

GREAT EASTERN TAKAFUL BERHAD
201001032332 (916257-H)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2020

201001032332 (916257-H)

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

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GREAT EASTERN TAKAFUL BERHAD
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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 2020.

PRINCIPAL ACTIVITY

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

RESULTS

	RM'000
Net profit for the year	<u>9,212</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.

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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:

Mr Norman Ka Cheung Ip (Chairman)

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)

En. Mohamed Rashdi bin Mohamed Ghazalli (Appointed on 1 April 2020 and retired under Article 76 of the Company's Constitution and being eligible, offered himself for reappointment during the AGM held on 10 June 2020)

Mr Lee Kong Yip (Resigned w.e.f. 31 March 2020)

In accordance with Article 72 of the Company's Constitution, YBhg. Datin Zaharah binti Ali and YBhg. Mej Gen Dato' Zulkiflee bin Mazlan (Rtd) would retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

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 Note 27 and Note 30 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.

A Director and Officer's Liability Takaful has been entered into by the Company for the financial year ended 31 December 2020 pursuant to Section 289 of the Companies Act, 2016. The cost of takaful effected amounted to a gross contribution of RM60,900.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In the opinion of the Directors, the results of the operations of the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature as stated in Note 40, other than those disclosed in the financial statements.

GREAT EASTERN TAKAFUL BERHAD
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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>1.1.2020</u>	<u>Acquired</u>	<u>Disposed</u>	<u>31.12.2020</u>
(a) Ordinary shares in the capital of OCBC Bank				
Mr Norman Ka Cheung Ip	4,493	92	-	4,585
Mr Khor Hock Seng	458,274	93,857	10,000	542,131
Dato' Albert Yeoh Beow Tit	296,303	6,032	-	302,335
(b) Deemed Interest				
Mr Norman Ka Cheung Ip	-	10,204	-	10,204
Mr Khor Hock Seng	198,978	127,306	82,832	243,452 ⁽¹⁾
En. Mohamad Rashdi Mohamed Ghazalli	68 ⁽²⁾	-	-	68 ⁽²⁾

Note:

- (1) Deemed interest arising from the OCBC Deferred Share Plan.
- (2) Deemed interest arising from this appointment as Administrator in the estate of Mohamed Ghazalli bin Dato Mahmud.

	<u>Options held by Directors in their own name</u>					
	Expiry Date	Exercise Price (\$)	1.1.2020	Granted	Exercised	31.12.2020
(c) Options to subscribe for ordinary shares in the capital of OCBC Bank						
Mr Khor Hock Seng	22.03.2027	9.60	327,082	-	-	327,082
	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.

GREAT EASTERN TAKAFUL BERHAD
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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; and
 - (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.
- (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.

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OTHER STATUTORY INFORMATION (CONTINUED)

- (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 in accordance with the valuation method specified in Part D of the Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia ("BNM").

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

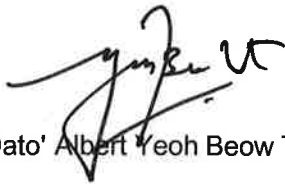
Auditors' Remuneration

Details of auditors' remuneration are set out in Note 27 to the financial statements.

There was no indemnity given to, or takaful effected for auditors of the Company in respect of the liability for any act or omission in their capacity as auditors of the Company during the financial year.

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept the reappointment as auditors.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2021.



Dato' Albert Yeoh Beow Tit



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)

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)
 - (q) overseeing the adequacy, effectiveness and implementation of Anti-Corruption function.
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 and Board Risk Management Committee. All the Board Committees have been constituted with clear Board-approved terms of reference. The Governance Committee ("GC") which consist of 2 Board Members, a Shariah Committee member and the Appointed Actuary was formed on 24 January 2011 for the purpose of promoting and maintaining the appropriate balance in addressing the interests of all stakeholders, while giving special attention to the interests of Takaful participants. The GC has been constituted with clear Board-approved terms of reference.
5. The Company's Board Committees and the GC, 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 and GC 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.
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 2020 and the attendance of the Directors at those meetings are tabulated below:

Directors' attendance at Board and Board Committee meetings in 2020

Name of Director	Board				Board Nominations and Remuneration Committee	
	No. of Meetings				No. of Meetings	
	Scheduled		Ad hoc		Scheduled	
	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip (Board Chairman) ⁽²⁾	6	6	1	1	4	4
YBhg. Datin Zaharah binti Ali	5	6	1	1	4 ⁽¹⁾	4 ⁽¹⁾
Mr Khor Hock Seng	6	6	1	1	4 ⁽¹⁾	4 ⁽¹⁾
YBhg. Mej Gen Dato' Zulkiflee bin Mazlan (Rtd)	6	6	1	1	4	4
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	6	6	1	1	4 ⁽¹⁾	4 ⁽¹⁾
YBhg. Dato' Albert Yeoh Beow Tit ⁽³⁾ (Appointed as Director on 1 January 2020)	6	6	1	1	4	4
En. Mohamed Rashdi bin Mohamed Ghazalli (Appointed as Director on 1 April 2020)	6	6	1	1	4 ⁽¹⁾	2 ⁽¹⁾
Mr Lee Kong Yip ⁽⁶⁾ (Resigned as Director on 31 March 2020)	6	3	-	-	4 ⁽¹⁾	2 ⁽¹⁾

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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 2020 (Continued)

Name of Director	Board Audit Committee Meetings				Board Risk Management Committee	
	No. of Meetings				No. of Meetings	
	Scheduled		Ad hoc		Scheduled	
	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip ⁽⁴⁾	4	4 ^{(1)(1a)}	3	3	5 ⁽¹⁾	5 ⁽¹⁾
YBhg. Datin Zaharah binti Ali	1 ⁽¹⁾	1 ⁽¹⁾	2 ⁽¹⁾	2 ⁽¹⁾	5	5
Mr Khor Hock Seng	4 ⁽¹⁾	4 ⁽¹⁾	3 ⁽¹⁾	3 ⁽¹⁾	5 ⁽¹⁾	5 ⁽¹⁾
YBhg. Mej Gen Dato' Zulkiflee bin Mazlan (Rtd)	4	4	3	3	-	-
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	1 ⁽¹⁾	1 ⁽¹⁾	2 ⁽¹⁾	2 ⁽¹⁾	5	5
YBhg. Dato' Albert Yeoh Beow Tit ⁽⁵⁾	4	4	3	3	-	-
En. Mohamed Rashdi bin Mohamed Ghazalli (Appointed as Director on 1 April 2020)	-	-	2 ⁽¹⁾	2 ⁽¹⁾	5	3
Mr Lee Kong Yip ⁽⁶⁾ (Resigned as Director on 31 March 2020)	1	1	-	-	5	2

Notes:

- (1) Attendance by Invitation
 (1a) Attendance as Member 3/4
 (2) Ceased as Chairman of Board Nominations and Remuneration w.e.f 16 March 2020
 (3) Appointed as Chairman of Board Nominations and Remuneration w.e.f 16 March 2020
 (4) Appointed as Member of Board Audit Committee on 1 April 2020
 (5) Appointed as Chairman of Board Audit Committee on 1 April 2020
 (6) Ceased as Chairman of Board Audit Committee on 31 March 2020
 (-) Not applicable to the Non-Member of the respective Board Committees.

Directors' attendance at the Annual General Meeting of the Company on 10 June 2020 is not included in the above table.

There were 2 Joint Board Audit Committee and Board Risk Management Committee meetings held on 4 February 2020 and 19 August 2020 respectively. Directors' attendance at these meetings are not included in the above table.

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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 Governance Committee meeting in 2020

Name of Directors	Governance Committee	
	No. of Meetings	
	Scheduled	
	Held	Attended
YBhg. Dato' Yeoh Beow Tit (Appointed on 1 January 2020)	2	2
YBhg. Datin Zaharah binti Ali	2	2

The Governance Committee is represented by two board representatives.

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. Mr Norman Ka Cheung Ip and Mr Khor Hock Seng retired by rotation and were re-elected to the Board at the Company's Annual General Meeting on 10 June 2020 pursuant to Article 72 of the Company's Constitution.
12. In addition, all appointments and reappointments of Directors of the Company are subject to the approval of BNM. The composition of the Board during the financial year 2020 is as follows:

Members of the Board

Mr Norman Ka Cheung Ip
YBhg. Datin Zaharah binti Ali
Mr Khor Hock Seng
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)

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

YBhg. Dato' Albert Yeoh Beow Tit
En Mohamed Rashdi bin Mohamed Ghazalli

Status of Directorship

Independent Non-Executive Director
Independent Non-Executive Director
Non-Independent Executive Director
Non-Independent Non-Executive
Director
Non-Independent Non-Executive
Director
Independent Non-Executive Director
Independent Non-Executive 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)

Board Membership (Continued)

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.

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 Report¹. 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 2020 ("FY2020"). The Directors do not hold any shares in the Company or its penultimate holdings company, Great Eastern Holdings Limited ("GEH").

Note:

- ¹ 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.

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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)

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 Mr Norman Ka Cheung Ip, YBhg. Datin Zaharah binti Ali, YBhg. Dato' Albert Yeoh Beow Tit and Mr. Mohamed Rashdi bin Mohamed Ghazalli.
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.
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.

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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)

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, Mr Norman Ka Cheung Ip and the CEO, En. Shahrul Azlan bin Shahruman 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.
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.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

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 Policy for Islamic Financial Institutions ("Shariah Governance Policy"). On 20 September 2019, BNM has issued a new Shariah Governance Policy Document which took effect on 1 April 2020. The Company has met with the requirements of the Shariah Governance Policy in ensuring 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.
30. The Shariah Committee met six times in FY2020 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%
YBhg. Professor 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	6	100%
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:
- (a) 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.

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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)
- (b) 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.
 - (c) 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.
 - (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 43 to 44.
 - (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 FY2020, the Board Nominations and Remuneration Committee comprised of the following Directors:
- YBhg. Dato' Albert Yeoh Beow Tit, Chairman
 - Mr Norman Ka Cheung Ip, Member
 - YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd), Member

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BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

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 reappointment 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.
36. The Board Nominations and Remuneration Committee held a total of four meetings in 2020.
37. The Board Nominations and Remuneration Committee has a key role in carrying out the formal and transparent process established for the appointment and reappointment 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 meet 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.

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BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Re-appointment/Re-election of Directors

39. All Directors subject themselves for reappointment 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 reappointment 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.

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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BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Orientation and Training (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:

- BOARD EDUCATIONAL SERIES:
 - a) Guideline on Adequate Procedures Gap Analysis Report and Corruption Risk Management.
 - b) Implementation of MFRS 17 Insurance Contracts: Technical Accounting Papers (Batch 3)
- BOARD EDUCATIONAL SERIES:
 - a) (i) Cyber Security in Year 2020.
(ii) Cyber Security Road Map Update and Understanding of Functions Implemented.
 - b) Implementation of MFRS 17 Insurance Contracts: Technical Accounting Papers (Batch 4)
- BOARD EDUCATIONAL SERIES:
 - a) Anti-Money Laundering & Countering Financing of Terrorism - Regulatory Development and Internal Process
 - b) Sustainability - Getting the Board on Board
 - c) The Future in Question: Economic Cycles, Technology and Cyber Security
 - d) Implementation of MFRS 17 Insurance Contracts: Technical Accounting Papers (Batch 5)
- FIDE FORUM: BNM-FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia
- FIDE FORUM (Webinar) Climate Action: The Board's Leadership in Greening the Financial Sector
- FIDE FORUM (Webinar) Green Fintech: Ping An's Use of Technology to Support Green Finance Objectives
- FIDE FORUM (Webinar) Challenging Times : What Role Must the Board Play
- FIDE FORUM (Webinar) Risks: A Fresh Look from the Board's Perspective
- FIDE FORUM (Webinar): Managing Virtual Banking and Insurance Businesses
- FIDE FORUM (Webinar) Green Fintech: Ping An's journey to becoming a top ESG-performing Financial Institution
- CIMB The Cooler Earth Sustainability Summit 2020 – Recovery, Resilience & Responsibility:
 - a) Regulation and Board Intervention
 - b) Business and The Environment
 - c) ESG Financing for Business

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BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Orientation and Training (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 (Continued):

- CIMB: Boards and Sustainability Leadership, and the critical role they play in safeguarding their organisations against emerging risks
- GELM Board Briefing Session: Great Eastern Life Malaysia -3-Year Digital Transformation Initiatives
- THE CONFERENCE BOARD: Embracing Complexity Stepping out of the Business as Usual Mindset
- EREVNA CONSERVANT ASIA PACIFIC: Imagining the Unimaginable Scenario Planning
- ASIAN RESEARCH INSTITUTE: Living with COVID: A Singapore Perspective
- EY SINGAPORE: How to build a Bridge from Now to Next and Beyond, evaluating Risks

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.

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BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Performance (Continued)

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.

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 reappointment 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.

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BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

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.

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 Meeting.

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BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

54. The Board has considered the market practices for non-executive Director's remuneration, and has decided to use the same fee structure for computing the fee for each non-executive Director for the FY2020 as that used in the previous financial year (in the table set out below):

Description	Chairman (RM/Year)	Member (RM/Year)
Board	70,000	35,000
Board Audit Committee	18,000	9,000
Board Risk Management Committee	18,000	9,000
Board Nominations and Remuneration Committee	12,000	6,000
Governance Committee	12,000	6,000
Chairman of Meeting	-	5,000
Attendance of Directors invited to Shareholders' meeting/Board Meeting	1,400	1,400
Special Project and In House Seminars & Workshops	2,000	2,000
Meeting Allowance (except for Special Project)	1,400 per meeting	

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

Disclosure of Directors' and CEO Remuneration

55. The total Directors' Remuneration from the Company in respect of FY2020 is shown under Note 27(b) in the Company's financial statements. Fees for non-executive Directors totalling RM603,261 in respect of FY2020 will be tabled for approval at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2020 are disclosed under Note 27(b) and Note 27(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.

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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)

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 eleven 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.
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 periods.
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.

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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)

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.
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.

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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)

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.
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	13	5,449,547	-	-
Other	13	170,272	-	-
Variable remuneration				
Cash-based	14	1,420,337	-	-
Other*	7	39,885	-	-

* Include SOs

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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.
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.

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BOARD AUDIT COMMITTEE (CONTINUED)

75. For FY2020, the Board Audit Committee comprised the following Directors:

- YBhg. Dato' Albert Yeoh Beow Tit, Chairman
- Mr Norman Ka Cheung Ip, Member
- YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd), Member

76. The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2020 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.

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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 FY2020 included the following: (Continued)
- (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.
 - (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 four scheduled and three ad-hoc meetings in 2020, 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.

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(CONTINUED)

BOARD AUDIT COMMITTEE (CONTINUED)

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.
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.

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

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.
83. Under the CG PD, the Board Risk Management Committee is required to comprise at least three non-executive Directors, with a majority of them being Independent Directors. The Board Risk Management Committee must be chaired by an Independent Director, who is not the Chairman of the Company.
84. The Board Risk Management Committee comprises the following Directors:
- YBhg. Datin Zaharah binti Ali, Chairman
 - YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd), Member
 - En Mohamed Rashdi bin Mohamed Ghazalli, Member
85. The Committee is responsible for overseeing all risk management and compliance matters (strategic market, credit, liquidity, takaful, operational, technology, cyber security, data, regulatory, compliance and Shariah risks; and any other category of risks, as well as the state of risk culture maturity and technology-related matters) as delegated by the Board or as deemed necessary by the Committee. It reviews the overall risk management philosophy, including, the risk profile, risk tolerance level, and risk and capital management strategy, in line with 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. It oversees the cultivation of a strong risk culture that promotes risk awareness and sound risk taking.

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)

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. In discharging its duties and responsibilities, the Company engages the services of the Risk Management and Compliance Departments of GELM which are adequately resourced with experienced and qualified employees who are sufficiently independent to perform their duties objectively. They regularly engage Senior Officers 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 annually.
88. The Board Risk Management Committee meets with the Head, Risk Management 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 Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 33 of the Audited Financial Statements.
90. The Board Risk Management Committee held a total of five meetings in 2020.

GOVERNANCE COMMITTEE

91. The Governance Committee shall 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. Any increase of membership in Governance Committee should preferably be filled by Independent non-executive 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.

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)

92. For FY2020, the Governance Committee comprised the following:

- YBhg. Dato' Albert Yeoh Beow Tit, Chairman
- YBhg. Datin Zaharah binti Ali, Member
- YBhg. Professor Dato' Dr Wan Sabri bin Wan Yusof, Member
- En. Mohd Khalid bin Khairullah, Member/Appointed Actuary

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 to the interests of its Takaful participants.

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 2020.

INTERNAL CONTROL FRAMEWORKS

97. The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and is equipped with effective and efficient 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.

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

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.
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 Board Risk Management Committee, Board Audit Committee, 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.

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)

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

105. 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 Board or relevant 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 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.

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)

(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.

(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.

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. This self-assessment process is further supplemented by an annual assurance report on risk management and internal controls.

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 (Continued)

108. Annually an Own Risk and Solvency Assessment report is submitted to apprise the Board Risk Management Committee and Board of 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.

Monitoring and Reporting

109. An Enterprise Risk Dashboard that features the Company's risk profile from various perspectives (namely strategic, financial, operational, technology, market conduct compliance and Shariah) is submitted to the Board, Board Risk Management Committee and Senior Management Team for notation.

110. Regulatory breaches, risk concerns 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 internally as well as to BNM on a regular basis.

111. Stress test scenarios and the corresponding stress factors are developed and reviewed by the Board annually and thereafter, the stress scenarios and factors are used to stress the financial positions.

RELATED PARTY TRANSACTION

112. 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.

113. Details of the Company's related party transactions during FY2020 are set out in Note 30 of the Notes to the Financial Statements.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

ETHICAL STANDARDS

114. 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.
115. 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.
116. 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.

BOARD OF DIRECTORS' PROFILE

Mr Norman Ka Cheung Ip, Chairman

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.

Mr Norman Ka Cheung Ip is currently the Deputy Chairman of Building and Construction Authority and a Member of Securities Industry Council.

Mr Norman Ka Cheung Ip was previously the Group Managing Director of United Engineers Limited and Chairman of Malaysia Smelting Corporation Berhad, UE E&C Ltd, WBL Corporation Limited as well as a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange. He is a Chartered Accountant by training and has over 33 years of experience in finance and investments, real estate and managing companies. From 2000 to 2009, he was President and Group Chief Executive Officer of The Straits Trading Company Limited ("STC"), the main activities of which are in real estate, mining and hospitality. Prior to joining STC in 1983, he was with Ernst & Whinney (now known as Ernst & Young LLP).

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

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.

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 and Affin Hwang Investment Bank Berhad. He presently sits on the Board of Affin Hwang Asset Management Berhad and Affin Hwang Trustee Berhad.

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 and DAMS Security Services Sdn Bhd.

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

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 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, Malaysia and Indonesia.

YBhg. Dato' Albert 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, and Director of Danajamin Nasional Bhd. From May 2009 to May 2018.

YBhg. Dato' Yeoh is currently a Director in several companies, namely Cagamas MBS Berhad, Cagamas SRP Berhad and BOS Wealth Management Malaysia Berhad.

En. Mohamed Rashdi bin Mohamed Ghazalli

En. Mohamed Rashdi bin Mohamed Ghazalli was appointed to the Company's Board on 1 April 2020 as an Independent non-executive Director. He was also appointed a member of the Board Risk Management Committee on 1 April 2020.

He has over 30 years of experience in industry and consultancy. He is an experienced professional manager and held a number of senior management positions in the IT and Advisory services industry.

He is currently a Board Member of Tune Protect Group Berhad and BOS Wealth Management Berhad.


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GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Dato' Albert Yeoh Beow Tit 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 49 to 212 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 2020 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 31 March 2021.



Dato' Albert Yeoh Beow Tit

Kuala Lumpur, Malaysia



Major General Dato' Zulkiflee bin Mazlan (Rtd)

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

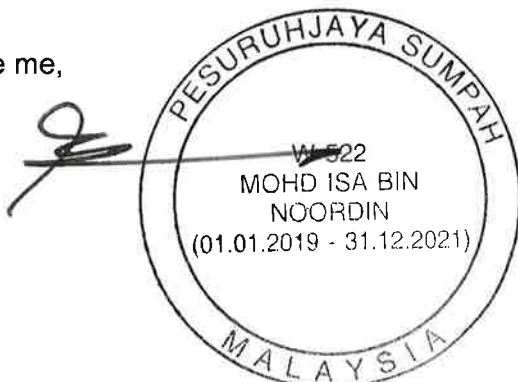
I, Jasveen Kaur Marne, being the officer primarily responsible for the financial management of Great Eastern Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 212 are in my opinion, correct and I make this solemn declaration conscientiously 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 on 31 March 2021)



Jasveen Kaur Marne

Before me,



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 and must attend at least 75% of the Scheduled Meetings held in each financial year. In 2020, the Shariah Committee met 14 times including Scheduled, Special and Teleconference Meetings. The attendance of members at the Scheduled Shariah Committee meetings is as follows:

Name	Number of Scheduled 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	6/6	100%
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 2020 to 31 December 2020. 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)

STATEMENT BY 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 2020 to 31 December 2020 that we have reviewed, are in compliance with Shariah principles except for two (2) Shariah non-compliance event involving overpayment of claims by TPA and double payout of benefit payments from Tabarru' Fund, which were subsequently rectified according to the rectification plan proposed by the management, endorsed by the Shariah Committee and approved by the Board of Directors;
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 2020 to 31 December 2020; 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 2020 to 31 December 2020 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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)
201001032332 (916257-H)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Great Eastern Takaful Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 212.

Basis for opinion

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

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International 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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GREAT EASTERN TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
201001032332 (916257-H)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Statement of Corporate Governance, Report of the Shariah Committee and Further Information on Directors, but does not include the financial statements of the Company and our auditors' report thereon.

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 the 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GREAT EASTERN TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
201001032332 (916257-H)**

REPORT ON 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:

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company 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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GREAT EASTERN TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201001032332 (916257-H)

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.

A handwritten signature in black ink, appearing to be 'PricewaterhouseCoopers' with a stylized flourish at the end.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Manjit Singh' with a stylized flourish at the end.

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2023 J
Chartered Accountant

Kuala Lumpur
31 March 2021

201001032332 (916257-H)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020			2019		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Assets							
Motor vehicles and equipment	4	8,937	-	8,937	13,276	-	13,276
Right-of-use assets	5(a)	2,805	-	2,805	4,181	-	4,181
Intangible assets	6	11,782	-	11,782	8,244	-	8,244
Investments	7	150,352	1,177,486	1,327,838	91,720	780,380	866,171
Retakaful assets	8	-	801,339	801,339	-	368,401	368,401
Takaful receivables	9	-	919,067	919,067	-	489,985	489,985
Other receivables	10	64,816	6,617	11,758	64,046	4,480	7,001
Deferred tax assets	11	48	-	48	-	-	-
Tax recoverable		-	-	-	867	-	-
Cash and bank balances		11,081	23,039	34,120	5,284	25,531	30,815
Total assets		249,821	2,927,548	3,117,694	187,618	1,668,777	1,788,074
Equity							
Share capital	12	195,000	-	195,000	155,000	-	155,000
Accumulated losses		(78,795)	-	(78,795)	(85,998)	-	(87,940)
Other comprehensive income fair value reserves		(863)	-	(863)	41	-	41
Total equity		115,342	-	115,342	69,043	-	67,101

201001032332 (916257-H)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020			2019		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Liabilities and participants' fund							
Participants' fund	13	-	67,421	-	-	34,370	-
Expense liabilities	14	46,752	-	46,752	41,553	-	41,553
Takaful certificate liabilities	15	-	2,004,607	2,072,028	-	1,334,528	1,365,259
Lease liabilities	5(b)	3,025	-	3,025	4,277	-	4,277
Takaful payables	16	10,433	695,765	706,198	5,813	213,753	219,566
Other payables	17	48,485	154,123	142,933	39,639	83,269	61,383
Provisions	18	8,790	-	8,790	7,050	-	7,050
Amounts due to related companies	19	14,488	-	14,488	19,229	-	19,229
Deferred tax liabilities	11	-	2,011	2,011	1,014	1,061	1,727
Provision for zakat		26	-	26	-	-	-
Provision for taxation		2,480	3,621	6,101	-	1,796	929
Total liabilities and participants' fund		134,479	2,927,548	3,002,352	118,575	1,668,777	1,720,973
Total equity, liabilities and participants' fund		249,821	2,927,548	3,117,694	187,618	1,668,777	1,788,074

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

201001032332 (916257-H)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020			2019		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Wakalah fee income	20	234,547	-	-	217,746	-	-
Gross earned contributions		-	1,231,977	1,231,977	-	997,815	997,815
Earned contributions ceded to retakaful operators		-	(648,046)	(648,046)	-	(271,841)	(271,841)
Net earned contributions	21	-	583,931	583,931	-	725,974	725,974
Investment income	22	5,103	31,418	36,521	4,252	24,706	28,958
Realised gains	23	5,033	29,485	31,774	757	9,345	10,102
Fair value (losses)/gains	24	(3,161)	13,323	12,452	2,104	5,033	6,646
Fee and commission income	25	-	6,392	3,336	-	2,110	331
Other operating revenue		10,464	637	11,101	103	133	236
Other revenue		17,439	81,255	95,184	7,216	41,327	46,273
Gross benefits and claims paid	15	-	(238,463)	(232,080)	-	(156,642)	(156,642)
Claims ceded to retakaful operators	15	-	111,951	111,951	-	58,352	58,352
Gross change in certificate liabilities	15	-	(653,095)	(707,500)	-	(654,080)	(672,354)
Change in certificate liabilities ceded to retakaful operators	15	-	432,938	432,938	-	244,269	244,269
Net benefits and claims		-	(346,669)	(394,691)	-	(508,101)	(526,375)
Change in expense liabilities	14	(5,199)	-	(5,199)	(14,762)	-	(14,762)
Wakalah fee expense	26	-	(234,547)	-	-	(217,746)	-
Commission expenses/administration fees		(117,462)	(1,970)	(116,376)	(101,460)	(2,323)	(102,004)
Management expenses	27	(141,740)	1,642	(140,098)	(114,755)	(3,357)	(118,112)
Operating expenses		-	(120)	(120)	-	-	-
Impairment loss on FVOCI financial assets		(6)	(354)	(360)	-	(18)	(18)
Taxation of family takaful business	28(a)	-	(4,582)	(4,582)	-	(2,694)	(2,694)
Other expenses		(264,407)	(239,931)	(266,735)	(230,977)	(226,138)	(237,590)

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GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020			2019		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Operating (loss)/profit before surplus transfers		(12,421)	78,586	17,689	(6,015)	33,062	8,282
Surplus attributable to participants		-	(50,766)	-	-	(18,274)	-
Surplus attributable to shareholders		27,820	(27,820)	-	14,788	(14,788)	-
Profit before zakat and taxation		15,399	-	17,689	8,773	-	8,282
Zakat		-	-	-	-	-	-
Taxation	28(b)	(8,130)	-	(8,477)	(5,235)	-	(5,235)
Net profit for the year		7,269	-	9,212	3,538	-	3,047
Profit per share (sen)							
Basic and diluted	29	-	-	5.8	-	-	2.3

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 2020

	2020			2019		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Net profit for the year	7,269	-	9,212	3,538	-	3,047
Other comprehensive (loss)/income:						
Other comprehensive (loss)/income that will not be reclassified to income statement in subsequent periods (net of tax):						
Equity instruments designated at Fair Value through Other Comprehensive Income ("FVOCI"):						
Net (loss)/gain on fair value changes	(1,351)	(5,847)	(7,198)	371	4,320	4,691
Tax on realised (loss)/gain	21	(40)	(19)	68	125	193
Deferred tax relating to components of other comprehensive (loss)/income	303	471	774	(157)	(356)	(513)
	<u>(1,027)</u>	<u>(5,416)</u>	<u>(6,443)</u>	<u>282</u>	<u>4,089</u>	<u>4,371</u>
Other comprehensive income/(loss) that will be reclassified to income statement in subsequent periods (net of tax):						
Islamic debt instruments at FVOCI:						
Net gain on fair value changes	115	9,317	9,432	-	10,790	10,790
Net realised gain transferred to income statement	(65)	(4,390)	(4,455)	-	(1,372)	(1,372)
Changes in allowance for Expected Credit Loss ("ECL")	6	354	360	-	18	18
Deferred tax relating to components of other comprehensive (loss)/income	-	(364)	(364)	-	(753)	(753)
Other comprehensive income/(loss) attributable to participants	-	499	499	-	(12,772)	(12,772)
Other comprehensive income/(loss) for the year, net of tax	<u>56</u>	<u>5,416</u>	<u>5,472</u>	<u>-</u>	<u>(4,089)</u>	<u>(4,089)</u>
Total comprehensive income for the year	<u>6,298</u>	<u>-</u>	<u>8,241</u>	<u>3,820</u>	<u>-</u>	<u>3,329</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 2020

	<u>Attributable to Equity Holders of the Company</u>			
	Share capital RM'000 (Note 12)	Non-distributable Fair value reserves RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2019	155,000	(455)	(90,773)	63,772
Net profit for the year	-	-	3,047	3,047
Other comprehensive profit	-	282	-	282
Total comprehensive profit	-	282	3,047	3,329
Transfer of fair value reserve of equity instruments designated at FVOCI	-	214	(214)	-
At 31 December 2019	<u>155,000</u>	<u>41</u>	<u>(87,940)</u>	<u>67,101</u>
At 1 January 2020	155,000	41	(87,940)	67,101
Net profit for the year	-	-	9,212	9,212
Other comprehensive loss	-	(971)	-	(971)
Total comprehensive (loss)/income	-	(971)	9,212	8,241
Transfer of fair value reserve of equity instruments designated at FVOCI	-	67	(67)	-
Issuance of shares	40,000	-	-	40,000
At 31 December 2020	<u>195,000</u>	<u>(863)</u>	<u>(78,795)</u>	<u>115,342</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 2020

	Note	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES			
Profit before zakat and taxation		17,689	8,282
Adjustments for:			
Depreciation for motor vehicles and equipment	4, 27	(2,380)	4,609
Depreciation for right-of-use assets	5(a), 27	1,376	1,374
Amortisation of intangible assets	6, 27	10,419	2,224
Investment income	22	(36,521)	(28,958)
Realised gains	23	(31,774)	(10,102)
Fair value gains in income statement	24	(12,452)	(6,646)
Impairment loss on FVOCI financial assets		360	18
Profit expense on lease liabilities	5(b), 27	262	325
Taxation of family takaful business	28(a)	4,582	2,694
Write off of motor vehicle and equipment		399	-
Operating loss before working capital changes		(48,040)	(26,180)
Purchase of FVOCI investments		(360,595)	(215,530)
Proceeds from sales of FVOCI investments		210,115	140,660
Purchase of FVTPL investments		(883,321)	(575,456)
Proceeds from sales of FVTPL investments		739,726	504,728
Increase in loans and receivables		(30,000)	-
Decrease/(increase) in takaful and other receivables		(431,672)	(479,347)
Increase in retakaful assets		(432,938)	(244,269)
(Decrease)/increase in lease liabilities		-	5,555
Increase in takaful and other payables		575,168	231,513
Increase in takaful certificate liabilities		707,269	669,641
Net change in balance with related companies		(4,741)	10,291
Cash generated from operating activities		40,971	21,606
Income tax paid		(7,260)	(5,482)
Investment income received		34,446	27,909
Net cash generated from operating activities		68,157	44,033
INVESTING ACTIVITIES			
Purchase of motor vehicles and equipment	4	6,319	(6,261)
Increase of right-of-use assets	5	-	(5,555)
Proceeds from disposal of intangible assets	6	2,683	-
Purchase of intangible assets	6	(16,640)	(4,251)
Net cash used in investing activities		(7,638)	(16,067)
FINANCING ACTIVITIES			
Issuance of shares	12	40,000	-
Repayment of lease liabilities	5(b)	(1,514)	(1,603)
Net cash used in financing activities		38,486	(1,603)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Net increase in cash and cash equivalents		99,005	26,363
Cash and cash equivalents at beginning of year		168,115	141,752
Cash and cash equivalents at end of year		267,120	168,115
Cash and cash equivalents comprise:			
Cash and bank balances		34,120	30,815
Short term Islamic investment accounts with original maturity period of less than 3 months	7(d)	233,000	137,300
		267,120	168,115

Reconciliation of liabilities arising from financing activities:

	Balances as at beginning of the financial year RM'000	Net cash flow from operating activities RM'000	Net cash flow from financing activities RM'000	Additions to lease liability RM'000	Finance cost of leases RM'000	Balances as at year end of the financial year RM'000
2020						
Lease liabilities	4,277	262	(1,514)	-	-	3,025
2019						
Lease liabilities	5,379	325	(1,603)	176	-	4,277

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 2020

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 31 March 2021.

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 2020, 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 preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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.

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%

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

(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.

GREAT EASTERN TAKAFUL BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets and amortisation (Continued)

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. This distribution agreement was terminated in June 2020.
- (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.

GREAT EASTERN TAKAFUL BERHAD
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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)

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.

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.

GREAT EASTERN TAKAFUL BERHAD
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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)

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.

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.

GREAT EASTERN TAKAFUL BERHAD
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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)

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.

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:

GREAT EASTERN TAKAFUL BERHAD
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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)

(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.

(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.

GREAT EASTERN TAKAFUL BERHAD
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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)

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.

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.

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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)

IV. Loans and Receivables (“LAR”) (Continued)

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.

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. For ECL arising from tafakul receivables arising from MySalam per Note 39's background, the ECL is assessed to be immaterial.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial liabilities and takaful payables (Continued)

(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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value measurement (Continued)

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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value measurement (Continued)

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").

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:

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

- 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.

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.

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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

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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

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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

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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

GREAT EASTERN TAKAFUL BERHAD
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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.

GREAT EASTERN TAKAFUL BERHAD
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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.

Dividend income

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Other revenue recognition (Continued)

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 (2019: RM3.04).

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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.

GREAT EASTERN TAKAFUL BERHAD
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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 an interest free 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 2020, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2020.

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 *Definition of Material*
- Amendments to MFRS 3 *Definition of a Business*
- Amendments to MFRS 9, 139 and 7 *Interest Rate Benchmark*
- Amendments to MFRS 4 *Extension of the Temporary Exemption from Applying MFRS 9*

On 1 June 2020, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 June 2020.

- Amendments to MFRS 16 *COVID-19-Related Rent Concessions*

The adoption of the above standards and pronouncements did not have any significant impact on the financial statements of the Company.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2022

- Amendments to MFRS 116 *Proceeds before Intended Use*
- Amendments to MFRS 3 *Reference to the Conceptual Framework*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2018 – 2020 Cycle)*
- Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRSs 2018 – 2020 Cycle)*
- Amendments to MFRS 16 *Leases (Annual Improvements to MFRSs 2018 – 2020 Cycle)*
- Amendments to MFRS 141 *Agriculture (Annual Improvements to MFRSs 2018 – 2020 Cycle)*
- Amendments to MFRS 137 *Onerous Contracts – Cost of Fulfilling a Contract*

Effective for financial periods beginning on or after 1 January 2023

- Amendments to MFRS 101 *Classification of liabilities as current or non-current*
- Amendments to 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:

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 *Insurance Contracts* (Continued)

The original effective date for MFRS 17 was for annual periods beginning on or after 1 January 2021. On 25 June 2020, the International Accounting Standards Board (“IASB”) has issued amendments to the IFRS 17 *Insurance Contracts* which has deferred the effective dates of IFRS 17 and temporary exemption of the adoption of IFRS 9 for qualifying insurers to annual reporting periods beginning on or after 1 January 2023.

The Malaysian Accounting Standard Board has issued the amendments to MFRS 17 *Insurance Contracts* on 17 August 2020.

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 15)

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 39)

The Company was appointed by the National B40 Protection Trust Fund ("the Trust") to operate the mySalam Scheme in financial year 2019.

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 14 and Note 15)

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.

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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)

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.

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.

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4. MOTOR VEHICLES AND EQUIPMENT

<u>Shareholders' fund/ Company</u>	Motor vehicles RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Capital work-in- progress RM'000	Total RM'000
2020					
Cost					
At 1 January 2020	514	23,823	5,364	2,274	31,975
Additions	392	1,881	20	6,062	8,355
Disposals	(336)	-	-	(63)	(399)
Transfer/reclassification (Note 6)	-	(11,751)	791	(4,051)	(15,011)
At 31 December 2020	<u>570</u>	<u>13,953</u>	<u>6,175</u>	<u>4,222</u>	<u>24,920</u>
Accumulated depreciation					
At 1 January 2020	(511)	(13,706)	(4,482)	-	(18,699)
Charge for the year	(45)	(5,215)	(466)	-	(5,726)
Disposals	310	-	-	-	310
Transfer/reclassification	-	8,132	-	-	8,132
At 31 December 2020	<u>(246)</u>	<u>(10,789)</u>	<u>(4,948)</u>	<u>-</u>	<u>(15,983)</u>
Net book value					
At 31 December 2020	<u>324</u>	<u>3,164</u>	<u>1,227</u>	<u>4,222</u>	<u>8,937</u>
<u>Shareholders' fund/ Company</u>	Motor vehicles RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Capital work-in- progress RM'000	Total RM'000
2019					
Cost					
At 1 January 2019	514	18,303	5,498	1,399	25,714
Additions	-	1,231	-	5,164	6,395
Disposals	-	-	(134)	-	(134)
Transfer/reclassification	-	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>
Accumulated depreciation					
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>
Net book value					
At 31 December 2019	<u>3</u>	<u>10,117</u>	<u>882</u>	<u>2,274</u>	<u>13,276</u>

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4. MOTOR VEHICLES AND EQUIPMENT (CONTINUED)

Included in motor vehicles and equipment are the cost of fully depreciated assets which are still in use amounting to RM13,679,856 (2019: RM10,782,792).

5. (a) RIGHT-OF-USE ASSETS

<u>Shareholders' fund/Company</u>	Right-of-Use: Buildings RM'000	Right-of-Use: Office equipment RM'000	Total RM'000
2020			
Cost			
At 1 January 2020	5,379	176	5,555
Additions	-	-	-
At 31 December 2020	<u>5,379</u>	<u>176</u>	<u>5,555</u>
Accumulated amortisation			
At 1 January 2020	(1,345)	(29)	(1,374)
Charge for the year	(1,341)	(35)	(1,376)
At 31 December 2020	<u>(2,686)</u>	<u>(64)</u>	<u>(2,750)</u>
Net book value			
At 31 December 2020	<u>2,693</u>	<u>112</u>	<u>2,805</u>
<u>Shareholders' fund/Company</u>	Right-of-Use: Buildings RM'000	Right-of-Use: Office equipment RM'000	Total RM'000
2019			
Cost			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16	5,379	-	5,379
At 1 January 2019 (restated)	<u>5,379</u>	-	<u>5,379</u>
Additions	-	176	176
At 31 December 2019	<u>5,379</u>	<u>176</u>	<u>5,555</u>
Accumulated amortisation			
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>
Net book value			
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:

	2020	2019
	RM'000	RM'000
Depreciation expense of right-of-use assets	1,376	1,374
Profit expense on lease liabilities	262	325
Expense related to short-term leases	-	1
Expense related to leases of low-value assets	14	9
Rental of properties	17	12
Total amount recognised in profit or loss	<u>1,669</u>	<u>1,721</u>

5. (b) LEASE LIABILITIES

<u>Shareholders' fund/Company</u>	Lease Liabilities: Buildings RM'000	Lease Liabilities: Office equipment RM'000	Total RM'000
2020			
Lease liabilities			
At 1 January 2020	4,097	180	4,277
Payment of lease liabilities	(1,475)	(39)	(1,514)
Profit expense on lease liabilities	224	38	262
At 31 December 2020	<u>2,846</u>	<u>179</u>	<u>3,025</u>
2019			
Lease liabilities			
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>
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>	Computer software and licences RM'000	Distribution platform RM'000	Distribution agreement RM'000	Total RM'000
2020				
Cost				
At 1 January 2020	3,883	3,498	13,000	20,381
Additions	1,629	-	-	1,629
Disposals	-	-	(13,000)	(13,000)
Transfer/reclassification (Note 4)	15,011	-	-	15,011
At 31 December 2020	<u>20,523</u>	<u>3,498</u>	<u>-</u>	<u>24,021</u>
Accumulated amortisation				
At 1 January 2020	(2,806)	(21)	(9,310)	(12,137)
Charge for the year	(718)	(562)	(1,007)	(2,287)
Disposals	-	-	10,317	10,317
Transfer/reclassification	(8,132)	-	-	(8,132)
At 31 December 2020	<u>(11,656)</u>	<u>(583)</u>	<u>-</u>	<u>(12,239)</u>
Net book value				
At 31 December 2020	<u>8,867</u>	<u>2,915</u>	<u>-</u>	<u>11,782</u>
2019				
Cost				
At 1 January 2019	3,130	-	13,000	16,130
Additions	753	3,498	-	4,251
At 31 December 2019	<u>3,883</u>	<u>3,498</u>	<u>13,000</u>	<u>20,381</u>
Accumulated amortisation				
At 1 January 2019	(2,243)	-	(7,670)	(9,913)
Charge for the year	(563)	(21)	(1,640)	(2,224)
At 31 December 2019	<u>(2,806)</u>	<u>(21)</u>	<u>(9,310)</u>	<u>(12,137)</u>
Net book value				
At 31 December 2019	<u>1,077</u>	<u>3,477</u>	<u>3,690</u>	<u>8,244</u>

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7. INVESTMENTS

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
FVOCI financial assets:			
Quoted Shariah-approved equities	16,545	108,639	125,184
Government investment issues	10,777	229,750	240,527
Unquoted Islamic private debt securities	-	181,724	181,724
Financial assets at FVTPL:			
Quoted Shariah-approved equities	13,451	285,758	299,209
Financial instruments with embedded derivatives	-	101	101
Unit trusts - REITS	-	2,459	2,459
Government investment issues	41,154	43,353	84,507
Unquoted Islamic private debt securities	59,025	72,102	131,127
Financial assets at AC:			
Islamic investment accounts with licensed Islamic banks	9,400	253,600	263,000
	<u>150,352</u>	<u>1,177,486</u>	<u>1,327,838</u>

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

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets (Note 7(a))	27,322	520,113	547,435
Financial assets at FVTPL (Note 7(b))	113,630	403,773	517,403
Financial assets at AC (Note 7(d))	9,400	253,600	263,000
	<u>150,352</u>	<u>1,177,486</u>	<u>1,327,838</u>

The following investments mature after 12 months:

FVOCI financial assets	10,777	408,968	419,745
Financial assets at FVTPL	98,152	115,455	213,607
	<u>108,929</u>	<u>524,423</u>	<u>633,352</u>

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7. INVESTMENTS (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2019			
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:

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
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(d))	-	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)

(a) FVOCI financial assets

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
At cost:			
Quoted Shariah-approved equities	17,754	114,022	131,776
Government investment issues	10,726	222,505	233,231
Unquoted Islamic private debt securities	-	173,810	173,810
	<u>28,480</u>	<u>510,337</u>	<u>538,817</u>
At fair value:			
Quoted Shariah-approved equities	16,545	108,639	125,184
Government investment issues	10,777	229,750	240,527
Unquoted Islamic private debt securities	-	181,724	181,724
	<u>27,322</u>	<u>520,113</u>	<u>547,435</u>
2019			
At cost:			
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>
At fair value:			
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>

During the financial year ended 31 December 2020, 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 RM5,754,969 (2019: RM3,547,864) at the date of disposal. The cumulative loss on disposal of RM87,744 was reclassified from fair value reserve to retained earnings (2019: RM281,420).

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7. INVESTMENTS (CONTINUED)

(b) Financial assets at FVTPL

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
At fair value:			
Mandatorily measured:			
Quoted Shariah-approved equities	13,451	285,758	299,209
Financial instruments with embedded derivatives	-	101	101
Unit trusts - REITS	-	2,459	2,459
Government investment issues	-	43,353	43,353
Unquoted Islamic private debt securities	-	72,102	72,102
Designated upon initial recognition:			
Government investment issues	41,154	-	41,154
Unquoted Islamic private debt securities	59,025	-	59,025
	<u>113,630</u>	<u>403,773</u>	<u>517,403</u>
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2019			
At fair value:			
Mandatorily measured:			
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
Designated upon initial recognition:			
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>

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7. INVESTMENTS (CONTINUED)

(c) Movement in carrying values

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets:			
At 1 January 2019	9,183	295,014	304,197
Purchases	2,590	213,015	215,605
Disposals at fair value	(3,830)	(135,580)	(139,410)
Fair value gains recorded in:			
Other comprehensive income	653	13,863	14,516
Amortisation of premiums - net (Note 22)	-	(167)	(167)
At 31 December 2019	<u>8,596</u>	<u>386,145</u>	<u>394,741</u>
Purchases	35,689	326,340	362,029
Disposals at amortised cost	(15,563)	(190,164)	(205,727)
Fair value losses recorded in:			
Other comprehensive income	(1,213)	(975)	(2,188)
Amortisation of premiums - net (Note 22)	(187)	(1,232)	(1,419)
At 31 December 2020	<u>27,322</u>	<u>520,114</u>	<u>547,436</u>
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Financial assets at FVTPL:			
At 1 January 2019	86,739	166,726	248,027
Purchases	40,391	535,065	575,456
Disposals	(46,110)	(449,889)	(495,999)
Fair value losses recorded in:			
Profit or loss (Note 24)	2,104	5,033	6,646
At 31 December 2019	<u>83,124</u>	<u>256,935</u>	<u>334,130</u>
Purchases	160,748	722,573	883,321
Disposals	(127,081)	(589,058)	(712,500)
Fair value losses recorded in:			
Profit or loss (Note 24)	(3,161)	13,323	12,452
At 31 December 2020	<u>113,630</u>	<u>403,773</u>	<u>517,403</u>

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7. INVESTMENTS (CONTINUED)

(d) Financial assets at AC

2020	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At amortised cost/fair value:			
Islamic investment accounts with licensed Islamic banks	9,400	253,600	263,000
<hr/>			
2019			
At amortised cost/fair value:			
Islamic investment accounts with licensed Islamic banks	-	137,300	137,300
<hr/>			

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 RM233,000,000 (2019: RM137,300,000), 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. RETAKAFUL ASSETS

	2020 RM'000	2019 RM'000
<u>Family takaful fund/Company</u>		
Retakaful of takaful certificates	170,567	154,512
Retakaful of takaful certificates arising from the mySalam Scheme (Note 39)	630,772	213,889
Total retakaful of takaful certificates (Note 15)	<u>801,339</u>	<u>368,401</u>

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9. TAKAFUL RECEIVABLES

<u>Family takaful fund/Company</u>	2020 RM'000	2019 RM'000
Contributions due from agents, other intermediaries and corporate shareholder	8,063	8,423
Contribution due arising from the mySalam Scheme (Note 39)	911,549	483,609
Amount due arising from retakaful operators	1,486	1,641
	<u>921,098</u>	<u>493,673</u>
Allowance for impairment	(2,031)	(3,688)
	<u>919,067</u>	<u>489,985</u>
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	(3,688)	(652)
Impairment for the year	1,657	(3,036)
At 31 December	<u>(2,031)</u>	<u>(3,688)</u>

Included in the takaful receivables is an amount of RM4.03 million (2019: RM3.6 million) due from a corporate shareholder of the Company, Koperasi Angkatan Tentera (Note 30). 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:

	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
31 December 2020			
Claims recoveries	-	2,144	2,144
Retakaful contributions	(658)	-	(658)
	<u>(658)</u>	<u>2,144</u>	<u>1,486</u>
31 December 2019			
Commission earned	-	70	70
Claims recoveries	-	10,614	10,614
Retakaful contributions	(9,043)	-	(9,043)
	<u>(9,043)</u>	<u>10,684</u>	<u>1,641</u>

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10. OTHER RECEIVABLES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
Profit due and accrued	1,297	6,310	7,607
Other receivables and deposits	3,844	307	4,151
Amount due from family takaful fund * (Note 17)	59,675	-	-
	<u>64,816</u>	<u>6,617</u>	<u>11,758</u>
2019			
Profit due and accrued	959	4,480	5,439
Other receivables and deposits	1,562	-	1,562
Amount due from family takaful fund * (Note 17)	61,525	-	-
	<u>64,046</u>	<u>4,480</u>	<u>7,001</u>

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

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

11. DEFERRED TAX ASSETS/(LIABILITIES)

	2020 RM'000	2019 RM'000
<u>Shareholders' fund</u>		
At beginning of year	(1,014)	(352)
Recognised in other comprehensive income	303	(157)
Recognised in income statement (Note 28(b))	759	(505)
At end of year	<u>48</u>	<u>(1,014)</u>

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11. DEFERRED TAX ASSETS/(LIABILITIES) (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
<u>Shareholders' fund (Continued)</u>			
2020			
At 1 January 2020	(456)	(558)	(1,014)
Recognised in other comprehensive income	303	-	303
Recognised in income statement	-	759	759
At 31 December 2020	<u>(153)</u>	<u>201</u>	<u>48</u>
2019			
At 1 January 2019	(299)	(53)	(352)
Recognised in other comprehensive income	(157)	-	(157)
Recognised in income statement	-	(505)	(505)
At 31 December 2019	<u>(456)</u>	<u>(558)</u>	<u>(1,014)</u>

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.

	2020 RM'000	2019 RM'000
<u>Family takaful fund</u>		
At beginning of year	(1,061)	485
Recognised in other comprehensive income	107	(1,109)
Recognised in income statement (Note 28(a))	(1,057)	(437)
At end of year	<u>(2,011)</u>	<u>(1,061)</u>

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11. DEFERRED TAX ASSETS/(LIABILITIES) (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
<u>Family takaful fund (Continued)</u>			
2020			
At 1 January 2020	(858)	(203)	(1,061)
Recognised in other comprehensive income	107	-	107
Recognised in income statement	-	(1,057)	(1,057)
At 31 December 2020	<u>(751)</u>	<u>(1,260)</u>	<u>(2,011)</u>
2019			
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	<u>(858)</u>	<u>(203)</u>	<u>(1,061)</u>

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.

	2020 RM'000	2019 RM'000
<u>Company</u>		
At beginning of year	(1,727)	481
Recognised in other comprehensive income	410	(1,266)
Recognised in income statement	(646)	(942)
At end of year	<u>(1,963)</u>	<u>(1,727)</u>

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11. DEFERRED TAX ASSETS/(LIABILITIES) (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
<u>Company (Continued)</u>			
2020			
At 1 January 2020	(1,016)	(711)	(1,727)
Recognised in other comprehensive income	410	-	410
Recognised in income statement	-	(646)	(646)
At 31 December 2020	<u>(606)</u>	<u>(1,357)</u>	<u>(1,963)</u>
2019			
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>

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	
	2020 In '000	2019 In '000	2020 RM'000	2019 RM'000
<u>Shareholders' fund/Company</u>				
Ordinary shares (Note (a))	175,000	135,000	175,000	135,000
Redeemable preference shares (Note (b))	20,000	20,000	20,000	20,000
	<u>195,000</u>	<u>155,000</u>	<u>195,000</u>	<u>155,000</u>
(a) Ordinary shares:				
At 1 January	135,000	135,000	135,000	135,000
Additions	40,000	-	40,000	-
At 31 December	<u>175,000</u>	<u>135,000</u>	<u>175,000</u>	<u>135,000</u>

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12. SHARE CAPITAL (CONTINUED)

	Number of shares		Amount	
	2020 In '000	2019 In '000	2020 RM'000	2019 RM'000
(b) Redeemable preference shares:				
At 1 January/31 December	20,000	20,000	20,000	20,000

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. PARTICIPANTS' FUND

	2020 RM'000	2019 RM'000
<u>Family takaful fund</u>		
Unallocated surplus (Note (i))	57,092	23,542
FVOCI reserves (Note (ii))	10,329	10,828
	<u>67,421</u>	<u>34,370</u>
(i) Unallocated surplus:		
At beginning of the year	23,542	21,802
Surplus distributable to participants (Note 15)	50,754	18,274
Surplus allocated to participants (Note 15)	<u>(17,204)</u>	<u>(16,534)</u>
At end of the year	<u>57,092</u>	<u>23,542</u>
(ii) FVOCI reserves:		
At beginning of the year	10,828	(1,944)
Net (loss)/gain recognised during the year	<u>(499)</u>	<u>12,772</u>
At end of the year	<u>10,329</u>	<u>10,828</u>

14. EXPENSE LIABILITIES

	2020 RM'000	2019 RM'000
<u>Shareholders' fund/Company</u>		
Provision for expense liabilities	41,951	35,127
Provision for expense over-run	4,801	6,426
	<u>46,752</u>	<u>41,553</u>
At beginning of the year	41,553	26,791
Change in expense liabilities	6,824	13,079
Expense over-run reserves	<u>(1,625)</u>	<u>1,683</u>
	<u>5,199</u>	<u>14,762</u>
	<u>46,752</u>	<u>41,553</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.

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15. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
<u>Family takaful fund</u>			
2020			
Provision for outstanding claims reported by certificate holders	87,246	(65,424)	21,822
Actuarial reserves	149,090	(105,143)	43,947
Participants' investment account ("PIA")	368,461	-	368,461
Net asset value attributable to certificate holders	432,936	-	432,936
Accumulated surplus	43,525	-	43,525
Takaful certificate liabilities for mySalam (including accumulated surplus (Note 39))	923,349	(630,772)	292,577
	<u>2,004,607</u>	<u>(801,339)</u>	<u>1,203,268</u>

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

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
At 1 January 2020	1,334,528	(368,401)	966,127
Benefits intimated during the year	166,010	(50,041)	115,969
Benefits paid during the year	(164,992)	44,629	(120,363)
Increase in liabilities due to:			
Portfolio movements	163,841	(4,013)	159,828
Surplus allocated to participants during the year (Note 13(i))	17,204	-	17,204
Change in assumptions and basis	7,394	(6,630)	764
Surplus arising during the year	10,437	-	10,437
Movement of takaful certificate liabilities for mySalam (Note 39)	470,185	(416,883)	53,302
At 31 December 2020	<u>2,004,607</u>	<u>(801,339)</u>	<u>1,203,268</u>

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15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
<u>Family takaful fund</u>			
2019			
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 39))	453,164	(213,889)	239,275
	<u>1,334,528</u>	<u>(368,401)</u>	<u>966,127</u>

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

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
At 1 January 2019	666,627	(124,132)	542,495
Benefits intimated during the year	198,953	(86,421)	112,532
Benefits paid during the year	(145,668)	49,573	(96,095)
Increase in liabilities due to:			
Portfolio movements	144,507	3,980	148,487
Surplus allocated to participants during the year (Note 13(i))	16,534	-	16,534
Change in assumptions and basis	(3,243)	2,488	(755)
Surplus arising during the year	3,654	-	3,654
Movement of takaful certificate liabilities for mySalam (Note 39)	453,164	(213,889)	239,275
At 31 December 2019	<u>1,334,528</u>	<u>(368,401)</u>	<u>966,127</u>

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15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

<u>Company</u>	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
2020			
Provision for outstanding claims reported by certificate holders	122,383	(99,930)	22,453
Actuarial reserves	812,491	(701,409)	111,082
Participants' investment account ("PIA")	368,461	-	368,461
Net asset value attributable to certificate holders	432,936	-	432,936
Accumulated surplus	268,336	-	268,336
Unallocated surplus	57,092	-	57,092
FVOCI reserves	10,329	-	10,329
	<u>2,072,028</u>	<u>(801,339)</u>	<u>1,270,689</u>

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

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
At 1 January 2020	1,365,259	(368,401)	996,858
Benefits intimated during the year	265,688	(144,725)	120,963
Benefits paid during the year	(238,464)	111,952	(126,512)
Increase in liabilities due to:			
Portfolio movements	706,080	(512,833)	193,247
Change in assumptions and basis	(129,874)	112,668	(17,206)
Net surplus arising during the year	53,084	-	53,084
Surplus distributable to participants (Note 13)	50,754	-	50,754
FVOCI fair value gain for the year	(607)	-	(607)
Deferred tax relating to FVOCI fair value gain	108	-	108
At 31 December 2020	<u>2,072,028</u>	<u>(801,339)</u>	<u>1,270,689</u>

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15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
<u>Company (Continued)</u>			
2019			
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:

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
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 (Note 13)	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>

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16. TAKAFUL PAYABLES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
Due to clients, agents and other intermediaries	10,433	-	10,433
Amount due to retakaful operators	-	7,596	7,596
Amount due to retakaful operators of the mySalam Scheme (Note 39)	-	688,169	688,169
	<u>10,433</u>	<u>695,765</u>	<u>706,198</u>
2019			
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 39)	-	201,360	201,360
	<u>5,813</u>	<u>213,753</u>	<u>219,566</u>

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
2020			
Commissions	-	(118)	(118)
Surplus shared	-	(51)	(51)
Claims recoveries	-	(96,835)	(96,835)
Retakaful contributions	792,769	-	792,769
	<u>792,769</u>	<u>(97,004)</u>	<u>695,765</u>

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16. TAKAFUL PAYABLES (CONTINUED)

2019	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
Commissions	-	(44)	(44)
Claims recoveries	-	(22,221)	(22,221)
Retakaful contributions	236,018	-	236,018
	<u>236,018</u>	<u>(22,265)</u>	<u>213,753</u>

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

17. OTHER PAYABLES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
Deposit contributions	-	10,494	10,494
Amount due to shareholders' fund* (Note 10)	-	59,675	-
Accruals	10,645	-	10,645
Agents' retirement benefits (Note 17.1)	11,107	-	11,107
Other payables and sundry creditors	26,733	83,954	110,687
	<u>48,485</u>	<u>154,123</u>	<u>142,933</u>
2019			
Deposit contributions	-	10,899	10,899
Amount due to shareholders' fund* (Note 10)	-	61,525	-
Accruals	16,238	-	16,238
Agents' retirement benefits (Note 17.1)	8,543	-	8,543
Other payables and sundry creditors	14,858	10,845	25,703
	<u>39,639</u>	<u>83,269</u>	<u>61,383</u>

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

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

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17. OTHER PAYABLES (CONTINUED)**17.1 Agents' retirement benefits**

	2020	2019
	RM'000	RM'000
<u>Shareholders' fund</u>		
At 1 January	8,543	8,773
Provisions/(reversals) for the year	2,564	(230)
At 31 December	<u>11,107</u>	<u>8,543</u>
Payable after 12 months	<u>11,107</u>	<u>8,543</u>

18. PROVISIONS

	2020	2019
	RM'000	RM'000
<u>Shareholders' fund/Company</u>		
Provision for bonus (Note 18.1)	8,099	6,612
Provision for short-term accumulating compensated absences	691	438
	<u>8,790</u>	<u>7,050</u>

18.1 Provision for bonus

	2020	2019
	RM'000	RM'000
<u>Shareholders' fund</u>		
At 1 January	6,612	5,905
Provision for the year	8,099	6,612
Utilised during the year	(5,029)	(4,935)
Overprovision in prior year	(1,583)	(970)
At 31 December	<u>8,099</u>	<u>6,612</u>

19. 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.

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20. WAKALAH FEE INCOME

	2020	2019
	RM'000	RM'000
<u>Shareholders' fund</u>		
Upfront fee	219,899	205,832
Fund management and service charges	14,648	11,914
	<u>234,547</u>	<u>217,746</u>

21. NET EARNED CONTRIBUTION

	2020	2019
	RM'000	RM'000
<u>Family takaful fund</u>		
(a) Gross contribution		
Family takaful contracts	1,231,977	997,815
	<u>1,231,977</u>	<u>997,815</u>
(b) Contribution ceded		
Family takaful contracts	(648,046)	(271,841)
	<u>(648,046)</u>	<u>(271,841)</u>
Net earned contribution	<u>583,931</u>	<u>725,974</u>

22. INVESTMENT INCOME

	Shareholders'	Family	Company
	fund	takaful fund	RM'000
	RM'000	RM'000	RM'000
2020			
FVOCI financial assets:			
Profit income	449	14,957	15,406
Dividend income	830	6,108	6,938
Net amortisation	(187)	(1,232)	(1,419)
Financial assets at FVTPL:			
- mandatorily measured:			
Profit income	106	3,915	4,021
Dividend income	860	7,461	8,321
- designated upon initial recognition:			
Profit income	2,851	336	3,187

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22. INVESTMENT INCOME (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020 (Continued)			
Profit income from financial assets at AC	310	2,317	2,627
Gross investment income	5,219	33,862	39,081
Less: Investment expenses	(116)	(2,444)	(2,560)
	<u>5,103</u>	<u>31,418</u>	<u>36,521</u>

During the year ended 31 December 2020, dividend income relating to quoted shariah-approved equities measured at FVOCI were:

	RM'000
Derecognised during the reporting year	1,200
Held at the end of the reporting year	<u>5,738</u>
	<u>6,938</u>

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
--	---------------------------------	----------------------------------	-------------------

2019

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:

	RM'000
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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23. REALISED GAINS

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
FVOCI financial assets:			
Government investment issues	65	3,534	3,599
Unquoted Islamic private debt securities	-	856	856
Total realised gains for FVOCI financial assets	65	4,390	4,455
Financial assets at FVTPL:			
<u>Mandatorily measured:</u>			
Shariah-approved equities			
- quoted in Malaysia	94	19,535	19,629
Financial instruments with embedded derivatives	-	28	28
Unit trusts - REITS	-	710	710
Government investment issues	-	1,649	1,649
Unquoted Islamic private debt securities	202	3,108	3,310
Units held in investment-linked	2,744	-	-
	3,040	25,030	25,326
<u>Designated upon initial recognition:</u>			
Government investment issues	1,372	59	1,431
Unquoted Islamic private debt securities	556	6	562
	1,928	65	1,993
Total realised gains for financial assets at FVTPL	4,968	25,095	27,319
	5,033	29,485	31,774

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23. REALISED GAINS (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2019			
FVOCI financial assets:			
Government investment issues	-	1,372	1,372
Unquoted Islamic private debt securities	-	-	-
Total realised gains for FVOCI financial assets	-	1,372	1,372
Financial assets at FVTPL:			
<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
	-	7,973	7,973
<u>Designated upon initial recognition:</u>			
Government investment issues	626	-	626
Unquoted Islamic private debt securities	131	-	131
	757	-	757
Total realised gains for financial assets at FVTPL	757	7,973	8,730
	757	9,345	10,102

24. FAIR VALUE (LOSSES)/GAINS

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
Financial assets at FVTPL	(3,161)	13,323	12,452
2019			
Financial assets at FVTPL	2,104	5,033	6,646

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25. FEE AND COMMISSION INCOME

	2020	2019
	RM'000	RM'000
<u>Family takaful fund</u>		
Surplus sharing from retakaful operators	2,972	-
Commission earned on retakaful	195	188
Other certificate charges	3,225	1,922
	<u>6,392</u>	<u>2,110</u>

26. WAKALAH FEE EXPENSE

	2020	2019
	RM'000	RM'000
<u>Family takaful fund</u>		
Upfront fee	219,899	205,832
Fund management and service charges	14,648	11,914
	<u>234,547</u>	<u>217,746</u>

27. MANAGEMENT EXPENSES

	Shareholders'	Family	Company
	fund	takaful fund	RM'000
	RM'000	RM'000	RM'000
2020			
Staff costs:			
Salaries, bonus and other related costs	33,513	-	33,513
Defined contribution plans	4,828	-	4,828
Social security contribution	220	-	220
Short-term accumulating compensated absences	253	-	253
	38,814	-	38,814
Non-executive directors' remuneration (Note 27(b))	604	-	604
Shariah committee members' remuneration (Note 27(c))	286	-	286
Auditors' remuneration:			
- statutory audit	268	13	281
- regulatory related fees	61	-	61
- non-audit fee	-	-	-
Agency related expenses	28,466	-	28,466
Advertising and marketing expenses	10,685	2	10,687
Rental of properties	17	-	17
Rental of equipment	36	-	36

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27. MANAGEMENT EXPENSES (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020 (Continued)			
Depreciation of motor vehicles and equipment (Note 4)	(2,380)	-	(2,380)
Depreciation of right-of-use assets (Note 5a)	1,376	-	1,376
Amortisation of intangible assets (Note 6)	10,419	-	10,419
Profit expense on lease liabilities (Note 5b)	262	-	262
Marketing and communication	525	-	525
Electronic data processing	271	-	271
Management fees	2,639	-	2,639
Shared services charges	14,024	-	14,024
Outsourcing charges	15,288	-	15,288
Other expenses	20,079	(1,657)	18,422
	<u>141,740</u>	<u>(1,642)</u>	<u>140,098</u>

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2019			
Staff costs:			
Salaries, bonus and other related costs	28,890	-	28,890
Defined 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 27(b))	600	-	600
Shariah committee members' remuneration (Note 27(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

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27. MANAGEMENT EXPENSES (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2019 (Continued)			
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>

(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:

	2020 RM'000	2019 RM'000
Salaries and bonus	1,151	1,017
Deferred contribution plans	184	163
Others	32	32
	<u>1,367</u>	<u>1,212</u>

(b) Non-executive directors' remuneration:

	2020 RM'000	2019 RM'000
<u>Shareholders' fund/Company</u>		
Non-executive directors' remuneration:		
<u>Fees:</u>		
<u>Current directors:</u>		
Mr Norman Ka Cheung Ip	93	51
YBhg. Datin Zaharah binti Ali	77	57
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	62	50
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	58	42
YBhg. Dato' Yeoh Beow Tit	84	-
Mohamed Rashdi Bin Mohamed Ghazalli	44	-
Mr Lee Kong Yip	18	62
Datuk Kamaruddin bin Taib	-	97
	<u>436</u>	<u>359</u>

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27. MANAGEMENT EXPENSES (CONTINUED)

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

Allowances:

Current directors:

Mr Norman Ka Cheung Ip	32	35
YBhg. Datin Zaharah binti Ali	28	44
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	25	43
YBhg. Rear Admiral Dato' Anuar bin Mad Said (Rtd)	27	39
YBhg. Dato' Yeoh Beow Tit	29	-
Mohamed Rashdi Bin Mohamed Ghazalli	17	-
Mr Lee Kong Yip	10	43
Datuk Kamaruddin bin Taib	-	37
	<u>168</u>	<u>241</u>
	<u>604</u>	<u>600</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:

	2020	2019
<u>Shareholders' fund/Company</u>		
Non-executive directors		
Below RM50,000	1	-
RM50,001 - RM100,000	3	3
RM100,001 - RM150,000	<u>3</u>	<u>3</u>

(c) Shariah Committee Members' remuneration:

	2020	2019
	RM'000	RM'000
<u>Shareholders' fund/Company</u>		
<u>Fees:</u>		
Dr. Akhtarzaite binti Abdul Aziz	42	41
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	36	35
Dr. Mohamad Sabri bin Zakaria	36	35
Assoc. Prof. Dr. Siti Salwani binti Razali	36	35
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	36	35
Dr. Mohammad Firdaus bin Mohammad Hatta	36	35
	<u>222</u>	<u>216</u>

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27. MANAGEMENT EXPENSES (CONTINUED)

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

	2020	2019
	RM'000	RM'000
<u>Shareholders' fund/Company (Continued)</u>		
<u>Other emoluments:</u>		
Dr. Akhtarzaite binti Abdul Aziz	12	8
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	10	8
Dr. Mohamad Sabri bin Zakaria	10	8
Assoc. Prof. Dr. Siti Salwani binti Razali	12	8
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	10	7
Dr. Mohammad Firdaus bin Mohammad Hatta	10	7
	<u>64</u>	<u>46</u>
	<u>286</u>	<u>262</u>

28. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION

	2020	2019
	RM'000	RM'000
(a) <u>Family takaful fund</u>		
Malaysian income tax:		
Current year	3,582	1,922
(Over)/under provision in prior year	(57)	335
	<u>3,525</u>	<u>2,257</u>
Deferred tax relating to the origination and reversal of temporary differences (Note 11):		
Current year	1,057	400
Under provision in prior year	-	37
	<u>1,057</u>	<u>437</u>
Tax expense for the year	<u>4,582</u>	<u>2,694</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% (2019: 8%) of the chargeable investment income net of allowable deductions for the year.

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28. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION (CONTINUED)

(b) Shareholders' fund/Company

	2020	2019
	RM'000	RM'000
<u>Shareholders' fund</u>		
Malaysian income tax:		
Current year	8,884	4,701
Under provision in prior year	5	29
	<u>8,889</u>	<u>4,730</u>
Deferred tax relating to the origination and reversal of temporary differences (Note 11):		
Current year	(759)	505
	<u>(759)</u>	<u>505</u>
Tax expense for the year	<u>8,130</u>	<u>5,235</u>

Domestic income tax for the shareholders' fund/Company is calculated at the Malaysian statutory tax rate of 24% (2019: 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:

	2020	2019
	RM'000	RM'000
<u>Shareholders' fund</u>		
Profit before zakat and taxation	<u>15,399</u>	<u>8,773</u>
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	3,696	2,106
Expenses not deductible for tax purposes	53,387	48,083
Income not subject to tax	(48,958)	(44,983)
Under provision in prior years	5	29
Tax expense for the year	<u>8,130</u>	<u>5,235</u>

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28. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION (CONTINUED)

(b) Shareholders' fund/Company (Continued)

	2020	2019
	RM'000	RM'000
<u>Company</u>		
Malaysian income tax:		
Current year	8,883	4,701
Under provision in prior year	5	29
	<u>8,888</u>	<u>4,730</u>
Deferred tax relating to the origination and reversal of temporary differences (Note 11):		
Current year	(411)	505
	<u>(411)</u>	<u>505</u>
Tax expense for the year	<u>8,477</u>	<u>5,235</u>

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:

	2020	2019
	RM'000	RM'000
<u>Company</u>		
Profit before zakat and taxation	<u>17,689</u>	<u>8,282</u>
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	4,245	1,988
Expenses not deductible for tax purposes	53,186	48,201
Income not subject to tax	(48,959)	(44,983)
Under provision in prior years	5	29
Tax expense for the year	<u>8,477</u>	<u>5,235</u>

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29. PROFIT 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:

<u>Company</u>	2020	2019
Net profit for the year (RM'000)	9,212	3,047
Weighted average number/number of ordinary shares in issue ('000)	157,527	135,000
Basic profit per share (sen)	<u>5.8</u>	<u>2.3</u>

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.

30. 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

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30. 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:

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

<u>Company</u>	2020 RM'000	2019 RM'000
<u>(Expenses)/income:</u>		
Service charges (vi):		
- Koperasi Angkatan Tentera Malaysia Berhad	(1,251)	(1,120)
Commission expenses/administration fees paid (ii):		
- OCBC Al-Amin Bank Berhad	(1,386)	(1,975)
- Koperasi Angkatan Tentera Malaysia Berhad	(4,632)	(4,143)
Bank charges (ii):		
- OCBC Al-Amin Bank Berhad	(169)	(124)
Credit card charges (ii):		
- OCBC Bank (Malaysia) Berhad	(1,769)	(1,414)
Rental of properties (v):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,400)	(1,517)
- Koperasi Angkatan Tentera Malaysia Berhad	(18)	(18)
Profit income (iii):		
- OCBC Al-Amin Bank Berhad	1,499	2,140
(Charges)/income for outsourcing services (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(9,811)	(8,929)
- I Great Capital Holdings Sdn Bhd	79	79
Charges for group services (vi):		
- Great Eastern Life Assurance (Malaysia) Berhad	(4,422)	(4,259)
- Great Eastern Life Assurance Co. Ltd.	(2,639)	(2,322)
Directors' fees	(604)	(600)
Shariah Committee members' fees	(286)	(262)

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30. RELATED PARTY DISCLOSURES (CONTINUED)

(a) (Continued)

(ii) Balances with related parties at year end:

	2020	2019
	RM'000	RM'000
Cash and bank balances:		
- OCBC Al-Amin Bank Berhad	29,920	20,893
Islamic investment accounts with licensed Islamic banks:		
- OCBC Al-Amin Bank Berhad	94,800	59,800
Amount due (to)/from related companies:		
- Great Eastern Life Assurance (Malaysia) Berhad	(7,249)	(7,612)
- Great Eastern Life Assurance Co. Ltd.	(7,260)	(11,650)
- I Great Capital Holdings Sdn Bhd	21	33
	<u>(14,488)</u>	<u>(19,229)</u>
Takaful receivables:		
- Koperasi Angkatan Tentera Malaysia Berhad	<u>4,027</u>	<u>3,618</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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30. RELATED PARTY DISCLOSURES (CONTINUED)

(a) (Continued)

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

Geographical Location	Type of Services	2020 RM	2019 RM
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.		
		(2,639)	(2,322)
		<u>(2,639)</u>	<u>(2,322)</u>

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

	2020 RM'000	2019 RM'000
Key management personnel's remuneration:		
Non-executive directors	604	600
Salaries and bonus	6,104	4,165
Defined contribution plans ("EPF")	921	649
Benefits-in-kind	54	25
	<u>7,683</u>	<u>5,439</u>

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31. REGULATORY CAPITAL REQUIREMENT

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

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2020			
Tier-1 Capital	96,205	38,011	134,216
Tier-2 Capital	19,081	(3,507)	15,574
Deductions	(11,658)	-	(11,658)
Capital Available	<u>103,628</u>	<u>34,504</u>	<u>138,132</u>
Credit risk capital charges	1,946	1,279	3,225
Market risk capital charges	9,101	4,311	13,412
Takaful liability risk capital charges	-	4,465	4,465
Operational risk capital charges	12,222	-	12,222
Expense risk capital charges	5,968	-	5,968
Capital Charges	<u>29,237</u>	<u>10,055</u>	<u>39,292</u>
Capital Required	29,237	10,055	39,292
Total Capital Available	<u>103,628</u>	<u>34,504</u>	<u>138,132</u>
Total Capital Required			39,292
Capital Adequacy Ratio (%)			297.01%

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31. REGULATORY CAPITAL REQUIREMENT (CONTINUED)

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

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2019			
Tier-1 Capital	49,002	21,907	70,909
Tier-2 Capital	20,041	(1,601)	18,440
Deductions	(8,244)	-	(8,244)
Capital Available	<u>60,799</u>	<u>20,306</u>	<u>81,105</u>
Credit risk capital charges	2,512	1,854	4,366
Market risk capital charges	4,617	3,639	8,256
Takaful liability risk capital charges	-	4,378	4,378
Operational risk capital charges	9,659	-	9,659
Expense risk capital charges	5,391	-	5,391
Capital Charges	<u>22,179</u>	<u>9,871</u>	<u>32,050</u>
Capital Required	22,179	9,871	32,050
Total Capital Available	<u>60,799</u>	<u>20,306</u>	<u>81,105</u>
Total Capital Required			32,050
Capital Adequacy Ratio (%)			229.74%

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GREAT EASTERN TAKAFUL BERHAD
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32. FINANCIAL INSTRUMENTS BY CATEGORY

<u>Shareholders' fund</u>	Note	FVOCI	FVTPL	AC	Sub-total	Assets not	Total
		RM'000	RM'000	RM'000	RM'000	in scope of MFRS 9 RM'000	RM'000
2020							
Assets							
Motor vehicles and equipment	4	-	-	-	-	8,937	8,937
Right-of-use assets	5(a)	-	-	-	-	2,805	2,805
Intangible assets	6	-	-	-	-	11,782	11,782
Investments	7	27,322	113,630	9,400	150,352	-	150,352
Other receivables	10	-	-	64,816	64,816	-	64,816
Deferred tax assets		-	-	-	-	48	48
Cash and bank balances		-	-	11,081	11,081	-	11,081
Total assets		27,322	113,630	85,297	226,249	23,572	249,821
Liabilities							
	Note			Other financial liabilities	Sub-total	Liabilities not in scope of MFRS 9	Total
				RM'000	RM'000	RM'000	RM'000
Expense liabilities	14			-	-	46,752	46,752
Lease liabilities	5(b)			3,025	3,025	-	3,025
Takaful payables	16			10,433	10,433	-	10,433
Other payables	17			48,485	48,485	-	48,485
Provisions	18			8,790	8,790	-	8,790
Amounts due to related companies	19			14,488	14,488	-	14,488
Provision for zakat				-	-	26	26
Provision for taxation				-	-	2,480	2,480
Total liabilities				85,221	85,221	49,258	134,479

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GREAT EASTERN TAKAFUL BERHAD
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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Shareholders' fund (Continued)</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2019							
Assets							
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
Total assets		8,596	83,124	69,330	161,050	26,568	187,618
Liabilities							
	Note			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Expense liabilities	14			-	-	41,553	41,553
Lease liabilities	5(b)			4,277	4,277	-	4,277
Takaful payables	16			5,813	5,813	-	5,813
Other payables	17			39,639	39,639	-	39,639
Provisions	18			7,050	7,050	-	7,050
Amounts due to related companies	19			19,229	19,229	-	19,229
Deferred tax liabilities	11			-	-	1,014	1,014
Total liabilities				76,008	76,008	42,567	118,575

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GREAT EASTERN TAKAFUL BERHAD
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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Family takaful fund	Note						Assets not	Total
		FVOCI	FVTPL	AC	Sub-total	in scope of	of MFRS 9	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2020								
Assets								
Investments	7	520,113	403,773	253,600	1,177,486	-	1,177,486	
Retakaful assets	8	-	-	-	-	801,339	801,339	
Takaful receivables	9	-	-	919,067	919,067	-	919,067	
Other receivables	10	-	-	6,617	6,617	-	6,617	
Cash and bank balances		-	-	23,039	23,039	-	23,039	
Total assets		520,113	403,773	1,202,323	2,126,209	801,339	2,927,548	
Liabilities and participants' fund								
				Other	Sub-total	Liabilities	Total	
				financial	RM'000	not in scope	RM'000	
				liabilities		of MFRS 9		
				RM'000	RM'000	RM'000	RM'000	
	Note							
Participants' fund	13	-	-	-	-	67,421	67,421	
Takaful certificate liabilities	15	-	-	-	-	2,004,607	2,004,607	
Takaful payables	16	695,765	695,765	695,765	695,765	-	695,765	
Other payables	17	154,123	154,123	154,123	154,123	-	154,123	
Deferred tax liabilities	11	-	-	-	-	2,011	2,011	
Provision for taxation		-	-	-	-	3,621	3,621	
Total liabilities and participants' fund				849,888	849,888	2,077,660	2,927,548	

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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Family takaful fund (Continued)	Note						Assets not	Total
		FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	in scope of of MFRS 9 RM'000	RM'000	
2019								
Assets								
Investments	7	386,145	256,935	137,300	780,380	-	780,380	
Retakaful assets	8	-	-	-	-	368,401	368,401	
Takaful receivables	9	-	-	489,985	489,985	-	489,985	
Other receivables	10	-	-	4,480	4,480	-	4,480	
Deferred tax assets		-	-	-	-	-	-	
Cash and bank balances		-	-	25,531	25,531	-	25,531	
Total assets		386,145	256,935	657,296	1,300,376	368,401	1,668,777	
					Other	Liabilities	Total	
					financial	not in scope	RM'000	
					liabilities	of MFRS 9	RM'000	
					RM'000	RM'000	RM'000	
					Sub-total		Total	
					RM'000		RM'000	
Liabilities and participants' fund								
Participants' fund			13	-	-	34,370	34,370	
Takaful certificate liabilities			15	-	-	1,334,528	1,334,528	
Takaful payables			16	213,753	213,753	-	213,753	
Other payables			17	83,269	83,269	-	83,269	
Deferred tax liabilities			11	-	-	1,061	1,061	
Provision for taxation				-	-	1,796	1,796	
Total liabilities and participants' fund				297,022	297,022	1,371,755	1,668,777	

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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Company</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2020							
Assets							
Motor vehicles and equipment	4	-	-	-	-	8,937	8,937
Right-of-use assets	5(a)	-	-	-	-	2,805	2,805
Intangible assets	6	-	-	-	-	11,782	11,782
Investments	7	547,435	517,403	263,000	1,327,838	-	1,327,838
Retakaful assets	8	-	-	-	-	801,339	801,339
Takaful receivables	9	-	-	919,067	919,067	-	919,067
Other receivables	10	-	-	11,758	11,758	-	11,758
Deferred tax assets		-	-	-	-	48	48
Tax recoverable		-	-	-	-	-	-
Cash and bank balances		-	-	34,120	34,120	-	34,120
Total assets		547,435	517,403	1,227,945	2,292,783	824,911	3,117,694

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GREAT EASTERN TAKAFUL BERHAD
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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Company (Continued)</u>	Note	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
2020					
Liabilities					
Expense liabilities	14	-	-	46,752	46,752
Takaful certificate liabilities	15	-	-	2,072,028	2,072,028
Lease liabilities	5(b)	3,025	3,025	-	3,025
Takaful payables	16	706,198	706,198	-	706,198
Other payables	17	142,933	142,933	-	142,933
Provisions	18	8,790	8,790	-	8,790
Amounts due to related companies	19	14,488	14,488	-	14,488
Deferred tax liabilities	11	-	-	2,011	2,011
Provision for zakat		-	-	26	26
Provision for taxation		-	-	6,101	6,101
Total liabilities		875,434	875,434	2,126,918	3,002,352

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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Company (Continued)</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2019							
Assets							
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
Retakaful assets	8	-	-	-	-	368,401	368,401
Takaful receivables	9	-	-	489,985	489,985	-	489,985
Other receivables	10	-	-	7,001	7,001	-	7,001
Cash and bank balances		-	-	30,815	30,815	-	30,815
Total assets		<u>394,741</u>	<u>334,130</u>	<u>665,101</u>	<u>1,393,972</u>	<u>394,102</u>	<u>1,788,074</u>

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GREAT EASTERN TAKAFUL BERHAD
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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Company (Continued)</u>	Note	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
2019					
Liabilities					
Expense liabilities	14	-	-	41,553	41,553
Takaful certificate liabilities	15	-	-	1,365,259	1,365,259
Lease liabilities	5(b)	4,277	4,277	-	4,277
Takaful payables	16	219,566	219,566	-	219,566
Other payables	17	61,383	61,383	-	61,383
Provisions	18	7,050	7,050	-	7,050
Amounts due to related companies	19	19,229	19,229	-	19,229
Deferred tax liabilities	11	-	-	1,727	1,727
Provision for zakat		-	-	-	-
Provision for taxation		-	-	929	929
Total liabilities		311,505	311,505	1,409,468	1,720,973

GREAT EASTERN TAKAFUL BERHAD
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33. 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, and ensuring the business operates within the risk appetite in delivering annual business targets.

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.

GREAT EASTERN TAKAFUL BERHAD
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**33. 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 support balance sheet growth by maintaining 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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33. 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 selective use of medical screening in order to ensure that product pricing takes into account the current health conditions and family medical history, and regular review of the actual claims experience 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. Should the actual claims experience be worse than the assumptions used in pricing the products and establishing the technical provisions and liabilities for claims, there may be potential shortfalls in provision for future claims and expenses. 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. 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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33. 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 below expectations, or claims experience is higher than expected. As for investment-linked business, the risk exposure for the Company is limited to the underwriting aspect as all 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 (i.e. Global Trade War, Uncertainty in Local Economic Agenda & Overreliance on Crude Oil Price, Intensified Competition in Takaful Market amidst a Viral Outbreak, and Pandemic) according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, market volatilities, expense patterns, mortality/morbidity patterns and lapse rates.

Concentration analysis

Table 33(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:

<u>Shareholders' fund - expense liabilities</u>	Gross RM'000	Retakaful RM'000	Net RM'000
2020			
Ordinary family takaful plans	9,803	-	9,803
Investment-linked takaful plans	13,653	-	13,653
Group credit takaful plans	3,432	-	3,432
MySalam	19,864	-	19,864
	<u>46,752</u>	<u>-</u>	<u>46,752</u>
2019			
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>

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Takaful risk (Continued)

Concentration analysis (Continued)

<u>Family takaful fund - actuarial reserves, PIA and net asset value attributable to certificate holders</u>	Gross RM'000	Retakaful RM'000	Net RM'000
2020			
Ordinary family takaful plans	148,254	(78,246)	70,008
Investment-linked takaful plans	484,896	(21,402)	463,494
Group credit takaful plans	316,132	(5,495)	310,637
Tabarru Fund 2	1,205	-	1,205
MySalam	663,401	(596,267)	67,134
	<u>1,613,888</u>	<u>(701,410)</u>	<u>912,478</u>

2019

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>

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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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

Sensitivity analysis (Continued)

Table 33(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 after taxation RM'000	Impact on equity* RM'000
		← Increase/(decrease) →		← Increase/(decrease) →	
<u>Shareholders' fund - expense liabilities</u>					
2020					
Scenario 1 - Mortality and major illness	+25%	760	760	(760)	(577)
Scenario 2 - Mortality and major illness	-25%	(893)	(893)	893	678
Scenario 3 - Health and disability	+25%	4,116	4,116	(4,116)	(3,128)
Scenario 4 - Health and disability	-25%	(675)	(675)	675	513
Scenario 5 - Lapse and surrender rates	+25%	(1,079)	(1,079)	1,079	820
Scenario 6 - Lapse and surrender rates	-25%	1,383	1,383	(1,383)	(1,051)
Scenario 7 - Expenses	+25%	7,930	7,930	(7,930)	(6,027)
Scenario 8 - Expenses	-25%	(5,702)	(5,702)	5,702	4,333

* The impact on equity is stated net of taxation of 24% (2019: 24%).

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

Sensitivity analysis (Continued)

<u>Shareholders' fund - expense liabilities</u> <u>(Continued)</u>	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000
		← Increase/(decrease) →		← Increase/(decrease) →	
2019					
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% (2019: 24%).

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

Sensitivity analysis (Continued)

	Change in assumptions %	Impact	Impact	Impact on	Impact on	Impact on
		on gross liabilities RM'000	on net liabilities RM'000	surplus RM'000	profit after taxation RM'000	participants' fund RM'000
<u>Family takaful fund - takaful certificate liabilities</u>		← Increase/(decrease) →		← (Decrease)/increase →		
2020						
Scenario 1 - Mortality and major illness	+25%	192,076	18,222	(18,222)	(2,462)	(10,294)
Scenario 2 - Mortality and major illness	-25%	(149,279)	(11,991)	11,991	498	7,895
Scenario 3 - Health and disability	+25%	80,157	33,626	(33,626)	(7,361)	(16,177)
Scenario 4 - Health and disability	-25%	(46,132)	(6,725)	6,725	786	3,922
Scenario 5 - Lapse and surrender rates	+25%	(4,549)	(281)	281	68	129
Scenario 6 - Lapse and surrender rates	-25%	5,494	393	(393)	(90)	(185)
2019						
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)

* The impact on equity is stated net of taxation of 24% (2019: 24%).

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33. 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 RM'000 ← Increase/(decrease) →	Impact on net liabilities RM'000 ← Increase/(decrease) →	Impact on profit after taxation RM'000 ← Increase/(decrease) →	Impact on equity* RM'000 ← Increase/(decrease) →
2020					
Scenario 1 - Mortality and major illness	+25%	192,836	18,982	(3,222)	2,448
Scenario 2 - Mortality and major illness	-25%	(150,172)	(12,884)	1,391	(1,057)
Scenario 3 - Health and disability	+25%	84,273	37,742	(11,477)	8,723
Scenario 4 - Health and disability	-25%	(46,807)	(7,400)	1,461	(1,110)
Scenario 5 - Lapse and surrender rates	+25%	(5,628)	(1,360)	1,147	(872)
Scenario 6 - Lapse and surrender rates	-25%	6,877	1,776	(1,473)	1,119
Scenario 7 - Expenses	+25%	7,930	7,930	(7,930)	6,027
Scenario 8 - Expenses	-25%	(5,702)	(5,702)	5,702	(4,333)
2019					
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)

* The impact on equity is stated net of taxation of 24% (2019: 24%).

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk

Market risk arises when the market value of assets and liabilities are adversely affected by changes in financial markets. 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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33. 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.

<u>Shareholders' fund</u>	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2020				
Government investment issues	-	16,720	35,211	51,931
Unquoted Islamic private debt securities	2,027	29,805	27,193	59,025
Islamic investment accounts with licensed Islamic banks	9,400	-	-	9,400
	<u>11,427</u>	<u>46,525</u>	<u>62,404</u>	<u>120,356</u>
2019				
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>
<u>Family takaful fund</u>				
2020				
Government investment issues	1,204	97,035	174,864	273,103
Unquoted Islamic private debt securities	1,302	102,447	150,077	253,826
Islamic investment accounts with licensed Islamic banks	253,600	-	-	253,600
	<u>256,106</u>	<u>199,482</u>	<u>324,941</u>	<u>780,529</u>

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33. 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
<u>Family takaful fund</u>				
<u>(Continued)</u>				
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>
<u>Company</u>				
2020				
Government investment issues	1,204	113,755	210,075	325,034
Unquoted Islamic private debt securities	3,329	132,252	177,270	312,851
Islamic investment accounts with licensed Islamic banks	263,000	-	-	263,000
	<u>267,533</u>	<u>246,007</u>	<u>387,345</u>	<u>900,885</u>
2019				
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>

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33. 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	← 2020 →				
	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) →				
Shareholders' fund					
+100 basis points	(1,674)	(1,674)	-	1,674	1,272
-100 basis points	1,063	1,063	-	(1,063)	(808)
Family takaful fund					
+100 basis points	(1,405)	(1,405)	1,405	429	326
-100 basis points	1,697	1,697	(1,697)	(520)	(395)
Company					
+100 basis points	(3,079)	(3,079)	1,405	2,103	1,599
-100 basis points	2,760	2,760	(1,697)	(1,583)	(1,203)

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

Change in profit rate	← 2019 →			Impact on profit before taxation RM'000	Impact on equity/ participants' fund* RM'000
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000		
	← Increase/(Decrease) →				
Shareholders' fund					
+100 basis points	(1,495)	(1,495)	-	1,495	1,136
-100 basis points	1,164	1,164	-	(1,164)	(884)
Family takaful fund					
+100 basis points	(1,077)	(1,077)	1,077	326	248
-100 basis points	1,288	1,288	(1,288)	(391)	(297)
Company					
+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)

* Impact on equity is after taxation of 24% (2019: 24%) and the impact on participants' fund is after tax of 8% (2019: 8%).

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33. 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 33(C)).

Table 33(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.

<u>Shareholders' fund</u>	RM RM'000	SGD RM'000	Total RM'000
2020			
Assets			
Motor vehicles and equipment	8,937	-	8,937
Right-of-use assets	2,805	-	2,805
Intangible assets	11,782	-	11,782
Investments:			
FVOCI financial assets	27,322	-	27,322
Financial assets at FVTPL	113,630	-	113,630
Financial assets at AC	9,400	-	9,400
Other receivables	64,816	-	64,816
Deferred tax asset	48	-	48
Tax recoverable	-	-	-
Cash and bank balances	11,081	-	11,081
Total assets	249,821	-	249,821
Liabilities			
Expense liabilities	46,752	-	46,752
Lease liabilities	3,025	-	3,025
Takaful payables	10,433	-	10,433
Other payables	48,485	-	48,485
Provisions	8,790	-	8,790
Amounts due to related companies	7,228	7,260	14,488
Provision for zakat	26	-	26
Provision for taxation	2,480	-	2,480
Total liabilities	127,219	7,260	134,479

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

<u>Shareholders' fund (Continued)</u>	RM RM'000	SGD RM'000	Total RM'000
2019			
Assets			
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
Total assets	187,618	-	187,618
Liabilities			
Expense liabilities	41,553	-	41,553
Lease liabilities	4,277	-	4,277
Takaful payables	5,813	-	5,813
Other payables	39,639	-	39,639
Provisions	7,050	-	7,050
Amounts due to related companies	7,579	11,650	19,229
Deferred tax liabilities	1,014	-	1,014
Total liabilities	106,925	11,650	118,575

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

<u>Family takaful fund</u>	RM RM'000	SGD RM'000	HKD RM'000	Total RM'000
2020				
Assets				
Investments:				
FVOCI financial assets	520,113	-	-	520,113
Financial assets at FVTPL	389,353	11,595	2,825	403,773
Financial assets at AC	253,600	-	-	253,600
Retakaful assets	801,339	-	-	801,339
Takaful receivables	919,067	-	-	919,067
Other receivables	6,617	-	-	6,617
Cash and bank balances	23,006	5	28	23,039
Total assets	2,913,095	11,600	2,853	2,927,548
Liabilities and participants' fund				
Participants' fund	67,421	-	-	67,421
Takaful certificate liabilities	2,004,607	-	-	2,004,607
Takaful payables	695,765	-	-	695,765
Other payables	154,123	-	-	154,123
Deferred tax liabilities	2,011	-	-	2,011
Provision for taxation	3,621	-	-	3,621
Total liabilities and participants' fund	2,927,548	-	-	2,927,548

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

<u>Family takaful fund (Continued)</u>	RM RM'000	SGD RM'000	Total RM'000
2019			
Assets			
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
Total assets	<u>1,668,775</u>	<u>2</u>	<u>1,668,777</u>
Liabilities and participants' fund			
Participants' fund	34,370	-	34,370
Takaful certificate liabilities	1,334,528	-	1,334,528
Takaful payables	213,753	-	213,753
Other payables	83,269	-	83,269
Deferred tax liabilities	1,061	-	1,061
Provision for taxation	1,796	-	1,796
Total liabilities and participants' fund	<u>1,668,777</u>	<u>-</u>	<u>1,668,777</u>

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

<u>Company</u>	RM RM'000	SGD RM'000	HKD RM'000	Total RM'000
2020				
Assets				
Motor vehicles and equipment	8,937	-	-	8,937
Right-of-use assets	2,805	-	-	2,805
Intangible assets	11,782	-	-	11,782
Investments:				
FVOCI financial assets	547,435	-	-	547,435
Financial assets at FVTPL	502,983	11,595	2,825	517,403
Financial assets at AC	263,000	-	-	263,000
Retakaful assets	801,339	-	-	801,339
Takaful receivables	919,067	-	-	919,067
Other receivables	11,758	-	-	11,758
Deferred tax assets	48	-	-	48
Cash and bank balances	34,087	5	28	34,120
Total assets	3,103,241	11,600	2,853	3,117,694
Liabilities				
Expense liabilities	46,752	-	-	46,752
Takaful certificate liabilities	2,072,028	-	-	2,072,028
Lease liabilities	3,025	-	-	3,025
Takaful payables	706,198	-	-	706,198
Other payables	142,933	-	-	142,933
Provisions	8,790	-	-	8,790
Amounts due to related companies	14,488	-	-	14,488
Deferred tax liabilities	2,011	-	-	2,011
Provision for zakat	26	-	-	26
Provision for taxation	6,101	-	-	6,101
Total liabilities	3,002,352	-	-	3,002,352

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

<u>Company (Continued)</u>	RM RM'000	SGD RM'000	Total RM'000
2019			
Assets			
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
Retakaful assets	368,401	-	368,401
Takaful receivables	489,985	-	489,985
Other receivables	7,001	-	7,001
Cash and bank balances	30,813	2	30,815
Total assets	1,788,072	2	1,788,074
Liabilities			
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
Total liabilities	1,709,323	11,650	1,720,973

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

The following table shows the sensitivity analysis for foreign currency:

	2020		2019	
	Impact on profit before taxation RM'000	Impact on equity RM'000	Impact on loss before taxation RM'000	Impact on equity RM'000
<u>Foreign Currency</u>				
+/-5%	+/- 723	+/- 723	+/- 582	+/- 582

(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	← 2020 →		← 2019 →	
	Impact on surplus arising RM'000	Impact on equity/ participants' fund* RM'000	Impact on surplus arising RM'000	Impact on equity/ participants' fund* RM'000
	← Increase/(decrease) →		← Increase/(decrease) →	
Shareholders' fund				
+ 20%	-	2,515	-	1,307
- 20%	-	(2,515)	-	(1,307)
Family takaful fund				
+ 20%	57,664	73,040	36,043	48,809
- 20%	(57,664)	(73,040)	(36,043)	(48,809)
Company				
+ 20%	-	2,515	-	1,307
- 20%	-	(2,515)	-	(1,307)

* Impact on equity is after taxation of 24% (2019: 24%) and the impact on participants' fund is after tax of 8% (2019: 8%).

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33. 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 sukus. 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 sukus. 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 without incurring significant losses. 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 33(D1) and (D2)).

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles

Table 33(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.

<u>Shareholders' fund</u>	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
2020							
FVOCI financial assets:							
Quoted Shariah-approved equities	16,545	-	-	-	-	16,545	16,545
Government investment issues	10,777	117	207	11,041	-	-	11,365
Financial assets at FVTPL:							
Quoted Shariah-approved equities	13,451	-	-	-	-	13,451	13,451
Government investment issues	41,154	385	713	11,342	40,105	-	52,545
Unquoted Islamic private debt securities	59,025	2,697	1,265	36,615	30,819	-	71,396

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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>	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
2020 (Continued)							
Financial assets at AC:							
Islamic investment accounts with licensed							
Islamic banks	9,400	9,400	-	-	-	-	9,400
Other receivables	64,816	64,816	-	-	-	-	64,816
Deferred tax assets	48	48	-	-	-	-	48
Cash and bank balances	11,081	11,081	-	-	-	-	11,081
Total financial assets	226,297	88,544	2,185	58,998	70,924	29,996	250,647
Expense liabilities	46,752	1,226	1,604	21,804	22,118	-	46,752
Lease liabilities	3,025	588	581	1,636	-	-	2,805
Takaful payables	10,433	10,433	-	-	-	-	10,433
Other payables	48,485	48,485	-	-	-	-	48,485
Provisions	8,790	8,790	-	-	-	-	8,790
Amounts due to related companies	14,488	14,488	-	-	-	-	14,488
Total financial and takaful liabilities	131,973	84,010	2,185	23,440	22,118	-	131,753
Total liquidity surplus	94,324	4,534	-	35,558	48,806	29,996	118,894

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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>	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
2019							
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	161,050	75,217	1,636	47,059	36,646	14,525	175,083

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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>	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
2019 (Continued)							
Expense liabilities	41,553	3,851	1,526	17,935	18,241	-	41,553
Lease liabilities	4,277	665	672	2,805	-	-	4,142
Takaful payables	5,813	5,813	-	-	-	-	5,813
Other payables	39,639	39,639	-	-	-	-	39,639
Provisions	7,050	7,050	-	-	-	-	7,050
Amounts due to related companies	19,229	19,229	-	-	-	-	19,229
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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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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)

Family takaful fund	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
2020							
FVOCI financial assets:							
Quoted Shariah-approved equities	108,639	-	-	-	-	108,639	108,639
Government investment issues	229,750	3,464	4,342	123,887	156,829	-	288,522
Unquoted Islamic private debt securities	181,724	2,742	3,870	106,275	128,170	-	241,057
Financial assets at FVTPL:							
Quoted Shariah-approved equities	285,758	-	-	-	-	285,758	285,758
Financial instruments with embedded derivatives	101	-	-	-	-	101	101
Unit trusts - REITS	2,459	-	-	-	-	2,459	2,459
Government investment issues	43,353	619	871	6,967	75,754	-	84,211
Unquoted Islamic private debt securities	72,102	730	1,619	30,049	71,236	-	103,634

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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
<u>Family takaful fund (Continued)</u>							
2020 (Continued)							
Financial assets at AC:							
Islamic investment accounts with licensed							
Islamic banks	253,600	253,600	-	-	-	-	253,600
Retakaful assets	801,339	72,930	34,683	677,569	13,127	-	798,309
Takaful receivables	919,067	919,067	-	-	-	-	919,067
Other receivables	6,617	6,617	-	-	-	-	6,617
Cash and bank balances	23,039	23,039	-	-	-	-	23,039
Total financial/takaful assets	<u>2,927,548</u>	<u>1,282,808</u>	<u>45,385</u>	<u>944,747</u>	<u>445,116</u>	<u>396,957</u>	<u>3,115,013</u>
Participants' fund	67,421	67,421	-	-	-	-	67,421
Takaful certificate liabilities	2,004,607	247,226	9,108	933,531	814,742	-	2,004,607
Takaful payables	695,765	695,765	-	-	-	-	695,765
Other payables	154,123	154,123	-	-	-	-	154,123
Total financial/takaful liabilities	<u>2,921,916</u>	<u>1,164,535</u>	<u>9,108</u>	<u>933,531</u>	<u>814,742</u>	<u>-</u>	<u>2,921,916</u>
Total liquidity surplus/(gap)	<u>5,632</u>	<u>118,273</u>	<u>36,277</u>	<u>11,216</u>	<u>(369,626)</u>	<u>396,957</u>	<u>193,097</u>

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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
Family takaful fund (Continued)							
2019							
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
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	137,300	137,350	-	-	-	-	137,350

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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
<u>Family takaful fund (Continued)</u>							
2019 (Continued)							
Retakaful assets	368,401	99,024	412	267,632	1,333	-	368,401
Takaful receivables	489,985	489,985	-	-	-	-	489,985
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>
Participants' fund	34,370	34,370	-	-	-	-	34,370
Takaful certificate liabilities	1,334,528	356,702	2,153	337,780	637,893	-	1,334,528
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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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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</u>	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
2020							
FVOCI financial assets:							
Quoted Shariah-approved equities	125,184	-	-	-	-	125,184	125,184
Government investment issues	240,527	3,581	4,549	134,928	156,829	-	299,887
Unquoted Islamic private debt securities	181,724	2,742	3,870	106,275	128,170	-	241,057
Financial assets at FVTPL:							
Quoted Shariah-approved equities	299,209	-	-	-	-	299,209	299,209
Financial instruments with embedded derivatives	101	-	-	-	-	101	101
Unit trusts - REITS	2,459	-	-	-	-	2,459	2,459
Government investment issues	84,507	1,004	1,584	18,309	115,859	-	136,756
Unquoted Islamic private debt securities	131,127	3,427	2,884	66,664	102,055	-	175,030
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	263,000	263,000	-	-	-	-	263,000

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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>	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
2020 (Continued)							
Takaful receivables	919,067	919,067	-	-	-	-	919,067
Retakaful assets	801,339	72,930	34,683	677,569	13,127	-	798,309
Other receivables	11,758	11,758	-	-	-	-	11,758
Deferred tax asset	48	48	-	-	-	-	48
Cash and bank balances	34,120	34,120	-	-	-	-	34,120
Total financial/takaful assets	3,094,170	1,311,677	47,570	1,003,745	516,040	426,953	3,305,985
Expense liabilities	46,752	1,226	1,604	21,804	22,118	-	46,752
Takaful certificate liabilities	2,072,028	314,647	9,108	933,531	814,742	-	2,072,028
Lease liabilities	3,025	588	581	1,636	-	-	2,805
Takaful payables	706,198	706,198	-	-	-	-	706,198
Other payables	142,933	142,933	-	-	-	-	142,933
Provisions	8,790	8,790	-	-	-	-	8,790
Amounts due to related companies	14,488	14,488	-	-	-	-	14,488
Total financial/takaful liabilities	2,994,214	1,188,870	11,293	956,971	836,860	-	2,993,994
Total liquidity surplus/(gap)	99,956	122,807	36,277	46,774	(320,820)	426,953	311,991

GREAT EASTERN TAKAFUL BERHAD
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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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)

Company (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
2019							
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

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(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>	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
2019 (Continued)							
Retakaful assets	368,401	99,024	412	267,632	1,333	-	368,401
Takaful receivables	489,985	489,985	-	-	-	-	489,985
Other receivables	7,001	7,001	-	-	-	-	7,001
Cash and bank balances	30,815	30,815	-	-	-	-	30,815
Total financial/takaful assets	1,762,373	806,421	14,029	458,439	386,543	273,863	1,939,294
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
Lease liabilities	4,277	665	672	2,805	-	-	4,142
Takaful payables	219,566	219,566	-	-	-	-	219,566
Other payables	61,383	61,383	-	-	-	-	61,383
Provisions	7,050	7,050	-	-	-	-	7,050
Amounts due to related companies	19,229	19,229	-	-	-	-	19,229
Total financial/takaful liabilities	1,718,317	699,177	4,351	358,520	656,134	-	1,718,182
Total liquidity surplus/(gap)	44,056	107,244	9,678	99,918	(269,591)	273,863	221,112

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33. 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 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company.

<u>Shareholders' fund</u>	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2020				
Assets				
Motor vehicles and equipment	-	8,937	-	8,937
Right-of-use assets	-	2,805	-	2,805
Intangible assets	-	11,782	-	11,782
Investments:				
FVOCI financial assets	-	27,322	-	27,322
Financial assets at FVTPL	15,478	98,152	-	113,630
Financial assets at AC	9,400	-	-	9,400
Other receivables	64,816	-	-	64,816
Deferred tax assets	48	-	-	48
Cash and bank balances	11,081	-	-	11,081
Total assets	<u>100,823</u>	<u>148,998</u>	<u>-</u>	<u>249,821</u>
Liabilities				
Expense liabilities	2,829	43,923	-	46,752
Lease liabilities	1,337	1,688	-	3,025
Takaful payables	10,433	-	-	10,433
Other payables	48,485	-	-	48,485
Provisions	8,790	-	-	8,790
Amounts due to related companies	14,488	-	-	14,488
Provision for zakat	26	-	-	26
Provision for taxation	2,480	-	-	2,480
Total liabilities	<u>88,868</u>	<u>45,611</u>	<u>-</u>	<u>134,479</u>

* Expected utilisation or settlement within 12 months from the reporting date.

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33. 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 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

<u>Shareholders' fund (Continued)</u>	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2019				
Assets				
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
Total assets	81,143	106,475	-	187,618
Liabilities				
Expense liabilities	5,377	36,176	-	41,553
Lease liabilities	1,337	2,940	-	4,277
Deferred tax liabilities	1,014	-	-	1,014
Takaful payables	5,813	-	-	5,813
Other payables	39,639	-	-	39,639
Provisions	7,050	-	-	7,050
Amounts due to related companies	19,229	-	-	19,229
Total liabilities	79,459	39,116	-	118,575

* Expected utilisation or settlement within 12 months from the reporting date.

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33. 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 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

<u>Family takaful fund</u>	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2020				
Assets				
Investments:				
FVOCI financial assets	2,507	517,606	-	520,113
Financial assets at FVTPL	-	14,693	389,080	403,773
Financial assets at AC	208,400	-	45,200	253,600
Takaful receivables	919,067	-	-	919,067
Retakaful assets	107,613	690,696	-	798,309
Other receivables	4,739	-	1,878	6,617
Cash and bank balances	21,033	-	2,006	23,039
Total assets	1,263,359	1,222,995	438,164	2,924,518
Liabilities and participants' fund				
Participants' fund	67,421	-	-	67,421
Takaful certificate liabilities	256,334	1,315,337	432,937	2,004,607
Takaful payables	695,765	-	-	695,765
Other payables	152,378	-	1,745	154,123
Deferred tax liabilities	734	-	1,277	2,011
Provision for taxation	1,416	-	2,205	3,621
Total liabilities and participants' fund	1,174,048	1,315,337	438,164	2,927,548

* Expected utilisation or settlement within 12 months from the reporting date.

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33. 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 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

<u>Family takaful fund (Continued)</u>	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2019				
Assets				
Investments:				
FVOCI financial assets	34,481	351,665	-	386,146
Financial assets at FVTPL	38	-	256,897	256,935
Financial assets at AC	84,500	-	52,800	137,300
Retakaful assets	99,436	268,965	-	368,401
Takaful receivables	489,985	-	-	489,985
Other receivables	(1,102)	-	5,582	4,480
Cash and bank balances	24,576	-	955	25,531
Total assets	731,913	620,630	316,234	1,668,777
Liabilities and participants' fund				
Participants' fund	34,370	-	-	34,370
Takaful certificate liabilities	46,823	975,673	312,031	1,334,527
Takaful payables	213,753	-	-	213,753
Other payables	80,210	-	3,060	83,270
Deferred tax liabilities	859	-	202	1,061
Provision for taxation	855	-	941	1,796
Total liabilities and participants' fund	376,870	975,673	316,234	1,668,777

* Expected utilisation or settlement within 12 months from the reporting date.

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33. 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 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

<u>Company</u>	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2020				
Assets				
Motor vehicles and equipment	-	8,937	-	8,937
Right-of-use assets	-	2,805	-	2,805
Intangible assets	-	11,782	-	11,782
Investments:				
FVOCI financial assets	2,507	544,928	-	547,435
Financial assets at FVTPL	15,478	112,845	389,080	517,403
Financial assets at AC	217,800	-	45,200	263,000
Retakaful assets	107,613	690,696	-	798,309
Takaful receivables	919,067	-	-	919,067
Other receivables	69,555	-	1,878	11,758
Deferred tax assets	48	-	-	48
Cash and bank balances	32,114	-	2,006	34,120
Total assets	1,364,182	1,371,993	438,164	3,114,664
Liabilities				
Expense liabilities	2,829	43,923	-	46,752
Takaful certificate liabilities	323,755	1,315,336	432,937	2,072,028
Lease liabilities	1,337	1,688	-	3,025
Takaful payables	706,198	-	-	706,198
Other payables	141,188	-	1,745	142,933
Provisions	8,790	-	-	8,790
Amounts due to related companies	14,488	-	-	14,488
Deferred tax liabilities	734	-	1,277	2,011
Provision for zakat	26	-	-	26
Provision for taxation	3,896	-	2,205	6,101
Total liabilities	1,203,241	1,360,947	438,164	3,002,352

* Expected utilisation or settlement within 12 months from the reporting date.

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33. 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 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

<u>Company (Continued)</u>	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2019				
Assets				
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	5,055	72,178	256,897	334,130
Financial assets at AC	84,500	-	52,800	137,300
Retakaful assets	99,436	268,965	-	368,401
Takaful receivables	489,985	-	-	489,985
Other receivables	1,419	-	5,582	7,001
Cash and bank balances	29,860	-	955	30,815
Total assets	744,736	727,104	316,234	1,788,074
Liabilities				
Expense liabilities	5,377	36,176	-	41,553
Takaful certificate liabilities	77,554	975,674	312,031	1,365,259
Lease liabilities	1,337	2,940	-	4,277
Takaful payables	219,566	-	-	219,566
Other payables	60,851	-	3,060	61,383
Provisions	7,050	-	-	7,050
Amounts due to related companies	19,229	-	-	19,229
Deferred tax liabilities	1,525	-	202	1,727
Provision for taxation	-	-	941	929
Total liabilities	392,489	1,014,790	316,234	1,720,973

* Expected utilisation or settlement within 12 months from the reporting date.

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33. 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 arrangements are 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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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

2020	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets:			
Government investment issues	10,777	229,750	240,527
Unquoted Islamic private debt securities	-	181,724	181,724
Financial assets at FVTPL:			
Government investment issues	41,154	43,353	84,507
Unquoted Islamic private debt securities	59,025	72,102	131,127
Financial assets at AC:			
Islamic investment accounts with licensed Islamic banks	9,400	253,600	263,000
Retakaful assets	-	801,339	801,339
Takaful receivables	-	919,067	919,067
Other receivables	64,816	6,617	11,758
Cash and bank balances	11,081	23,039	34,120
	<u>196,253</u>	<u>2,530,591</u>	<u>2,667,169</u>

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the statement of financial position (Continued).

2019	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
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
Retakaful assets	-	368,401	368,401
Takaful receivables	-	489,985	489,985
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>

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(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).

	2020			2019		
	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
<u>Shareholders' fund</u>						
Debt securities at FVOCI						
Government investment issues	6	-	6	-	-	-
	<u>6</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Family takaful fund</u>						
Debt securities at FVOCI						
Government investment issues	110	-	110	40	-	40
Investment Grade* (BBB to AAA)	841	352	1,193	175	734	909
	<u>951</u>	<u>352</u>	<u>1,303</u>	<u>215</u>	<u>734</u>	<u>949</u>

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(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>Company</u>	2020			2019		
	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
Debt securities at FVOCI						
Government investment issues	116	-	116	40	-	40
Investment Grade* (BBB to AAA)	841	352	1,193	175	734	909
	<u>957</u>	<u>352</u>	<u>1,309</u>	<u>215</u>	<u>734</u>	<u>949</u>

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost:

<u>Shareholders' fund</u>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2020						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	16,545	-	16,545
Government investment issues	10,777	-	-	-	-	10,777
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	13,451	-	13,451
Government investment issues	41,154	-	-	-	-	41,154
Unquoted Islamic private debt securities	-	59,025	-	-	-	59,025
Financial assets at AC:						
Islamic investment accounts with licensed Islamic banks	-	9,400	-	-	-	9,400
Other receivables	-	-	64,816	-	-	64,816
Deferred tax assets	-	-	48	-	-	48
Cash and bank balances	-	11,081	-	-	-	11,081
	<u>51,931</u>	<u>79,506</u>	<u>64,864</u>	<u>29,996</u>	<u>-</u>	<u>226,297</u>

* Based on internal rating grades which are equivalent to grades of external rating agencies

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(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>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2019						
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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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(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>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Invst- linked RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2020							
FVOCI financial assets:							
Quoted Shariah-approved equities	-	-	-	-	108,639	-	108,639
Government investment issues	229,750	-	-	-	-	-	229,750
Unquoted Islamic private debt securities	-	181,724	-	-	-	-	181,724
Financial assets at FVTPL:							
Quoted Shariah-approved equities	-	-	-	281,972	3,786	-	285,758
Financial instruments with embedded derivatives	-	-	-	73	28	-	101
Unit trusts - REITS	-	-	-	2,353	106	-	2,459
Government investment issues	6,548	-	-	36,805	-	-	43,353
Unquoted Islamic private debt securities	-	4,225	-	67,877	-	-	72,102
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	-	208,400	-	45,200	-	-	253,600
Retakaful assets	-	-	801,339	-	-	-	801,339
Takaful receivables	-	-	919,067	-	-	-	919,067
Other receivables	-	-	6,310	307	-	-	6,617
Cash and bank balances	-	-	21,033	2,006	-	-	23,039
	236,298	394,349	1,747,749	436,593	112,559	-	2,927,548

* Based on internal rating grades which are equivalent to grades of external rating agencies

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

Family takaful fund (Continued)	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Invst- linked RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2019							
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	-	-	-	204	38	-	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	-	84,500	-	52,800	-	-	137,300
Retakaful assets	-	368,401	-	-	-	-	368,401
Takaful receivables	-	1,641	488,344	-	-	-	489,985
Other receivables	-	-	(1,102)	5,582	-	-	4,480
Cash and bank balances	-	24,576	-	955	-	-	25,531
	141,393	599,836	526,225	316,234	85,089	-	1,668,777

* Based on internal rating grades which are equivalent to grades of external rating agencies

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

<u>Company</u>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Invst- linked RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2020							
FVOCI financial assets:							
Quoted Shariah-approved equities	-	-	-	16,545	108,639	-	125,184
Government investment issues	240,527	-	-	-	-	-	240,527
Unquoted Islamic private debt securities	-	181,724	-	-	-	-	181,724
Financial assets at FVTPL:							
Quoted Shariah-approved equities	-	-	-	295,423	3,786	-	299,209
Financial instruments with embedded derivatives	-	-	-	73	28	-	101
Unit trusts - REITS	-	-	-	2,353	106	-	2,459
Government investment issues	47,702	-	-	36,805	-	-	84,507
Unquoted Islamic private debt securities	-	63,250	-	67,877	-	-	131,127
Financial assets at AC:							
Islamic investment accounts with licensed							
Islamic banks	-	217,800	-	45,200	-	-	263,000
Retakaful assets	-	-	801,339	-	-	-	801,339
Takaful receivables	-	-	919,067	-	-	-	919,067
Other receivables	-	-	11,451	307	-	-	11,758
Deferred tax asset	-	-	48	-	-	-	48
Cash and bank balances	-	11,081	21,033	2,006	-	-	34,120
	<u>288,229</u>	<u>473,855</u>	<u>1,752,938</u>	<u>466,589</u>	<u>112,559</u>	<u>-</u>	<u>3,094,170</u>

* Based on internal rating grades which are equivalent to grades of external rating agencies

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(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>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Invst- linked RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2019							
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	-	-	-	204	38	-	242
Unit trusts - REITS	-	-	-	6,390	-	-	6,390
Government investment issues	25,885	-	-	30,600	-	-	56,485
Unquoted Islamic private debt securities	-	38,777	12,533	46,119	-	-	97,429
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	-	84,500	-	52,800	-	-	137,300
Retakaful assets	-	368,401	-	-	-	-	368,401
Takaful receivables	-	1,641	488,344	-	-	-	489,985
Other receivables	-	-	1,418	5,583	-	-	7,001
Cash and bank balances	-	29,860	-	955	-	-	30,815
	<u>167,278</u>	<u>643,897</u>	<u>541,278</u>	<u>316,235</u>	<u>93,685</u>	<u>-</u>	<u>1,762,373</u>

* Based on internal rating grades which are equivalent to grades of external rating agencies

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33. 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, 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 and quality of collateral, legal enforceability of processes in the jurisdiction, industry of borrower and prevailing 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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33. 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 and potential future exposure to the counterparty. 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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33. 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)

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 market and 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 either bankrupt 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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33. 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 ECL 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.

In addition to the base economic scenario, the Company uses multiple scenarios to ensure non-linear risks are captured. The number of scenarios and their attributes are reviewed at each reporting date. At 31 December 2020, the Company concluded that two particular scenarios are capable of capturing non-linear risks inherent in all portfolios. The scenario weightings are determined by expert judgement, taking into account the range of possible outcomes the chosen scenario represents. The assessment of significant increase in credit risk is performed using the 12M PD under each scenario multiplied by the associated scenario weights. This determines whether the financial instrument is in Stage 1, 2 or 3, and hence whether 12M or lifetime ECL should be applied. Following this assessment, the Company measures ECL as either a probability-weighted 12M ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weight (as opposed to weighting the inputs).

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33. 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 (Continued)

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 2020 and 2019.

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33. 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 33(E4): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	12-month ECL RM'000	2020 Lifetime ECL not credit impaired RM'000	Total RM'000	12-month ECL RM'000	2019 Lifetime ECL not credit impaired RM'000	Total RM'000
<u>Shareholders' fund</u>						
Debt investment securities at FVOCI						
New financial assets purchased	6	-	6	-	-	-
Closing balance	6	-	6	-	-	-

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33. 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 33(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</u>	12-month ECL RM'000	2020 Lifetime ECL not credit impaired RM'000	Total RM'000	12-month ECL RM'000	2019 Lifetime ECL not credit impaired RM'000	Total RM'000
Debt investment securities at FVOCI						
Opening balance	215	734	949	170	761	931
- Transfer to lifetime ECL not credit-impaired	-	-	-	(4)	4	-
Additional loss allowance due to transfer	-	-	-	-	65	65
Net remeasurement of loss allowance	-	-	-	15	(85)	(70)
New financial assets purchased	952	352	1,304	30	-	30
Financial assets that have been derecognised	(216)	(734)	(950)	(14)	(20)	(34)
Changes in models/risk parameters	-	-	-	18	9	27
Closing balance	<u>951</u>	<u>352</u>	<u>1,303</u>	<u>215</u>	<u>734</u>	<u>949</u>

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33. 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 33(E4): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

<u>Company</u>	12-month ECL RM'000	2020 Lifetime ECL not credit impaired RM'000	Total RM'000	12-month ECL RM'000	2019 Lifetime ECL not credit impaired RM'000	Total RM'000
Debt investment securities at FVOCI						
Opening balance	215	734	949	170	761	931
- Transfer to lifetime ECL not credit-impaired	-	-	-	(4)	4	-
Additional loss allowance due to transfer	-	-	-	-	65	65
Net remeasurement of loss allowance	-	-	-	15	(85)	(70)
New financial assets purchased	958	352	1,310	30	-	30
Financial assets that have been derecognised	(216)	(734)	(950)	(14)	(20)	(34)
Changes in models/risk parameters	-	-	-	18	9	27
Closing balance	<u>957</u>	<u>352</u>	<u>1,309</u>	<u>215</u>	<u>734</u>	<u>949</u>

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33. 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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33. 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 regularly reviews and monitors these issues at its monthly meetings. The Internal Audit team regularly reviews the systems of internal control to assess their ongoing relevance and effectiveness, 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, and capacity deficiency 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. 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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34. 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:

<u>Shareholders' fund</u>	Level 1 RM'000	Level 2 RM'000	Total RM'000
2020			
FVOCI financial assets:			
Quoted Shariah-approved equities	16,545	-	16,545
Government investment issues	-	10,777	10,777
Financial assets at FVTPL:			
Quoted Shariah-approved equities	13,451	-	13,451
Government investment issues	-	41,154	41,154
Unquoted Islamic private debt securities	-	59,025	59,025
	<u>29,996</u>	<u>110,956</u>	<u>140,952</u>
2019			
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>
<u>Family takaful fund</u>			
2020			
FVOCI financial assets:			
Quoted Shariah-approved equities	108,639	-	108,639
Government investment issues	-	229,750	229,750
Unquoted Islamic private debt securities	-	181,724	181,724
Financial assets at FVTPL:			
Quoted Shariah-approved equities	285,758	-	285,758
Financial instruments with embedded derivatives	101	-	101
Unit trusts - REITS	2,459	-	2,459
Government investment issues	-	43,353	43,353
Unquoted Islamic private debt securities	-	72,102	72,102
	<u>396,957</u>	<u>526,929</u>	<u>923,886</u>

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34. 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):

<u>Family takaful fund (Continued)</u>	Level 1 RM'000	Level 2 RM'000	Total RM'000
2019			
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>
<u>Company</u>			
2020			
FVOCI financial assets:			
Quoted Shariah-approved equities	125,184	-	125,184
Government investment issues	-	240,527	240,527
Unquoted Islamic private debt securities	-	181,724	181,724
Financial assets at FVTPL:			
Quoted Shariah-approved equities	299,209	-	299,209
Financial instruments with embedded derivatives	101	-	101
Unit trusts - REITS	2,459	-	2,459
Government investment issues	-	84,507	84,507
Unquoted Islamic private debt securities	-	131,127	131,127
	<u>426,953</u>	<u>637,885</u>	<u>1,064,838</u>

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34. 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	Level 2	Total
	RM'000	RM'000	RM'000
<u>Company (Continued)</u>			
2019			
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>

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 2020 and 31 December 2019 nor were there any significant transfers between different levels of the fair value hierarchy during the said financial years.

35. 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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36. 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 27 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:

<u>Shareholders' fund/Company</u>	2020 RM'000	2019 RM'000
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	14	-
	<u>14</u>	<u>-</u>

37. CAPITAL COMMITMENTS

Capital expenditure	2020 RM'000	2019 RM'000
Approved and contracted for:		
- Property and equipment	2,224	5,495
	<u>2,224</u>	<u>5,495</u>

38. INVESTMENT-LINKED TAKAFUL FUNDS

(a) Statement of financial position

	2020 RM'000	2019 RM'000
Assets		
Financial assets at FVTPL:		
Quoted Shariah-approved equities	281,972	173,584
Financial instruments with embedded derivatives	73	204
Unit trusts - REITS	2,353	6,390
Government investment issues	36,805	30,600
Unquoted Islamic private debt securities	67,877	46,119
Profit receivables	1,571	990
Financial assets at AC:		
Islamic investment accounts with licensed Islamic banks	45,200	52,800
Other receivables	307	4,592
Cash and bank balances	2,006	955
Total assets	<u>438,164</u>	<u>316,234</u>

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38. INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)

(a) Statement of financial position (Continued)

	2020	2019
	RM'000	RM'000
Liabilities		
Other payables	1,745	3,060
Deferred tax liabilities	1,277	202
Provision for taxation	2,205	941
Total liabilities	<u>5,227</u>	<u>4,203</u>
Represented by:		
Net asset value of funds	<u>432,937</u>	<u>312,031</u>
Value of units	376,545	294,473
Undistributed income carried forward	<u>56,392</u>	<u>17,558</u>
Net asset value of funds	<u>432,937</u>	<u>312,031</u>

(b) Statement of income and expenditure

	2020	2019
	RM'000	RM'000
Investment income	9,354	8,360
Realised gains and losses	24,996	7,973
Fair value gains and losses	13,521	4,994
	<u>47,871</u>	<u>21,327</u>
Asset management charges	(4,204)	(3,088)
Net other operating expenses	<u>(1,679)</u>	<u>(1,503)</u>
Profit before taxation	41,988	16,736
Taxation	<u>(3,153)</u>	<u>(1,541)</u>
Net profit for the year	<u>38,835</u>	<u>15,195</u>
Undistributed income brought forward	<u>17,558</u>	<u>2,363</u>
Undistributed income carried forward	<u>56,392</u>	<u>17,558</u>

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39. MYSALAM SCHEME

Background

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

2020	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Assets			
Motor vehicles and equipment	524	-	524
Intangible assets	124	-	124
Investments	16,777	168,827	185,604
Takaful receivables	-	911,549	911,549
Retakaful assets	-	630,772	630,772
Other receivables	7,401	527	621
Cash and bank balances	2,093	139	2,232
Total assets	26,919	1,711,814	1,731,426
Equity			
Other comprehensive income fair value reserves	56	-	56
Total equity	56	-	56

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39. MYSALAM SCHEME (CONTINUED)

(a) Statement of financial position (Continued)

2020 (Continued)	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Liabilities			
Participants' fund	-	420	420
Expense liabilities	19,864	-	19,864
Takaful certificate liabilities (including accumulated surplus)	-	923,349	923,349
Takaful payables	-	688,169	688,169
Other payables	6,490	99,876	99,059
Provisions	509	-	509
Total liabilities	26,863	1,711,814	1,731,370
Total equity, liabilities and participants' fund	26,919	1,711,814	1,731,426
2019	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Assets			
Motor vehicles and equipment	265	-	265
Takaful receivables	-	483,609	483,609
Retakaful assets	-	213,889	213,889
Other receivables	32,006	-	6
Total assets	32,271	697,498	697,769
Liabilities			
Expense liabilities	13,914	-	13,914
Takaful certificate liabilities (including accumulated surplus)	-	453,164	453,164
Takaful payables	-	201,360	201,360
Other payables	18,357	42,974	29,331
Total liabilities	32,271	697,498	697,769

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39. MYSALAM SCHEME (CONTINUED)

(b) Statement of income and expenditure

2020	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Wakalah fee income	26,600	-	-
Investment income	395	1,107	1,502
Realised gains	65	-	65
Other operating revenue	10,240	88	10,328
Other revenue	10,700	1,195	11,895
Gross earned contributions	-	664,033	664,033
Earned contributions ceded to retakaful operators	-	(579,151)	(579,151)
Net earned contributions	-	84,882	84,882
Gross benefits and claims paid	-	(73,472)	(73,472)
Claims ceded to retakaful operators	-	67,323	67,323
Gross change in certificate liabilities including accumulated surplus attributable to the Trust	-	(470,184)	(470,184)
Change in certificate liabilities ceded to retakaful operators	-	416,883	416,883
Net benefits and claims	-	(59,450)	(59,450)
Wakalah fee expense	-	(26,600)	-
Management expenses	(31,344)	-	(31,344)
Impairment loss on FVOCI financial assets	(6)	(27)	(33)
Change in expense liabilities	(5,950)	-	(5,950)
Total expenses	(37,300)	(26,627)	(37,327)
Surplus attributable to the Trust	-	-	-

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39. MYSALAM SCHEME (CONTINUED)

(b) Statement of income and expenditure (Continued)

2019	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)
Net earned contributions	-	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
Net benefits and claims	-	(241,470)	(241,470)
Wakalah fee expense	-	(32,000)	-
Management expenses	(18,086)	-	(18,086)
Change in expense liabilities	(13,914)	-	(13,914)
Total expenses	(32,000)	(32,000)	(32,000)
Surplus attributable to the Trust	-	-	-

40. SIGNIFICANT EVENT DURING THE YEAR

On 11 March 2020, Covid-19 was declared as a global pandemic by the World Health Organization ("WHO"). Consequently, the Malaysian government had imposed a Movement Control Order ("MCO") throughout the country to curb the pandemic spread. The pandemic had caused a global disruption on business operations and business growth initiatives which results to a lower interest rates affecting Takaful contract liabilities.

On 27 March 2020, Bank Negara Malaysia ("BNM") had announced some relief measures for the affected Takaful participants arising from the Covid-19 outbreak.

In compliance with the announcement, the Company had extended additional Covid-19 relief measures including:

- (a) Deferment of the regular contribution payment;
- (b) Extension of the medical coverage for hospitalisation treatment, and
- (c) Agent Relief Program by offering profit-free financing.

In the opinion of the Directors, the results of the operations of the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature, other than those disclosed in the financial statements.

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FURTHER INFORMATION ON DIRECTORS
(As at 31 December 2020)

MR NORMAN KA CHEUNG IP
Independent Non-Executive Director

Shareholding in the Company
Nil

Current Directorships (and Appointments)

1. Great Eastern General Insurance (M) Berhad	Chairman
2. Great Eastern Life Assurance (Malaysia) Berhad	Chairman
3. Overseas Assurance Corporation (Holdings) Berhad	Chairman
4. Far Island Bay Sdn Bhd	Chairman
5. Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
6. I Great Capital Holdings Sdn Bhd	Chairman
7. Building and Construction Authority	Director
8. Great Eastern General Insurance Limited	Director
9. Great Eastern Holdings Limited*	Director
10. The Great Eastern Life Assurance Company Limited	Director
11. Securities Industry Council	Director

* *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

Member, Board Nominations and Remuneration Committee
Member, Board Audit Committee

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FURTHER INFORMATION ON DIRECTORS (CONTINUED)
(As at 31 December 2020)

YBHG. MAJOR GENERAL DATO' ZULKIFLEE BIN MAZLAN (RTD)
Non-Independent Non-Executive Director

Shareholding in the Company
Nil

Current Directorships (and Appointments)

- | | |
|--|----------|
| 1. Affin Hwang Investment Bank Berhad | Chairman |
| 2. Affin Hwang Trustee Berhad | Chairman |
| 3. Affin Hwang Asset Management 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
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

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GREAT EASTERN TAKAFUL BERHAD
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FURTHER INFORMATION ON DIRECTORS (CONTINUED)
(As at 31 December 2020)

MR MOHAMED RASHDI MOHAMED GHAZALLI
Independent Non-Executive Director

Shareholding in the Company
Nil

Current Directorships (and Appointments)

- | | |
|-------------------------------------|----------|
| 1. Tune Protect Group Berhad* | Director |
| 2. BOS Wealth Management (M) 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

Member, Board Risk Management Committee

YBHG. REAR ADMIRAL DATO' ANUWAR BIN MAD SAID (RTD)
Non-Independent Non-Executive Director

Shareholding in the Company
Nil

Current Directorships (and Appointments)

- | | |
|-----------------------------------|----------|
| 1. DAMS Security Services Sdn Bhd | Director |
| 2. 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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FURTHER INFORMATION ON DIRECTORS (CONTINUED)
(As at 31 December 2020)

MR KHOR HOCK SENG

Non-Independent Executive Director

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1. Great Eastern Financial Advisers Private Limited	Chairman
2. Lion Global Investors Limited	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. Financial Industry Disputes Resolution Centre Limited	Director
17. 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 2020)

YBHG. DATO' YEOH BEOW TIT
Independent Non-Executive Director

Shareholding in the Company
Nil

Current Directorships (and Appointments)

- | | |
|-------------------------------------|----------|
| 1. Cagamas MBS Berhad | Chairman |
| 2. Cagamas SRP Berhad | Director |
| 3. BOS Wealth Management (M) 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

Chairman, Board Nominations and Remuneration Committee

Chairman, Board Audit Committee