial assets at AC:						
Islamic investment accounts with licensed						
Islamic banks	-	3,500	-	-	-	3,500
Other receivables	-	-	28,019	-	-	28,019
Cash and bank balances	-	5,351	-	-	-	5,351
	<u>29,213</u>	<u>53,858</u>	<u>35,100</u>	<u>14,621</u>	<u>-</u>	<u>132,792</u>

\* Based on internal rating grades which are equivalent to grades of external rating agencies

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(f) Credit risk (Continued)**

Table 31(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

<u>Family takaful fund</u>	<b>Government guaranteed RM'000</b>	<b>Investment grade* (BBB to AAA) RM'000</b>	<b>Not rated RM'000</b>	<b>Not subject to credit risk RM'000</b>	<b>Past due RM'000</b>	<b>Total RM'000</b>
<b>2019</b>						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	85,051	-	85,051
Government investment issues	141,393	-	-	-	-	141,393
Unquoted Islamic private debt securities	-	120,718	38,983	-	-	159,701
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	173,584	-	173,584
Financial instruments with embedded derivatives	-	-	-	242	-	242
Unit trusts - REITS	-	-	-	6,390	-	6,390
Government investment issues	30,600	-	-	-	-	30,600
Unquoted Islamic private debt securities	-	46,119	-	-	-	46,119
Financial assets at AC:						
Islamic investment accounts with licensed Islamic banks	-	137,300	-	-	-	137,300
Takaful receivables	-	1,641	488,344	-	-	489,985
Retakaful assets	-	368,401	-	-	-	368,401
Other receivables	-	-	4,480	-	-	4,480
Cash and bank balances	-	25,531	-	-	-	25,531
	<u>171,993</u>	<u>699,710</u>	<u>531,807</u>	<u>265,267</u>	<u>-</u>	<u>1,668,777</u>

\* Based on internal rating grades which are equivalent to grades of external rating agencies



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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(f) Credit risk (Continued)**

Table 31(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

<b><u>Family takaful fund (Continued)</u></b>	<b>Government guaranteed RM'000</b>	<b>Investment grade* (BBB to AAA) RM'000</b>	<b>Not rated RM'000</b>	<b>Not subject to credit risk RM'000</b>	<b>Past due RM'000</b>	<b>Total RM'000</b>
<b>2018</b>						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	67,348	-	67,348
Government investment issues	92,656	-	-	-	-	92,656
Unquoted Islamic private debt securities	-	96,402	38,608	-	-	135,010
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	121,683	-	121,683
Financial instruments with embedded derivatives	-	-	-	6	-	6
Unit trusts - REITS	-	-	-	5,297	-	5,297
Government investment issues	1,022	-	-	-	-	1,022
Unquoted Islamic private debt securities	-	38,719	-	-	-	38,719
Financial assets at AC:						
Islamic investment accounts with licensed Islamic banks	-	116,880	-	-	-	116,880
Takaful receivables	-	984	9,793	-	-	10,777
Retakaful assets	-	124,132	-	-	-	124,132
Other receivables	-	-	3,810	-	-	3,810
Cash and bank balances	-	16,021	-	-	-	16,021
	<b>93,678</b>	<b>393,138</b>	<b>52,211</b>	<b>194,334</b>	<b>-</b>	<b>733,361</b>

\* Based on internal rating grades which are equivalent to grades of external rating agencies

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(f) Credit risk (Continued)**

Table 31(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

<u>Company</u>	<b>Government guaranteed RM'000</b>	<b>Investment grade* (BBB to AAA) RM'000</b>	<b>Not rated RM'000</b>	<b>Not subject to credit risk RM'000</b>	<b>Past due RM'000</b>	<b>Total RM'000</b>
<b>2019</b>						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	93,647	-	93,647
Government investment issues	141,393	-	-	-	-	141,393
Unquoted Islamic private debt securities	-	120,718	38,983	-	-	159,701
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	173,584	-	173,584
Financial instruments with embedded derivatives	-	-	-	242	-	242
Unit trusts - REITS	-	-	-	6,390	-	6,390
Government investment issues	56,485	-	-	-	-	56,485
Unquoted Islamic private debt securities	-	90,182	7,247	-	-	97,429
Financial assets at AC:						
Islamic investment accounts with licensed Islamic banks	-	137,300	-	-	-	137,300
Takaful receivables	-	1,641	488,344	-	-	489,985
Retakaful assets	-	368,401	-	-	-	368,401
Other receivables	-	-	7,001	-	-	7,001
Cash and bank balances	-	30,815	-	-	-	30,815
	<b>197,878</b>	<b>749,057</b>	<b>541,575</b>	<b>273,863</b>	<b>-</b>	<b>1,762,373</b>

\* Based on internal rating grades which are equivalent to grades of external rating agencies

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and Credit Risks (Continued)**

**(f) Credit risk (Continued)**

Table 31(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

<u>Company (Continued)</u>	<b>Government guaranteed RM'000</b>	<b>Investment grade* (BBB to AAA) RM'000</b>	<b>Not rated RM'000</b>	<b>Not subject to credit risk RM'000</b>	<b>Past due RM'000</b>	<b>Total RM'000</b>
<b>2018</b>						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	76,531	-	76,531
Government investment issues	92,656	-	-	-	-	92,656
Unquoted Islamic private debt securities	-	96,402	38,608	-	-	135,010
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	121,683	-	121,683
Financial instruments with embedded derivatives	-	-	-	6	-	6
Unit trusts - REITS	-	-	-	5,297	-	5,297
Government investment issues	30,235	-	-	-	-	30,235
Unquoted Islamic private debt securities	-	83,726	7,081	-	-	90,807
Financial assets at AC:						
Islamic investment accounts with licensed						
Islamic banks	-	120,380	-	-	-	120,380
Takaful receivables	-	984	9,793	-	-	10,777
Retakaful assets	-	124,132	-	-	-	124,132
Other receivables	-	-	5,811	-	-	5,811
Cash and bank balances	-	21,372	-	-	-	21,372
	<b>122,891</b>	<b>446,996</b>	<b>61,293</b>	<b>203,517</b>	<b>-</b>	<b>834,697</b>

\* Based on internal rating grades which are equivalent to grades of external rating agencies

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES  
(CONTINUED)**

**Market and credit risk (Continued)**

**(f) Credit risk (Continued)**

This disclosure below relates to MFRS 9 which came into effect in 2018.

**Amounts arising from Expected Credit Loss ("ECL")**

**Measurement of ECL - Explanation of inputs, assumptions and estimation techniques**

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

These parameters are derived from the statistical models which are internally developed by the Company based on the historical data. They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation at the time of default, either over the next 12 months ("12M PD"), or over the remaining lifetime ('Lifetime PD') of the obligation. They are estimates at a certain date, which are calculated based on the statistical rating models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors.

If a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD. The ECL considers the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability of collateral, geographical location and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on the statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(f) Credit risk (Continued)**

**Amounts arising from Expected Credit Loss ("ECL") (Continued)**

**Measurement of ECL - Explanation of inputs, assumptions and estimation techniques (Continued)**

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty, including amortisation schedules. The EAD of a financial asset is its gross carrying amount.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The trade receivables are in scope for ECL impairment provisions using the simplified assumption of lifetime ECL.

**Significant increase in credit risk**

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative model, the 12M PD is determined to have increased by more than 100% since origination. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES  
(CONTINUED)**

**Market and credit risk (Continued)**

**(f) Credit risk (Continued)**

**Amounts arising from Expected Credit Loss ("ECL") (Continued)**

**Significant increase in credit risk (Continued)**

Using its experienced credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Company uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

The Company considers "low credit risk" to be an investment grade credit rating using a combination of internal and external credit rating models.

**Definition of default**

The Company considers a financial asset to be in default by assessing the following criteria:

Quantitative criteria

For takaful receivables, the counterparty fails to make contractual payments within 12 months when they fall due, which are derived based on the Company's historical information. For sukuks and financing, the instrument is in overdue status and there are non-payments on another debt obligation of the same issuer to the Company.

Qualitative criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption, restructuring with expected principal haircut or a breach in material financing covenant that is not rectified within a given timeframe.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's expected loss calculations.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Market and credit risk (Continued)**

**(f) Credit risk (Continued)**

**Amounts arising from Expected Credit Loss ("ECL") (Continued)**

**Measurement of ECL - Explanation of inputs, assumptions and estimation techniques (Continued)**

**Incorporating of forward-looking information**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Experienced judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, after which, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company for the years ended 31 December 2019 and 2018.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Market and credit risk (Continued)**

**(f) Credit risk (Continued)**

**Amounts arising from Expected Credit Loss ("ECL") (Continued)**

**Loss allowance - Provision for ECL**

Table 31(E4): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

<u>Family takaful fund/Company</u>	<b>12-month ECL RM'000</b>	<b>2019 Lifetime ECL not credit impaired RM'000</b>	<b>Total RM'000</b>	<b>12-month ECL RM'000</b>	<b>2018 Lifetime ECL not credit impaired RM'000</b>	<b>Total RM'000</b>
<b>Debt investment securities at FVOCI</b>						
Opening balance	170	761	931	65	817	882
- Transfer to lifetime ECL not credit-impaired	(4)	4	-	(8)	8	-
Additional loss allowance due to transfer	-	65	65	-	123	123
Net remeasurement of loss allowance	15	(85)	(70)	2	(210)	(208)
New financial assets purchased	30	-	30	119	21	140
Financial assets that have been derecognised	(14)	(20)	(34)	(27)	-	(27)
Changes in models/risk parameters	18	9	27	19	2	21
Closing balance	<u>215</u>	<u>734</u>	<u>949</u>	<u>170</u>	<u>761</u>	<u>931</u>



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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES  
(CONTINUED)**

**(g) Concentration risk**

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

**Operational, Market Conduct and Compliance Risk**

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Market conduct is a combination of both ethics and compliance. Market conduct refers to how the Company and its intermediaries conduct themselves in accordance with the ethical standards and in compliance with the relevant laws and regulations governing takaful and investment product for pre-distribution, during distribution and after distribution process. Market conduct is synonymous with professional behaviour and customer's protection. There are four areas in which the Company continuously strengthens:

- Fit and Proper
- Sales Advisory Process
- Training and Competency
- Business Conduct

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, as a result of its failure to comply with the following applicable laws, regulations and standards:

- Laws, regulations and rules governing family takaful business and financial activities licensed activities undertaken by the Company;
- Codes of practice promoted by industry associations of which the Company is a member of; and
- Any other applicable regulations which do not specifically govern the licensed activities undertaken by the Company but can expose the organisation to legal, regulatory or reputational loss.

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**31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES**  
**(CONTINUED)**

**Operational, Market Conduct and Compliance Risk (Continued)**

The day-to-day management of operational, market conduct and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors these issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Board Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from, amongst others, operational, market conduct and compliance risks.

**Technology, Information and Cyber Risks**

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, or system/hardware failure arising from the use of technologies or reliance on such as electronic hardware/devices, software, and online networks and telecommunication systems.

Information Risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber Risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

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

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**32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

An analysis of the methods used in determining the fair values of financial assets in accordance with the fair value hierarchy is as follows:

<b><u>Shareholders' fund</u></b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
FVOCI financial assets:			
Quoted Shariah-approved equities	8,596	-	8,596
Financial assets at FVTPL:			
Government investment issues	-	25,885	25,885
Unquoted Islamic private debt securities	-	51,310	51,310
Units held in investment-linked fund	5,929	-	5,929
	<u>14,525</u>	<u>77,195</u>	<u>91,720</u>
<b>2018</b>			
FVOCI financial assets:			
Quoted Shariah-approved equities	9,183	-	9,183
Financial assets at FVTPL:			
Government investment issues	-	29,213	29,213
Unquoted Islamic private debt securities	-	52,088	52,088
Units held in investment-linked fund	5,438	-	5,438
	<u>14,621</u>	<u>81,301</u>	<u>95,922</u>
<b><u>Family takaful fund</u></b>			
<b>2019</b>			
FVOCI financial assets:			
Quoted Shariah-approved equities	85,051	-	85,051
Government investment issues	-	141,393	141,393
Unquoted Islamic private debt securities	-	159,701	159,701
Financial assets at FVTPL:			
Quoted Shariah-approved equities	173,584	-	173,584
Financial instruments with embedded derivatives	242	-	242
Unit trusts - REITS	6,390	-	6,390
Government investment issues	-	30,600	30,600
Unquoted Islamic private debt securities	-	46,119	46,119
	<u>265,267</u>	<u>377,813</u>	<u>643,080</u>

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**32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

An analysis of the methods used in determining the fair values of financial assets in accordance with the fair value hierarchy is as follows (Continued):

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b><u>Family takaful fund (Continued)</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2018</b>			
FVOCI financial assets:			
Quoted Shariah-approved equities	67,348	-	67,348
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
Financial assets at FVTPL:			
Quoted Shariah-approved equities	121,683	-	121,683
Financial instruments with embedded derivatives	6	-	6
Unit trusts - REITS	5,297	-	5,297
Government investment issues	-	1,022	1,022
Unquoted Islamic private debt securities	-	38,719	38,719
	<u>194,334</u>	<u>267,407</u>	<u>461,741</u>
<b><u>Company</u></b>			
<b>2019</b>			
FVOCI financial assets:			
Quoted Shariah-approved equities	93,647	-	93,647
Government investment issues	-	141,393	141,393
Unquoted Islamic private debt securities	-	159,701	159,701
Financial assets at FVTPL:			
Quoted Shariah-approved equities	173,584	-	173,584
Financial instruments with embedded derivatives	242	-	242
Unit trusts - REITS	6,390	-	6,390
Government investment issues	-	56,485	56,485
Unquoted Islamic private debt securities	-	97,429	97,429
	<u>273,863</u>	<u>455,008</u>	<u>728,871</u>

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**32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

An analysis of the methods used in determining the fair values of financial assets in accordance with the fair value hierarchy is as follows (Continued):

	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b><u>Company (Continued)</u></b>			
<b>2018</b>			
FVOCI financial assets:			
Quoted Shariah-approved equities	76,531	-	76,531
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
Financial assets at FVTPL:			
Quoted Shariah-approved equities	121,683	-	121,683
Financial instruments with embedded derivatives	6	-	6
Unit trusts - REITS	5,297	-	5,297
Government investment issues	-	30,235	30,235
Unquoted Islamic private debt securities	-	90,807	90,807
	<u>203,517</u>	<u>348,708</u>	<u>552,225</u>

There were no financial instruments whose fair values were determined based on Level 3 of the fair value hierarchy during the financial years ended 31 December 2019 and 31 December 2018 nor were there any significant transfers between different levels of the fair value hierarchy during the said financial years.

**33. SHARIAH NON-COMPLIANCE RISK**

Shariah non-compliance risk refers to possible failure to meet the obligation of Shariah principles and values. When controls fail to perform, Shariah non-compliance risk can cause reputational and operational damage, have regulatory implications or can even lead to financial loss and ultimately impediment from Allah's barakah and blessing.

The Company has in place a robust Shariah control framework to mitigate such risks by constantly monitoring the complete end-to-end processes and operations of the Company in all aspects. Controls include effective oversight of the Shariah Committee, supported by internal Shariah Compliance Department, Shariah risk management process and Shariah audit. Other relevant controls include staff awareness training programmes and internal operating Shariah Compliance Standards.

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**34. OPERATING LEASE AGREEMENTS**

From 1 January 2019, the Company has recognised right-of-use assets for these leases, except for short term and low-value leases, see Note 25 and Note 2.2(y)(i) for further information.

Future minimum lease payments payable under non-cancellable operating leases contracted for as at 31 December but not recognised as liabilities, are payable as follows:

<b><u>Shareholders' fund/Company</u></b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Not later than 1 year	-	1,520
Later than 1 year but not later than 5 years	-	795
	<u>-</u>	<u>2,315</u>

**35. CAPITAL COMMITMENTS**

<b>Capital expenditure</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Approved and contracted for:		
- Property and equipment	5,495	-
	<u>5,495</u>	<u>-</u>

**36. INVESTMENT-LINKED TAKAFUL FUNDS**

**(a) Statement of financial position**

	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>Assets</b>		
Financial assets at FVTPL:		
Quoted Shariah-approved equities	173,584	121,683
Financial instruments with embedded derivatives	204	6
Unit trusts - REITS	6,390	5,297
Government investment issues	30,600	1,022
Unquoted Islamic private debt securities	46,119	38,719
Profit receivables	990	880
Financial assets at AC:		
Islamic investment accounts with licensed Islamic banks	52,800	58,500
Other receivables	4,592	1,610
Tax recoverable	-	285
Deferred tax asset	-	197
Cash and bank balances	955	913
Total assets	<u>316,234</u>	<u>229,112</u>

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**36. INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)**

**(a) Statement of financial position (Continued)**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Liabilities</b>		
Other payables	3,060	7,284
Tax payable	941	-
Deferred tax liabilities	202	-
Total liabilities	<u>4,203</u>	<u>7,284</u>
Represented by:		
Net asset value of funds	<u>312,031</u>	<u>221,828</u>
Value of units	294,473	219,465
Undistributed income carried forward	<u>17,558</u>	<u>2,363</u>
Net asset value of funds	<u>312,031</u>	<u>221,828</u>

**(b) Statement of income and expenditure**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment income	8,360	6,016
Realised gains and losses	7,973	(3,698)
Fair value gains and losses	4,994	(12,736)
	<u>21,327</u>	<u>(10,418)</u>
Asset management charges	(3,088)	(2,234)
Net other operating expenses	(1,503)	(2,760)
Profit/(loss) before taxation	16,736	(15,412)
Taxation	(1,541)	1,162
Net profit/(loss) for the year	<u>15,195</u>	<u>(14,250)</u>
Undistributed income brought forward	<u>2,363</u>	<u>16,613</u>
Undistributed income carried forward	<u>17,558</u>	<u>2,363</u>

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**37. MYSALAM SCHEME**

As part of Budget 2019, the Minister of Finance announced the mySalam Scheme ("the Scheme") which provides financial relief in the event of critical illness and hospitalisation to Malaysians under the B40 household income category. The Scheme went live in March 2019 and the Company was appointed as the takaful operator for this Scheme with the following roles and responsibilities:

- Claims assessment and administration;
- Education and awareness of the Scheme; and
- Financial management and reporting.

A National B40 Protection Trust Fund ("the Trust") has been set up to safeguard the funds relating to this Scheme. The Trust is governed by a Board of Trustees comprising senior members from the Ministry of Finance, the Ministry of Health and other independent representatives.

The Scheme is run on a non-profit basis and all underwriting surplus and investment profit arising from the mySalam Tabarru Fund, if any, are attributable back to the Trust.

The Company has obtained approval from Bank Negara Malaysia that the capital adequacy requirements outlined in the Risk Based Capital Framework for Takaful Operators will not be applicable to mySalam.

**(a) Statement of financial position**

	<b>mySalam Shareholders' fund RM'000</b>	<b>mySalam Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>Assets</b>			
Motor vehicles and equipment	265	-	265
Takaful receivables	-	483,609	483,609
Retakaful assets	-	213,889	213,889
Other receivables	32,006	-	6
<b>Total assets</b>	<b>32,271</b>	<b>697,498</b>	<b>697,769</b>
<b>Liabilities</b>			
Expense liabilities	13,914	-	13,914
Takaful certificate liabilities	-	453,164	453,164
Takaful payables	-	201,360	201,360
Other payables	18,357	42,974	29,331
<b>Total liabilities</b>	<b>32,271</b>	<b>697,498</b>	<b>697,769</b>



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**37. MYSALAM SCHEME (CONTINUED)**

**(b) Statement of income and expenditure**

	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Wakalah fee income	32,000	-	-
Gross earned contributions	-	483,609	483,609
Earned contributions ceded to retakaful operators	-	(210,139)	(210,139)
<b>Net earned contributions</b>	-	273,470	273,470
Gross benefits and claims paid	-	(10,974)	(10,974)
Claims ceded to retakaful operators	-	8,779	8,779
Gross change in certificate liabilities including accumulated surplus attributable to the Trust	-	(453,164)	(453,164)
Change in certificate liabilities ceded to retakaful operators	-	213,889	213,889
<b>Net benefits and claims</b>	-	(241,470)	(241,470)
Wakalah fee expense	-	(32,000)	-
Management expenses	(18,086)	-	(18,086)
Change in expense liabilities	(13,914)	-	(13,914)
<b>Total expenses</b>	(32,000)	(32,000)	(32,000)
<b>Surplus attributable to the Trust</b>	-	-	-

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**FURTHER INFORMATION ON DIRECTORS**  
(As at 31 December 2019)

**MR NORMAN KA CHEUNG IP**

- Independent Non-Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

1. Far Island Bay Sdn Bhd	Chairman
2. Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3. Great Eastern Life Assurance (Malaysia) Berhad	Chairman
4. Great Eastern General Insurance (Malaysia) Berhad	Chairman
5. I Great Capital Holdings Sdn Bhd	Chairman
6. Overseas Assurance Corporation (Holdings) Berhad	Chairman
7. WBL Corporation Limited	Chairman
8. Building and Construction Authority, Singapore	Deputy Chairman
9. Great Eastern General Insurance Limited	Director
10. Great Eastern Holdings Limited*	Director
11. Lion Global Investors Limited	Director
12. The Great Eastern Life Assurance Company Limited	Director
13. United Engineers Limited	Senior Advisor
14. Securities Industry Council	Member

\* *Listed Companies*

**Academic and Professional Qualifications**

Bachelor of Science (Economics), London School of Economics and Political Science

Fellow of the Institute Chartered Accountants in England and Wales

Fellow of the Institute of Certified Public Accountants of Singapore

**Board Committees Served on**

Chairman, Board Nominations and Remuneration Committee

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**FURTHER INFORMATION ON DIRECTORS (CONTINUED)**  
(As at 31 December 2019)

**YBHG. MAJOR GENERAL DATO' ZULKIFLEE BIN MAZLAN (RTD)**

- **Non-Independent Non-Executive Director**

**Shareholding in the Company**  
Nil

**Current Directorships (and Appointments)**

- |  |          |
|--|----------|
| 1. Koperasi Angkatan Tentera Malaysia Berhad | Chairman |
| 2. Affin Hwang Investment Bank Berhad        | Director |
| 3. Affin Hwang Trustee Berhad                | Director |

**Academic and Professional Qualifications**

Master of Science (National Security Strategy), National Defense University, Fort McNair, Washington D.C

LLB (Hons), Institute Technology of MARA

**Board Committees Served on**

Member, Board Audit Committee

Member, Board Nominations and Remuneration Committee

**YBHG. DATIN ZAHARAH BINTI ALI**

- **Non-Independent Non-Executive Director**

**Shareholding in the Company**  
Nil

**Current Directorships (and Appointments)**

Nil

**Academic and Professional Qualifications**

Master of Computer Science, Universiti Teknologi Malaysia

Bachelor of Arts (Hons), University of Malaya

**Board Committees Served on**

Chairman, Board Risk Management Committee

Member, Governance Committee

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**FURTHER INFORMATION ON DIRECTORS (CONTINUED)**  
(As at 31 December 2019)

**MR LEE KONG YIP**

- Independent Non-Executive Director

**Shareholding in the Company**  
Nil

**Current Directorships (and Appointments)**

1. Fraser & Neave Holdings Berhad\* Director

\* *Listed Company*

**Academic and Professional Qualifications**

Advanced Management Program, University of California, Berkeley  
Bachelor of Economics (Hons) Degree, University of Malaya

**Board Committees Served on**

Chairman, Board Audit Committee  
Member, Board Risk Management Committee

**YBHG. REAR ADMIRAL DATO' ANUWAR BIN MAD SAID**

- Non-Independent Non-Executive Director

**Shareholding in the Company**  
Nil

**Current Directorships (and Appointments)**

1. Wiramaju Sdn Bhd Director

**Academic and Professional Qualifications**

Master of Arts Degree (Defense Studies), The National University of Malaysia  
Diploma in Strategic and Defense Studies, University of Malaya

**Board Committees Served on**

Member, Board Risk Management Committee

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**GREAT EASTERN TAKAFUL BERHAD**  
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**FURTHER INFORMATION ON DIRECTORS (CONTINUED)**  
(As at 31 December 2019)

**MR KHOR HOCK SENG**

- Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

1. Great Eastern Financial Advisers Private Limited	Chairman
2. Lion Global Investors Limimited	Chairman
3. Life Insurance Association Singapore	President
4. PT Great Eastern Life Indonesia	President Commissioner
5. PT Great Eastern General Insurance Indonesia	President Commissioner
6. Great Eastern Capital (Malaysia) Sdn Bhd	Director
7. Great Eastern Life Assurance (Malaysia) Berhad	Director
8. Great Eastern International Private Limited	Director
9. Great Eastern General Insurance (Malaysia) Berhad	Director
10. I Great Capital Holdings Sdn Bhd	Director
11. Overseas Assurance Corporation (Holdings) Berhad	Director
12. The Great Eastern Trust Private Limited	Director
13. 218 Orchard Private Limited	Director
14. Institute of Banking and Finance	Council Member
15. Financial Sector Tripartite Committee	Member
16. Singapore College of Insurance	Board of Governors

**Academic and Professional Qualifications**

Bachelor of Art (Majoring in Actuarial Science and Statistics), Macquarie University Sydney, Australia

Certificate of Actuarial Techniques, London Institute of Actuaries

**Board Committee Served on**

Nil

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**FURTHER INFORMATION ON DIRECTORS (CONTINUED)**  
(As at 31 December 2019)

**YBHG. DATO' YEOH BEOW TIT**

- Independent Non-Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

1.	Pacific Mutual Fund Berhad	Director
2.	Cagamas MBS Berhad	Director
3.	Cagamas SRP Berhad	Director

**Academic and Professional Qualifications**

Master of Science in Management, University of Salford, United Kingdom

Bachelor of Economics (Double Major in Economics & Operations Research), Monash University, Australia

Fellow of the Institute of Bankers Malaysia (FIBM)

Certified Financial Planner and Member of Financial Planning of Association of Malaysia

**Board Committee Served on**

Member, Board Nominations and Remuneration Committee

Member, Board Audit Committee

Chairman, Governance Committee