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**GREAT EASTERN TAKAFUL BERHAD  
(916257-H)**

**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements  
31 December 2016**

**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 hereby present their report together with the audited financial statements of the Company for the year ended 31 December 2016.

**PRINCIPAL ACTIVITY**

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

**RESULTS**

	<b>RM'000</b>
Net loss for the year	<u>(18,757)</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.

**HOLDING COMPANY**

The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC"), 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.

**DIRECTORS**

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

- Datuk Kamaruddin bin Taib (Chairman)
- Mr Norman Ip
- Mr Khor Hock Seng (appointed on 1 March 2016)
- Major General Dato' Zulkiflee bin Mazlan (Rtd) (appointed on 29 April 2016)
- Datin Zaharah binti Ali (appointed on 29 April 2016)
- Mr Lee Kong Yip (appointed on 1 July 2016)
- Major General Dato' Paduka Che Hasni bin Che Ahmad (Rtd) (resigned on 29 April 2016)

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**DIRECTORS (CONTINUED)**

Tuan Haji Jamaluddin bin Masrin (resigned on 29 April 2016)

Dato Koh Yaw Hui (resigned on 4 November 2016)

In accordance with Article 72 of the Company's Constitution, Mr Norman Ip and Mr Khor Hock Seng would retire at the forthcoming Annual General Meeting ("AGM"), 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 Notes 24 and 27 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.

During the financial year the amount of indemnity given or takaful effects for any directors of the company amount to RM15,000,000.

**DIRECTORS' INTERESTS**

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") during the financial year were as follows:

	<u>Shareholdings in which directors have a direct interest</u>				
	<u>01.01.2016/</u>				
	<u>At Appointment</u>	<u>Date</u>	<u>Acquired</u>	<u>Disposed</u>	<u>31.12.2016</u>
<b>(a) Ordinary shares in the capital of OCBC Bank</b>					
Mr Norman Ip	4,109	92	-	-	4,201
Mr Khor Hock Seng	18,662	122,859	-	-	141,521
Mr Lee Kong Yip	154,021	-	-	-	154,021

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**DIRECTORS' INTERESTS (CONTINUED)**

	<u>Shareholdings in which directors are deemed to have interest</u>			
	<u>01.01.2016</u>	<u>Adjustment</u>	<u>Granted</u>	<u>Vested 31.12.2016</u>
<b>(b) Ordinary shares in the capital of OCBC Bank</b>				
Mr Khor Hock Seng	368,577	-	-	(122,859) 245,718 <sup>(1)</sup>

*Note:*

- (1) Deemed interest from Remuneration Trust to be released annually on 31 March 2016 to 2018.

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

**CORPORATE GOVERNANCE DISCLOSURES**

The Company has complied with the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under Bank Negara Malaysia's Guidelines, BNM/RH/PD 029-9 *Corporate Governance*. The Company is committed to the principles prescribed in this guideline to ensure public accountability at all times. Further details are disclosed on pages 6 to 33 of the Audited Financial Statements.

**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 allowance for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; 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 provision for doubtful 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.

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**OTHER STATUTORY INFORMATION (CONTINUED)**

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

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

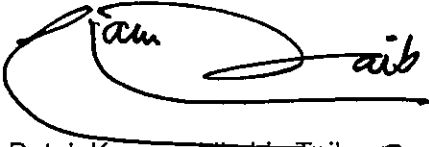
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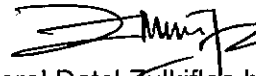
**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office. Details of Auditors' remuneration for their services as auditors are disclosed in Note 24 to the statutory financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 2 February 2017.

A handwritten signature in black ink, appearing to read 'Kamaruddin bin Taib', with a long horizontal stroke extending to the right.

Datuk Kamaruddin bin Taib

A handwritten signature in black ink, appearing to read 'Zulkiflee bin Mazlan', with a long horizontal stroke extending to the right.

Major General Dato' Zulkiflee bin Mazlan (Rtd)

Kuala Lumpur

**GREAT EASTERN TAKAFUL BERHAD**  
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**CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)**

The Board of Directors ("the Board") of Great Eastern Takaful Berhad (the "Company") places great importance on high standards of corporate conduct and is 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" ("CG PD") issued on 3 August 2016 and is continually enhancing standards of the overall governance of the Company.

**THE BOARD'S CONDUCT OF AFFAIRS**

**Board's responsibilities and accountability**

The Board provides strategic direction to the Company and its principal roles and functions include the following:

- (a) setting and overseeing the implementation of business and risk objectives as well as strategies and in doing so shall have regard to the long term viability of the Company and reasonable standards of fair dealing;
- (b) approving the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- (c) overseeing the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
- (d) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;
- (e) ensuring that there is a reliable and transparent financial reporting process within the Company;
- (f) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- (g) promoting, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (h) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;



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

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

- (i) 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
- (j) promoting Shariah compliance in accordance with the shariah governance framework and ensuring its integration with the Company's business and risk strategies.

The 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.

**Board Committees**

The Board has established a number of Board committees ("Board Committees") to assist it in carrying out more effective oversight of the operations and business affairs of the Company. These Board Committees consist of the Board Nominations and Remuneration Committee, Board Audit Committee, Board Risk Management Committee and Governance Committee. All the Board Committees have been constituted with clear Board-approved written terms of reference.

The Company's Board Committees, in carrying out their responsibilities in accordance with their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with the good corporate governance practices by the Company. Details of the roles and principal responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of all Board Committee 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 on a regular basis.

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

**Meetings and Directors' attendance**

The Board meets regularly during the year, to review the business performance and key activities of the Company and to consider business proposals of a significant nature. All members of the Board participate actively in Board discussions and decisions are made objectively in the interests of the Company. The Board guided Management with strategic directions to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstance, *ad hoc* Board or Board Committee meetings will be convened. In 2016, the Board convened nine Board meetings comprising six scheduled and three *ad hoc* Board meetings. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Articles of Association. A Director who is unable to attend any Board or Board Committee meeting, will still be provided with all meeting papers for information.

All Directors have complied with the minimum 75% meeting attendance requirement at Board meetings held during the financial year under review as stipulated in the CG PD and Board Charter.

The number of meetings of the Board and Board Committees and details of meetings attendance of each Director during the financial year under review are tabulated below:

Name of Director	No. of Meetings	
	Held	Attended
Datuk Kamaruddin bin Taib (Chairman) <sup>(1)</sup>	9	9
Mr Norman Ip <sup>(2)</sup>	9	9
Mr Khor Hock Seng <sup>(3)</sup>	7	6
Major General Dato' Zulkiflee bin Mazlan (Rtd) <sup>(4)</sup>	5	5
Datin Zaharah binti Ali <sup>(5)</sup>	5	5
Mr Lee Kong Yip <sup>(6)</sup>	4	4
Major General Dato' Paduka Che Hasni bin Che Ahmad (Rtd) <sup>(7)</sup>	4	4
Tuan Haji Jamaluddin bin Masrin <sup>(8)</sup>	4	4
Dato Koh Yaw Hui <sup>(9)</sup>	8	8

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

**Meetings and Directors' attendance (Continued)**

Name of Director	Board Nominations and Remuneration Committee <sup>(10)</sup>		Board Audit Committee <sup>(11)</sup>		Board Risk Management Committee <sup>(12)</sup>		Governance Committee	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Datuk Kamaruddin bin Taib (Chairman) <sup>(1)</sup>	12	12	4	4	5	5	4	4
Mr Norman Ip <sup>(2)</sup>	12	12	4	4	5	5	-	-
Mr Khor Hock Seng <sup>(3)</sup>	8	8 <sup>(13)</sup>	3	3 <sup>(14)</sup>	5	4 <sup>(14)</sup>	-	-
Major Gen. Dato' Zulkiflee bin Mazlan (Rtd) <sup>(4)</sup>	6	6	2	2	-	-	-	-
Datin Zaharah binti Ali <sup>(5)</sup>	-	-	-	-	3	3	2	2
Mr Lee Kong Yip <sup>(6)</sup>	-	-	2	2	2	2	-	-
Major Gen. Dato' Paduka Che Hasni bin Che Ahmad <sup>(7)</sup>	3	3	-	-	2	2	-	-
Tuan Haji Jamaluddin bin Masrin <sup>(8)</sup>	3	3	2	2	-	-	2	2
Dato Koh Yaw Hui <sup>(9)</sup>	6	6	-	-	-	-	-	-

**Notes:**

- (1) Ceased as Chairman of Board Risk Committee on 30 October 2016.
- (2) Appointed as Chairman of Nominating Committee and Remuneration Committee on 26 May 2016 and Board Risk Committee on 1 November 2016, respectively. Ceased as Chairman of Audit Committee on 21 July 2016.
- (3) Appointed as Director and Member of Nominating Committee and Remuneration Committee on 1 March 2016 and 26 May 2016, respectively. Ceased as Member of Nominating Committee and Remuneration Committee on 1 December 2016.
- (4) Appointed as Director and Member of Audit Committee and Nominating Committee on 29 April 2016 and 26 May 2016, respectively.
- (5) Appointed as Director and Member of Board Risk Committee and Governance Committee on 29 April 2016 and 26 May 2016, respectively.
- (6) Appointed as Director and Member of Audit Committee and Board Risk Committee on 1 July 2016. Appointed as Chairman of Audit Committee on 21 July 2016.
- (7) Resigned as Director and Member of Nominating Committee, Remuneration Committee and Board Risk Committee on 29 April 2016.
- (8) Resigned as Director and Member of Nominating Committee, Remuneration Committee and Audit Committee on 29 April 2016.
- (9) Resigned as Director and Member of Nominating Committee on 4 November 2016.
- (10) The Board Nominations and Remuneration Committee was established on 1 December 2016, replacing the Nominating Committee and Remuneration Committee.
- (11) The Audit Committee is known as Board Audit Committee effective from 1 December 2016.
- (12) The Board Risk Committee is known as Board Risk Management Committee from 1 December 2016.
- (13) Attendance as a Member/an Invitee on combined basis.
- (14) Attendance as an Invitee
- (-) Not applicable to the Non-member of the respective Board Committee.

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

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

**BOARD COMPOSITION AND GUIDANCE**

**Board Membership**

The Company's present Board of six Directors comprises an Independent Chairman, Datuk Kamaruddin bin Taib, two Independent Directors, two Non-Independent Non-Executive Directors and one Non-Independent Executive Director.

Mr Khor Hock Seng was appointed to the Board on 1 March 2016 as a Non-Independent Non-Executive Director. He, being the Group CEO at the holding company level was then redesignated as Executive Director following the stipulations under the CG PD effective 3 August 2016.

All appointments and re-appointments of Directors of the Company are subject to the approval of BNM.

The composition of the Board is as follows:

**Members**

**Status of Directorship**

Datuk Kamaruddin bin Taib	Independent Director
Mr Norman Ip	Independent Director
Mr Khor Hock Seng	Non-Independent Executive Director
Major General Dato' Zulkiflee bin Mazlan (Rtd)	Non-Independent Non-Executive Director
Datin Zaharah binti Ali	Non-Independent Non-Executive Director
Mr Lee Kong Yip	Independent Director

**Key information on Directors**

Key information on each Director is set out under the sections 'Board of Directors Profile' on pages 32 to 33 and 'Further Information on Directors' on pages 168 to 173 of the Company's Audited Financial Statements. The Directors' membership in the various Board Committees is set out herein. Directors' interests in shares and share options in the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the year ended 31 December 2016. The Directors do not hold shares in the Company.

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**BOARD COMPOSITION AND GUIDANCE (CONTINUED)**

**Board Composition and Independence**

The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, an Independent Director of the Company is one who himself or any person linked to him 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 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. Transitional arrangements are allowed for Independent Directors to make up at least half of the Board membership by 3 August 2019 and Independent Directors to make a majority of the Board membership by 3 August 2021.

The Board Nominations and Remuneration Committee determines annually whether a Director is independent. Taking into consideration the definition of “independence” of a Director under the CG PD, the Board Nominations and Remuneration Committee has determined that the Company’s Independent Directors are currently Datuk Kamaruddin bin Taib, Mr Norman Ip and Mr Lee Kong Yip.

The Board, through its Board Nominations and Remuneration Committee, is of the view that the current Board size facilitates effective decision making, taking into account the scope and nature of the operations of the Company.

The Board members of the Company are from diverse backgrounds and qualifications, and bring a wide range of financial and commercial experiences to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance, takaful, 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 sets required for the Board Committees to be able to perform their respective roles and responsibilities.

With the knowledge, objectivity and balance contributed by the Non-Executive Directors, they constructively challenge and help develop proposals on strategy and review the performance of Management against agreed goals and objectives and monitor their performance.

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The roles of the Chairman<sup>2</sup>, Datuk Kamaruddin bin Taib and the CEO<sup>3</sup>, Encik Zafri bin Ab Halim are distinct and separate, with clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Chairman and the CEO are not related to each other.

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**CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CONTINUED)**

The principal responsibilities of the Chairman including leading the Board to ensure its effectiveness on various aspects of the Board's role, 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.

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 management of the Company. He is primarily responsible for the day-to-day operations and administration of the Company, ensuring, *inter alia*, operational and organisational efficiency, profitable performance of the operating units, regulatory and shariah compliance, good corporate governance and effective risk management.

**SHARIAH COMMITTEE**

A Shariah governance framework is put in place as a distinct feature in the organisational structure of the Company, which includes the establishment of the Shariah Committee, in line with the requirement of the Islamic Financial Services Act 2013 and BNM's Shariah Governance Framework for Islamic Financial Institutions ("Shariah Governance Framework"). The 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.

Dr. Ahmad Basri bin Ibrahim was appointed as Chairman of the Shariah Committee since 4 November 2011. Dr. Akhtarzaite binti Abdul Aziz assumed the role as Chairman of Shariah Committee following the announcement of Dr. Ahmad Basri bin Ibrahim's resignation as the Chairman of Shariah Committee on 1 October 2016.

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<sup>2</sup> The roles and responsibilities of the Chairman are stipulated under Para 9.1 of the CG PD.

<sup>3</sup> The responsibilities of the CEO are stipulated under Para 16.1 of the CG PD.

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**SHARIAH COMMITTEE (CONTINUED)**

The Shariah Committee met six times during the financial year under review with details of meetings' attendance of each member are as follows:

Name of Shariah Committee Member	Shariah Committee		
	No. of meetings		
	Held	Attended	Percentage
Associate Professor Dr. Ahmad Basri bin Ibrahim <sup>(1)</sup>	6	5	83%
Associate Professor Dr. Siti Salwani binti Razali	6	5	83%
Professor Dato' Dr. Wan Sabri bin Wan Yusof	6	6	100%
Dr. Mohamad Sabri bin Zakaria	6	6	100%
Associate Professor Dr. Mahamad bin Arifin <sup>(2)</sup>	6	-	-
Dr. Akhtarzaite binti Abdul Aziz	6	6	100%
Associate Professor Dr. Suhaimi bin Ab Rahman <sup>(3)</sup>	-*	-*	-*
Dr. Mohammad Firdaus bin Mohammad Hatta <sup>(3)</sup>	-*	-*	-*

**Notes:**

- (1) Resigned as Chairman and Member of Shariah Committee on 1 October 2016.  
(2) Passed away on 18 January 2016.  
(3) Appointed as member of Shariah Committee on 3 January 2017.

\* Not applicable as both Dr. Suhaimi bin Ab Rahman and Dr. Mohamad Firdaus bin Mohammad Hatta were appointed as members of Shariah Committee after the financial year ended 31 December 2016.

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. Thereafter, the said matters are brought to the attention of the Board for an informed decision making.

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;
- (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;

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

**SHARIAH COMMITTEE (CONTINUED)**

- (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 described 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 annual report;
- (f) providing necessary assistance to the Company's related parties such as its legal counsel, auditor or consultant on Shariah matters; and
- (g) advising the Company to consult BNM Shariah Advisory Council ("SAC") on Shariah matters which have not been resolved or endorsed by the BNM SAC.

**BOARD NOMINATIONS AND REMUNERATION COMMITTEE**

During the financial year under review, the Nominating Committee and Remuneration Committee were merged as part of its governance structure. The Board Nominations and Remuneration Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Nominations and Remuneration Committee comprises the following Directors:

Mr Norman Ip, Chairman  
Datuk Kamaruddin bin Taib, Member  
Major General Dato' Zulkiflee bin Mazlan (Rtd), Member

The responsibilities of the Board Nominations and Remuneration Committee are set out in its Board-approved terms of reference. The Board Nominations and Remuneration Committee is responsible for identifying candidates, reviewing and recommending nominations and/or re-appointment of Directors, Shariah Committee members and CEO. It also reviews nominations and makes recommendations to the Board for Senior Officer ("SOs") positions in the Company.



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

The Board Nominations and Remuneration Committee has a key role in carrying out the formal and transparent process established for the appointment of new Directors to the Board. Proposals for the appointment of new Directors are reviewed by the Board Nominations and Remuneration Committee. The Board Nominations and Remuneration Committee meets with the candidates to assess their suitability and commitment. Competent individuals are nominated for Board approval after the Board Nominations and Remuneration Committee has assessed their suitability taking into consideration, amongst others, their professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company, potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board.

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 would satisfy the criteria under the CG PD in 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 fit and proper for the position. The Company's Director Independence Guide stipulated that an Independent Director is one who is independent or any person linked to him is independent from Management, business relationships and substantial shareholder of the Company or any of its affiliates, and has not served on the Board for a continuous period of nine years or longer. The tenure of all the three Independent Directors does not exceed a cumulative term of nine years.

The Board Nominations and Remuneration Committee held a total of twelve meetings on combined basis in 2016.

**Re-appointment of Directors**

All Directors subject themselves for re-appointment and/or re-election upon the expiry of their BNM Appointment Term or retire by rotation at regular intervals, at least once every three years at the annual general meeting ("AGM") pursuant to the Company's Articles of Association accordingly.

Pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of seventy years shall retire at the next AGM and may offer themselves for re-appointment to hold office until the next AGM.

The Board Nominations and Remuneration Committee is also responsible to recommend the re-appointment and/or re-election of Directors to the Board, taking into account the comprehensive evaluation of the Directors in addition to the Directors' attendance at meetings, their expertise, knowledge, commitment, and contributions to Board discussions and to the overall effectiveness of the Board.

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

**Board Orientation and Training**

A formal appointment letter will be issued to every new Director. Newly-appointed Directors will be apprised of their statutory duties and obligations and issued 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 Management will brief new Directors on the Company's principal activities and the induction programme will be tailored to the specific development needs of the new Directors. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which affect the Directors and to enable them to have a more comprehensive understanding of the Company.

The Board Nominations and Remuneration Committee ensures there is a continuous professional development programme for all Directors, to ensure 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. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management 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 also 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.

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, included the following:

- FIDE FORUM Industry Briefing
- Leaders Room Talk by David Nour
- Dialogue with Senior Management Team of BNM – Focus Group 2 (For Insurance, Takaful, Reinsurance Businesses)
- Briefing Session on BNM Annual Report 2015 / Financial Stability and Payment System Report 2015
- 3rd BNM – FIDE FORUM Annual Dialogue with the Governor of BNM
- BNM – FIDE FORUM Dialogue with the Deputy Governor of BNM on the Corporate Governance Paper
- Responsible Finance Summit 2016
- Launch of Directors Register
- Internal Capital Adequacy Assessment Process (ICAAP) Insurance
- FIDE FORUM: 2nd Distinguished Board Leadership – “Avoiding Financial Myopia”

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

**Board Orientation and Training (Continued)**

- FIDE Elective Programme: Cybersecurity Programme – Understanding the Evolving Cybersecurity Landscape
- Future Finance Conference at BNM
- Omniboard Training for Directors
- Discussion on BNM Concept Paper on Corporate Governance
- Board Educational Series: An Overview of Reserving
- Board Educational Series: Project Asset Liability Management / Investment Management / Fund Transfer Pricing & Discussion on 2017 Strategic Asset Allocation

**BOARD PERFORMANCE**

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 consists principally of evaluation by and feedback from each Director. Self-assessment is optional while peer assessment will be moderated by Aon Hewitt and the written reports will be given to the Chairman of Board and Board Nominations and Remuneration Committee and to the respective directors on their respective performance for the self-evaluation exercise.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. 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 and degree of participation at meetings.

**Shariah Committee and Senior Management Appointment and Performance**

The Board Nominations and Remuneration Committee also recommends and assesses the nominee for the position of Shariah Committee members and CEO and re-appointment of existing Shariah Committee members and CEO as well as oversees the appointment and succession planning of the SOs of the Company.

The Board Nominations and Remuneration Committee is responsible to oversee performance evaluation of CEO and SOs.

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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**PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION**

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, SOs and Non-SOs.

The Board Nominations and Remuneration Committee is responsible to recommend to the Board the policy on remuneration for Directors, Shariah Committee members, CEO and SOs. The Board Nominations and Remuneration Committee is charged with the responsibility of reviewing and recommending to the Board, the remuneration packages of Directors, Shariah Committee members, the CEO and SOs. This will ensure that the Company remains competitive in terms of compensation 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 compensation packages are not excessive and consistent with the prudent management of the Company's affairs.

**Remuneration of Non-Executive Directors**

The Non-Executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at 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.

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 AGM.

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**PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)**

**Remuneration of Non-Executive Directors (Continued)**

The Board has considered the market practices for Non-Executive Director remuneration, and has decided to use the same fee structure for computing the fee for each Non-Executive Director for the financial year ended 31 December 2016 ("FY2016") as that used in the previous financial year:

		<b>Annual Retainer</b>
<b>Board</b>	Chairman	RM62,500
	Member	RM31,250
<b>Board Committees</b>	<u>Chairman</u> ● Board Audit Committee ● Board Risk Management Committee	RM12,500
	<u>Chairman:</u> ● Board Nominations and Remuneration Committee ● Governance Committee	RM12,500 <sup>(1)</sup> RM6,250
	<u>Member:</u> ● Board Audit Committee ● Board Risk Management Committee	RM6,250
	<u>Member:</u> ● Board Nominations and Remuneration Committee ● Governance Committee	RM5,000 <sup>(1)</sup> RM2,500
<b>Attendance fees per Board or Board Committee meeting</b>		RM1,200

**Notes:**

(1) The amount was combined for FY2016

The attendance fee is paid to Non-Executive Directors to recognise their commitment and time spent in attending meetings.

**Disclosure of Directors' and CEO Remuneration**

The total Directors' Remuneration from the Company in respect of FY2016 is shown under Note 24(b) in the Company's financial statement. Fees for Non-Executive Directors totalling RM435,754 in respect of FY2016 will be approved at the forthcoming AGM of the Company. The Directors' and CEO's Remuneration for FY2016 are disclosed under Note 24(b) and Note 24(a) respectively in the Company's financial statement.

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**PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF  
REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)**

**Remuneration Policy in respect of Senior Officers of the Company**

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.

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 CEO, Senior Management Team and such other executives as the Board of Directors and/or regulator should determine. Currently, there are nine identified SOs.

In another key segment of SOs, Other Material Risk Takers ("OMRT") in the Company has been identified as an officer who is not a member of Senior Management who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile. There are five identified OMRTs and they are subject to risk control key performance indicator and risk adjusted variable compensation commencing from 2017.

The basic component of the remuneration package comprises a monthly basic salary. 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. Such components comprise a performance-based variable bonus and long-term incentives, which are generally paid/awarded once a year. SOs are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

Staff engaged in all control functions including Actuarial, Shariah Unit 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.

In awarding long-term incentives, the Board Nominations and Remuneration Committee also takes into account their potential for future development and contribution to the Company.

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 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 finalised over short periods when risks are realised over long periods.

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**PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)**

**Remuneration Policy in respect of Senior Officers of the Company (Continued)**

The annual budget for salary increment, performance-related variable bonus and long-term incentives, reviewed by the Board Nominations and Remuneration Committee is submitted to the Board for approval. The competitiveness of the Company's compensation structure is reviewed annually relative to a peer group of companies that is considered to be relevant for compensation purposes to ensure continued appropriateness. The review is done through comparison to data source from various remuneration surveys conducted independently by remuneration consultants.

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 compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to sustained business performance. In its deliberations, the Board also takes into account the remuneration principles, practices and standards issued by the regulator from time to time.

In collaboration with the Board Nominations and Remuneration Committee, the Company Remuneration Practice Guide is designed taking into account regulatory requirements, from time to time, with the input from the Senior Management. The Remuneration Practice Guide is independently reviewed by the Internal Audit and Risk Management and Compliance Departments. The Board Risk Management Committee may with the assistance of Risk Management and Compliance Department assess how the Remuneration Practice Guide affects the Company's risk profile.

The Company's variable compensation varies in line with its financial performance and the meeting of corporate governance requirements.

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**PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)**

**Remuneration Policy in respect of Senior Officers of the Company (Continued)**

	Unrestricted RM	Deferred RM	Remark
Total value of remuneration awards for the financial year			
Fixed remuneration			
* Cash-based	2,601,960	518,299	Salary + EPF
- Other	73,918	-	Benefit In Kind - Motor Vehicle/Fuel/Driver/Furniture & Living
Variable remuneration			
No. received (Cash-based)	9	-	
- Cash-based	636,994	-	Variable Bonus
No. received (Other)	4	-	
- Other	19,780	-	Allowances

**ACCESS TO INFORMATION**

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. In respect of matters for 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 Management 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.

Directors have separate and independent access to the Company Secretary and to Senior Management of the Company at all times.

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 Management and Non-Executive 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.



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**ACCESS TO INFORMATION (CONTINUED)**

The Director may take independent professional advice as and when necessary to enable them to discharge their duties effectively, at the expense of the Company. Similarly, the Board and each Board Committee may obtain the professional advice that it requires to assist in its work.

**BOARD AUDIT COMMITTEE**

The Board Audit Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Audit Committee comprises the following Directors:

Mr Lee Kong Yip, Chairman  
Mr Norman Ip, Member  
Datuk Kamaruddin bin Taib, Member  
Major General Dato' Zulkiflee bin Mazlan (Rtd), Member

Members of the Board Audit Committee are appropriately qualified to discharge their responsibilities. One member of the Board Audit Committee has relevant accounting and auditing experience and all the Board Audit Committee members have financial management knowledge and experience. The Board Audit Committee members keep abreast of relevant changes through regular updates from the external auditor on changes to accounting standards and issues which have a direct impact on the financial statements. The Board Audit Committee carries out functions as specified in the Companies Act 1965, Islamic Financial Services Act 2013, BNM's Policy Document and other relevant guidelines and regulations.

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

The Board Audit Committee held a total of four meetings in 2016, and its members' attendance at these meetings is disclosed in this report. The Board Audit Committee meetings were attended by the internal and external auditors, the Group CEO and certain Senior Management, including the Group Chief Financial Officer and Head Group Internal Audit.

The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2016 included the following:

- (a) Reviewed with the Internal Auditor -
  - (i) their audit plans, their evaluation of the system of internal controls, and their audit reports;

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**BOARD AUDIT COMMITTEE (CONTINUED)**

- (a) Reviewed with the Internal Auditor - (Continued)
  - (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 plans 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;
  - (iii) the scope and results of the audit procedures and its 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 Management Team;
  - (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 to the external auditors.
- (c) Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company, including financial, operational, compliance and information technology controls and systems established by Management.
- (d) Reviewed the effectiveness of the internal audit functions of the Company.
- (e) Maintained an appropriate relationship with both the external auditors and internal auditors, and met at least annually with the Management, external auditors and internal auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately.
- (f) Reviewed the outsourced function and servicing fee related to internal audit.
- (g) Made recommendation to the Board on the re-appointment of the external auditors and their remuneration and terms of engagement.

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**BOARD AUDIT COMMITTEE (CONTINUED)**

- (h) Review and update the Board on all related-party transactions. In addition, to review the write-off of material and special related-party transaction and recommend them to the Board for approval.
- (i) Monitor compliance with the Directors' Conflict of Interest Guide.

The Company has instituted a whistle-blowing policy whereby staff of the Company may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. 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 periodic review of the effectiveness of the policy.

The Company has put in place policies and procedures on related party transactions covering the definitions of related parties, limits applied, terms of transactions and the authorities and procedures for approving and monitoring 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 related party transactions are reported to the Board Audit Committee for review and to the Board for approval. Details of the Company's related party transactions during FY2016 are set out in Note 27 of the Notes to the Financial Statements.

A written policy that sets out procedures to address Directors' actual and potential conflicts of interest has also been established, which complements the Company's policy and procedures on related party transaction that address Directors' interest in transactions between the Company and related party(ies) of the Directors.

The Board Audit Committee, in performing its functions, met at least annually with the internal and external auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately. 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.

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**BOARD AUDIT COMMITTEE (CONTINUED)**

**Internal Audit**

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 outsourced to Great Eastern Life Assurance (Malaysia) Berhad and is independent of the activities it audits.

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.

**BOARD RISK MANAGEMENT COMMITTEE**

The Board Risk Management Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Risk Management comprises the following Directors:

Mr Norman Ip, Chairman  
Datuk Kamaruddin bin Taib, Member  
Datin Zaharah binti Ali, Member  
Mr Lee Kong Yip, Member

The Board Risk Management Committee is responsible for the oversight of market, credit, liquidity, takaful, operational, technology, regulatory and compliance risks to manage the financial and reputational impact arising from these risks. It reviews the overall risk management philosophy, including, the risk profile, risk tolerance level, and risk and capital management strategy, guided by the overall corporate strategy and risk appetite as set and approved by the Board. The Board Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management process and systems set up by the Company.

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**BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)**

The Board Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. Such terms of reference include the review and endorsement of frameworks, major policies, charters and strategies for effective risk management, investment management and asset-liability management. The terms of reference also include the review of major risk management initiatives, significant investment, property, other financial transactions that exceed the authorisation limits of the Management Committees that the Board Risk Management Committee oversees and services of the outsourced function and outsourced service fees relating to risk management and compliance. The Board Risk Management Committee meets with the outsourced provider of risk management and compliance, at least, once a year, without the presence of Management to discuss matters that they believe should be discussed privately with the Board Risk Management Committee. 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.

The Risk Management Department has adequate resources and is staffed by experienced and qualified employees who are sufficiently independent to perform their duties objectively. The Risk Management Department regularly engages Senior Management to develop enterprise-wide risk controls and risk mitigation procedures.

The Board Risk Management Committee held a total of five meetings in 2016.

The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 30 of the Notes to the Financial Statements.

**Internal Control Framework**

The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensuring sound system of internal controls and risk management practices are maintained throughout the Company. The Board meets regularly to discuss matters related to system of internal controls which cover among others financial, operational, compliance controls, shariah compliance and risk management procedures. There are on-going reviews and self-assessment processes in place to ensure the effectiveness, adequacy and integrity of the system which are designed to manage rather than to eliminate completely all risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses, fraud or the occurrence of unforeseeable circumstances.

There are clearly defined delegation of responsibilities to the Board Committees and the Management, including authorisation levels for all business units. Each business unit has clear accountabilities for ensuring that appropriate risk management and control procedures are in place. These delegated responsibilities are subject to review throughout the year.

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**BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)**

**Internal Control Framework (Continued)**

There is an established framework to manage risks emanating from the operations of the Company. The Board has determined the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. The Board received assurance from CEO that the Company's risk management and system of internal controls is operating adequately and effectively in all material aspects based on the risk management and internal control system.

**Infrastructure**

While the Board is ultimately responsible for the management of risks within the Company, apart from the Board Risk Management Committee, several risk oversight committees have been established over the years to facilitate in depth review of the risks associated with specific aspects of the business such as Senior Management Team, Asset Liability Committee, Information Technology Steering Committee, Product Development Committee and Financial Crime Committee. The duties and scope of work of these committees are documented in their respective terms of reference.

The authority delegated by the Board to the Board Committees and the CEO are formalised in the Company's Authority Grid. There are other documents that guide on the delegation of the CEO's authority such as underwriting limits, claim limits and investment limits.

The segregation of duties is paramount in ensuring that members of staff are not assigned with potential conflicting responsibilities, relating to, among others, approvals, disbursements and administration of policies, execution and recording of investment matters, operational and internal audit/compliance functions, underwriting and credit control.

**Frameworks, Policies and Procedures**

The Company has established risk management frameworks 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.

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 areas of risk such as:

- Investments
- Family takaful operations
- Information technology and information security
- 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

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**BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)**

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

- Shariah compliance standards
- Outsourcing
- Retakaful management strategy
- Business continuity management

The frameworks, policies and procedures are reviewed each year to ensure continued relevance and to capture the latest regulatory and Great Eastern Holdings Ltd.'s requirements. They are then approved by the relevant Board or Management Committees to formalise their application within the Company.

**Shariah Internal Controls**

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

(i) Shariah Review

Shariah review is conducted regularly by the Company's qualified Shariah officers to assess the level of Shariah compliance on the Company's activities and operations. The annual Shariah review plans are reviewed and approved by Shariah Committee for implementation by the review officer. The findings and reports are deliberated in Shariah Committee meetings to confirm that the Company is operating within applicable Shariah regulations and resolutions.

(ii) Shariah Audit

Shariah Audit is conducted periodically by the Company's internal auditor with adequate knowledge in Shariah to provide independent and objective assessments to help improve the quality and effectiveness of governance, risk management and internal control for Shariah compliance. The annual audit plan is endorsed by the Shariah Committee and Shariah-related findings are circulated to Shariah Committee. Internal auditor regularly updates the Shariah Committee on the status of the Shariah-related findings to ensure effective implementation of recommended actions to rectify the findings.

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**BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)**

**Shariah Internal Controls (Continued)**

(iii) Shariah Risk Management

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

(iv) Shariah Research

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

**Self-assessment Process**

A mature self-assessment process that is supported by the use of the RCSA and CRSA tools is entrenched in the Company. The results of the assessment are reviewed by the Senior Management, who in turn would provide an annual assurance letter 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.

**Monitoring and Reporting**

An Enterprise Risk Management Dashboard that features the Company's risk profile from six perspectives (strategic, financial, operational, technology, compliance and shariah) is submitted to the Board, Board Risk Management Committee and Senior Management Team.

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



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

**BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)**

**Monitoring and Reporting (Continued)**

Regulatory breach and operational incidents are reported in the Enterprise Risk Management Dashboard while investment breaches are reported via the limits report and compliance examination reports. Respective business units are required to provide the corrective and preventive measures once a regulatory breach or operational incident is discovered. The Company has a process to collate statistics for several Key Risk Indicators for reporting to BNM on a regular basis.

**GOVERNANCE COMMITTEE**

The Governance Committee comprises of at least three members, who are an Independent Director, a Shariah Committee member, an Appointed Actuary and be chaired by an Independent Director. The Governance Committee was formed following the Guiding Principles on Governance for Islamic Insurance (Takaful) Operations (IFSB-8) issued by the Islamic Financial Services Board ("IFSB"), an international standard-setting body of regulatory and supervisory agencies based in Kuala Lumpur, Malaysia.

The Governance Committee comprises the following:

Datuk Kamaruddin bin Taib, Chairman  
Datin Zaharah binti Ali, Member  
Professor Dato' Dr Wan Sabri bin Wan Yusof, Member  
Ms Jasveen Kaur Marne, Member

Professor Dato' Dr. Wan Sabri bin Wan Yusof is a member of Shariah Committee whilst Ms Jasveen Kaur Marne is the Company's Appointed Actuary.

The primary objective of the Governance Committee is to discover, support and maintain the balance in addressing the interests of the Company's stakeholders such as its shareholders, management and the government, whilst giving special attention *vis-a-vis* the interests of its Takaful participants.

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

**GOVERNANCE COMMITTEE (CONTINUED)**

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.

The Governance Committee held a total of four meetings in 2016.

**BOARD OF DIRECTORS' PROFILE**

**Datuk Kamaruddin bin Taib, Chairman**

Datuk Kamaruddin bin Taib was appointed to the Board of the Company since 4 November 2010 as an Independent Non-Executive Director and Chairman of the Board. He is also a Director of Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Berhad. Datuk Kamaruddin is currently the Executive Chairman of Germanischer Lloyd GLM Sdn Bhd and Independent Non-Executive Chairman of GHL Systems Berhad. He also serves as a Director of FIDE FORUM. Apart from his experience on the board of companies listed on Bursa Malaysia, he has also served on the board of companies listed on the Stock Exchange of India, as well as on the NASDAQ (USA). Datuk Kamaruddin holds a Bachelor of Science Degree in Mathematics from the University of Salford, UK.

**Mr Norman Ip**

Mr Norman Ip was appointed to the Company's Board on 8 August 2014 as an Independent Non-Executive Director. He is also a Director of Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Berhad. Mr Ip is the Chairman of WBL Corporation Limited and also serves as a Director in several other companies, namely United Engineers Limited, AIMS AMP Capital Industrial REIT Management Limited, and Building and Construction Authority. He was previously Chairman of Malaysia Smelting Corporation Berhad (until 1 July 2014) and a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange (until 22 June 2011). He retired as the President and Group CEO and Executive Director of The Straits Trading Company Limited group of companies on 31 October 2009. Mr Ip graduated with a BSc (Econs) from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Singapore.

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

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

Major General Dato' Zulkiflee bin Mazlan (Rtd) was appointed to the Company's Board as a Non-Independent Non-Executive Director on 29 April 2016. Dato' Zulkiflee is presently the Chairman of Koperasi Angkatan Tentera Malaysia Berhad since June 2015. He also sits on the Board of Affin Hwang Investment Bank Berhad. Dato' Zulkiflee had served distinguishably in the Malaysian Army Forces and held numerous positions in Ministry of Defence. He also had served on the Board of Yayasan Veteran Angkatan Tentera Malaysia and Perbadanan Hal Ehwal Bekas Tentera. Dato' Zulkiflee holds a Bachelor of Law (LLB) from Universiti Teknologi MARA in 1989. He also holds a Master of Science, National Security Strategy from National Defense University Fort McNair, Washington D.C.

**Datin Zaharah binti Ali**

Datin Zaharah binti Ali was appointed to the Company's Board as Non-Independent Non-Executive Director on 29 April 2016. Datin Zaharah had served on the Board of Koperasi Angkatan Tentera Malaysia Berhad between 2012 to 2015. 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. Datin Zaharah holds a Bachelor of Arts (Hons.) from University of Malaya. She also was awarded with an Advanced Diploma and a Masters Degree in Computer Science from University Teknologi Malaysia and a Diploma in Analysis Framework from National Institute of Public Administration (INTAN).

**Mr Lee Kong Yip**

Mr Lee Kong Yip was appointed to the Company's Board as an Independent Non-Executive Director on 1 July 2016. He is currently the Board Member of Fraser & Neave Holdings Berhad. He was previously attached to OCBC Bank (Malaysia) Berhad which he held various post including the Executive Vice President and Director, a post he held until his retirement in 2000. He was also a Director of Overseas Assurance Corporation (Malaysia) Berhad, Great Eastern Capital Malaysia Sdn Bhd, Overseas Assurance Corporation (Holdings) Berhad, Great Eastern Life Assurance (Malaysia) Berhad and Far Island Bay Sdn Bhd. Mr Lee graduated from University of Malaya with a Bachelor in Economics (Hons) in 1969. He completed the Advanced Management Programme from University of California, Berkeley, United States of America in 1988.

**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 an Non-Independent Executive Director on 3 August 2016. He is also a Director of Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Berhad. Mr Khor presently sits on the Board of several companies within the Great Eastern Group in Singapore and Malaysia. Mr Khor holds a Bachelor of Arts with a major in Actuarial Science and Statistics from Macquarie University, Australia and a Certificate of Actuarial Techniques from the London Institute of Actuaries.

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

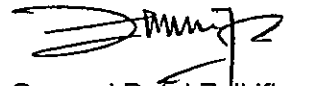
**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Datuk Kamaruddin bin Taib 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 41 to 167 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2016 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 2 February 2017.



Datuk Kamaruddin bin Taib



Major General Dato' Zulkiflee bin Mazlan (Rtd)

Kuala Lumpur

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

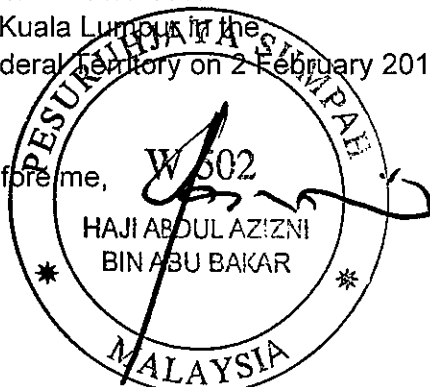
I, Rasman bin Abdul Ghani, being the officer primarily responsible for the financial management of Great Eastern Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 167 are in my opinion, correct and I make this solemn declaration conscientiously 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 )  
Rasman bin Abdul Ghani )  
at Kuala Lumpur in the )  
Federal Territory of Kuala Lumpur )  
on 2 February 2017 )



Rasman bin Abdul Ghani

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 effective 1 October 2016*)  
Prof. Dato' Dr. Wan Sabri bin Wan Yusof  
Dr. Mohamad Sabri bin Zakaria  
Assoc. Prof. Dr. Siti Salwani binti Razali  
Assoc. Prof. Dr. Mahamad bin Arifin (*Deceased 18 January 2016*)  
Assoc. Prof. Dr. Ahmad Basri bin Ibrahim (*Resigned 30 September 2016*)

The Shariah Committee meets at minimum six times a year. In 2016, the Shariah Committee met six times. The attendance of members at the Shariah Committee meetings is as follows:

<b>Name</b>	<b>Number of meetings</b>	
	<b>Attended</b>	<b>Percentage (%)</b>
Dr. Akhtarzaite binti Abdul Aziz	6/6	100%
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	6/6	100%
Dr. Mohamad Sabri bin Zakaria	6/6	100%
Assoc. Prof. Dr. Siti Salwani binti Razali	5/6	83%
Assoc. Prof. Dr. Ahmad Basri bin Ibrahim	5/6	83%

**STATEMENT BY THE SHARIAH COMMITTEE**

In compliance with the letter of appointment, we are required to submit the following report:

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 2016 to 31 December 2016. 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.

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.

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

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

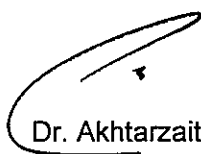
We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentations and procedures adopted by Great Eastern Takaful Berhad. We planned and performed our review so as to obtain all the information and 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:

1. the contracts, transactions and dealings entered into by Great Eastern Takaful Berhad, during the financial year from 1 January 2016 to 31 December 2016 that we have reviewed, are in compliance with Shariah principles except for one (1) Shariah non-compliant event involving the emergence of gains from a reclassified Shariah non-compliant security, which was subsequently rectified and cleansed 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 charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. all earnings that have been realised from sources or means prohibited by the Shariah principles have been considered for disposal to charitable causes; 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 2016 to 31 December 2016 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

**916257-H**

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

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

*Opinion*

We have audited the financial statements of Great Eastern Takaful Berhad (“the Company”), which comprise the statement of financial position as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 167.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

*Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*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 and Statement of Corporate Governance, 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.

**916257-H**

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

**Report on the audit of the financial statements (Continued)**

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

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

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

*Responsibilities of the directors for the financial statements*

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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.



**916257-H**

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

**Report on the audit of the financial statements (Continued)**

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

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

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

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



Building a better  
working world

916257-H

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

#### Other matters

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

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia  
2 February 2017

Brandon Bruce Sta Maria

No. 2937/09/17(J)

Chartered Accountant

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

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	2016			2015		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Assets</b>							
Motor vehicles and equipment	4	7,738	-	7,738	7,988	-	7,988
Intangible assets	5	2,364	-	2,364	3,247	-	3,247
Investment assets:							
Available-for-sale ("AFS") financial assets	6(a)	50,152	145,778	190,983	67,829	135,309	198,397
Financial assets at FVTPL	6(b)	-	114,125	114,125	-	81,948	81,948
Loans and receivables	6(c)	12,150	107,150	119,300	750	69,080	69,830
Takaful receivables	7	-	17,506	17,506	-	13,260	13,260
Retakaful assets	8	-	96,609	96,609	-	57,626	57,626
Other receivables	9	32,624	4,087	5,026	31,404	1,573	2,378
Deferred tax asset	10	-	-	-	3,073	-	2,867
Tax recoverable		-	44	44	-	364	364
Cash and bank balances		5,228	9,738	14,966	2,116	6,247	8,363
<b>Total assets</b>		<b>110,256</b>	<b>495,037</b>	<b>568,661</b>	<b>116,407</b>	<b>365,407</b>	<b>446,268</b>
<b>Equity</b>							
Share capital	11	120,000	-	120,000	120,000	-	120,000
Accumulated losses		(67,114)	-	(67,114)	(48,357)	-	(48,357)
Available-for-sale reserves		1,276	-	282	1,150	-	313
<b>Total equity</b>		<b>54,162</b>	<b>-</b>	<b>53,168</b>	<b>72,793</b>	<b>-</b>	<b>71,956</b>
<b>Liabilities and participants' fund</b>							
Provision for zakat		194	-	194	57	-	57
Expense liabilities	12	16,037	-	16,037	12,567	-	12,567
Takaful certificate liabilities	13	-	426,453	443,032	-	294,935	309,690
Participants' fund	14	-	20,218	-	-	18,394	-
Deferred tax liability	10	161	198	45	-	471	-
Amounts due to related companies	15	4,583	-	4,583	6,899	-	6,899
Takaful payables	16	7,644	7,179	14,823	1,754	7,889	9,643
Other payables	17	21,789	40,989	31,093	18,960	43,718	32,079
Provisions	18	5,686	-	5,686	3,377	-	3,377
<b>Total liabilities and participants' fund</b>		<b>56,094</b>	<b>495,037</b>	<b>515,493</b>	<b>43,614</b>	<b>365,407</b>	<b>374,312</b>
<b>Total equity, liabilities and participants' fund</b>		<b>110,256</b>	<b>495,037</b>	<b>568,661</b>	<b>116,407</b>	<b>365,407</b>	<b>446,268</b>

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

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

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016			2015		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Wakalah fee income</b>	19	116,701	-	-	97,041	-	-
Gross earned contributions		-	288,690	288,690	-	236,816	236,816
Earned contributions ceded to retakaful operators		-	(41,141)	(41,141)	-	(33,104)	(33,104)
<b>Net earned contributions</b>		-	247,549	247,549	-	203,712	203,712
Investment income	20	2,853	11,692	14,545	3,154	8,597	11,751
Realised gains/(losses)	21	1,669	4,709	6,378	748	(1,916)	(2,218)
Fair value (losses)/gains	22	-	(2,462)	(2,462)	-	5,241	5,241
Fee and commission income		-	4,098	4,151	-	2,115	2,016
Other operating revenue		44	65	109	24	87	111
<b>Other revenue</b>		4,566	18,102	22,721	3,926	14,124	16,901
Gross benefits and claims paid	13	-	(64,276)	(64,276)	-	(66,611)	(62,185)
Claims ceded to retakaful operators	13	-	29,241	29,241	-	26,036	26,036
Gross change in certificate liabilities	13	-	(118,017)	(136,462)	-	(73,601)	(93,214)
Change in certificate liabilities ceded to retakaful operators	13	-	38,983	38,983	-	24,376	24,376
<b>Net benefits and claims</b>		-	(114,069)	(132,514)	-	(89,800)	(104,987)
Wakalah fee expense	23	-	(116,701)	-	-	(97,041)	-
Commission expenses/administration fees		(64,552)	(215)	(64,820)	(48,316)	(247)	(48,464)
Management expenses	24	(80,844)	(2,434)	(83,278)	(69,582)	(1,516)	(71,098)
Change in expense liabilities	12	(3,470)	-	(3,470)	(5,556)	-	(5,556)
Impairment loss on AFS financial assets		(267)	(876)	(1,143)	(64)	(875)	(939)
Taxation of family takaful business	25(a)	-	(393)	(393)	-	(624)	(624)
<b>Other expenses</b>		(149,133)	(120,619)	(153,104)	(123,518)	(100,303)	(126,681)
<b>Operating (loss)/profit before surplus transfers</b>		(27,866)	30,963	(15,348)	(22,551)	27,733	(11,055)
Surplus attributable to participants		-	(18,445)	-	-	(16,237)	-
Surplus attributable to shareholders		12,518	(12,518)	-	11,496	(11,496)	-
<b>Loss before zakat and taxation</b>		(15,348)	-	(15,348)	(11,055)	-	(11,055)
Zakat		(214)	-	(214)	(70)	-	(70)
Taxation	25(b)	(3,195)	-	(3,195)	(1,183)	-	(1,183)
<b>Net loss for the year</b>		(18,757)	-	(18,757)	(12,308)	-	(12,308)
<b>Loss per share (sen)</b>							
Basic and diluted	26	(18.8)	-	(18.8)	(12.3)	-	(12.3)

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

916257 - H

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

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016			2015		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Net loss for the year</b>		(18,757)	-	(18,757)	(12,308)	-	(12,308)
<b>Other comprehensive (loss)/income:</b>							
<b>Other comprehensive (loss)/income to be reclassified to income statements in subsequent periods:</b>							
Net gain/(loss) on AFS financial assets:							
Gain/(loss) on fair value changes		1,567	(47)	1,314	1,214	1,373	2,178
Realised (gain)/loss transferred to income statements	21	(1,669)	(2,104)	(3,773)	(748)	(188)	114
Impairment losses transferred to income statements		267	876	1,143	64	875	939
Deferred tax relating to components of other comprehensive income	10	(39)	36	46	(117)	(52)	(340)
Other comprehensive loss/(income) attributable to participants	14	-	1,239	1,239	-	(2,008)	(2,008)
Other comprehensive income/(loss) for the year, net of tax		126	-	(31)	413	-	883
<b>Total comprehensive loss for the year</b>		<b>(18,631)</b>	<b>-</b>	<b>(18,788)</b>	<b>(11,895)</b>	<b>-</b>	<b>(11,425)</b>

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

**GREAT EASTERN TAKAFUL BERHAD**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Attributable to Equity Holders of the Company</u>			
	Share capital RM'000 (Note 11)	Non- distributable Available-for sale reserves RM'000	Accumulated losses RM'000	Total RM'000
<b>At 1 January 2015</b>	120,000	(570)	(36,049)	83,381
Net loss for the year	-	-	(12,308)	(12,308)
Other comprehensive income	-	883	-	883
Total comprehensive income/(loss)	-	883	(12,308)	(11,425)
<b>At 31 December 2015</b>	<u>120,000</u>	<u>313</u>	<u>(48,357)</u>	<u>71,956</u>
<b>At 1 January 2016</b>	120,000	313	(48,357)	71,956
Net loss for the year	-	-	(18,757)	(18,757)
Other comprehensive loss	-	(31)	-	(31)
Total comprehensive loss	-	(31)	(18,757)	(18,788)
<b>At 31 December 2016</b>	<u>120,000</u>	<u>282</u>	<u>(67,114)</u>	<u>53,168</u>

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

**GREAT EASTERN TAKAFUL BERHAD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 RM'000	2015 RM'000
<b>OPERATING ACTIVITIES</b>			
Loss before zakat and taxation		(15,348)	(11,055)
Adjustments for:			
Depreciation for motor vehicles and equipment	4, 24	2,587	2,147
Amortisation of intangible assets	5, 24	1,575	1,485
Investment income	20	(14,545)	(11,751)
Realised (gains)/losses	21	(6,378)	2,218
Fair value losses/(gains)	22	2,462	(5,241)
Write-off of motor vehicles and equipment	4, 24	-	225
Operating loss before working capital changes		(29,647)	(21,972)
Purchase of investment assets		(88,006)	(185,053)
Proceeds from disposal/maturities of investment assets		65,796	109,879
Increase in takaful certificate liabilities		135,021	90,462
Increase in retakaful assets		(38,983)	(24,376)
(Increase)/decrease in takaful and other receivables		(6,192)	215
Increase in takaful and other payables		9,972	6,755
Net change in balance with related companies		(2,316)	3,006
Cash generated from/(used in) operating activities		45,645	(21,084)
Income tax paid		(310)	(551)
Zakat paid		(77)	(88)
Investment income received		13,844	11,130
<b>Net cash generated from/(used in) operating activities</b>		<b>59,102</b>	<b>(10,593)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of motor vehicles and equipment	4	(2,337)	(4,088)
Purchase of intangible assets	5	(692)	(408)
<b>Net cash used in investing activities</b>		<b>(3,029)</b>	<b>(4,496)</b>
Net increase/(decrease) in cash and cash equivalents		56,073	(15,089)
Cash and cash equivalents at beginning of year		73,193	88,282
<b>Cash and cash equivalents at end of year</b>		<b>129,266</b>	<b>73,193</b>
Cash and cash equivalents comprise of:			
Cash and bank balances		14,966	8,363
Short term Islamic investment accounts with original maturity period of less than 3 months	6(c)	114,300	64,830
		<b>129,266</b>	<b>73,193</b>

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

**GREAT EASTERN TAKAFUL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company incorporated under the Companies Act, 1965 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 principal place of business of the Company is located at Level 3, 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 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 February 2017.

**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"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representatives) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company upon the commencement of the New Act on 31 January 2017 are:



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

**2.1 BASIS OF PREPARATION (CONTINUED)**

- (a) Removal of the authorised share capital; and
- (b) Shares of the Company will cease to have par or nominal value.

The adoption of the New Act is not expected to have any financial impact on the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Company for the financial year ending 31 December 2017.

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 2016, 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.

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 transaction 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.

**Takaful operations and its funds**

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

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

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

**2.1 BASIS OF PREPARATION (CONTINUED)**

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

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities 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.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Takaful Operators ("RBCT") as at the statement of financial position date.

**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 accumulated 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 statements 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%

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

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

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

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 statements.

**(b) Intangible assets and amortisation**

Intangible assets include those with definite lives such as distribution agreement, capitalised software and computer software licences. Distribution agreement and other finite life intangible assets are amortised over their 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. 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 statements as the expense category that is consistent with the function of the intangible assets.

The distribution agreement with Bank Muamalat Malaysia Berhad is amortised on a straight-line basis over the life of the agreement, which is 5 years.

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.

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

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

**(c) Investments and financial assets**

The Company classifies its financial assets into financial assets at fair value through profit or loss ("FVTPL"), loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification is dependent on the purpose for which the financial assets were acquired or originated.

Financial assets are classified as FVTPL where the Company's documented investment strategy is to manage financial assets on a fair value basis because related liabilities are also managed on this basis.

The AFS category is used when the relevant liabilities are passively managed and/or carried at amortised cost. All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

**(i) Financial assets at FVTPL**

Assets stated at FVTPL include financial assets held for trading and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as FVTPL.

The following criteria must be met for an asset to be designated at FVTPL:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset liability mismatch, that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets classified as FVTPL also include Islamic private debt securities.

Investments under unit-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategy and mandate.

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

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

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

**(i) Financial assets at FVTPL (Continued)**

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statements.

**(ii) LAR**

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and includes trade and other receivables.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the investment cost.

After initial measurement, loans and receivables are measured at amortised cost, using the effective profit method, less allowance for impairment. Gains and losses are recognised in the income statements when the assets are de-recognised or impaired, as well as through the amortisation process.

**(iii) AFS**

AFS are non-derivative financial assets not classified in any of the preceding asset categories.

After initial recognition, AFS are measured at fair value. Any gains or losses from changes in fair value of the assets are recognised in the fair value reserve in the statements of comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective profit method, which is recognised in the income statements. The cumulative gain or loss previously recognised in equity is recognised in the income statements when the financial asset is de-recognised.

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

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

**(d) Takaful 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.

If there is an objective indication that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivables accordingly and the impairment loss is recognised in the income statements. The Company gathers objective evidence that a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(h)(i).

Takaful receivables are de-recognised when the criteria for de-recognition for financial assets, as described in Note 2.2(j), have been met.

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

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

Financial liabilities and takaful payables within the scope of MFRS 139 and MFRS 4 respectively are recognised in the statements of financial position when the Company becomes a party to the contractual obligations of the financial instrument.

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

**(i) Financial liabilities at FVTPL**

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

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

The Company has not designated any financial liabilities at FVTPL.

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

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

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

(ii) Other financial liabilities

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

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

**(f) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place 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.

**(g) Fair value measurement**

The Company measures some financial instruments at fair value at each reporting date. Also, fair values of investment assets measured at amortised cost are disclosed in Note 6.

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)**

**(g) 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
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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



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

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

**(g) Fair value measurement (Continued)**

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 reporting 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 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 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.

**(h) Impairment of financial assets**

The Company assesses at each statements of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired quarterly.

Objective evidence that a financial asset is impaired includes observable data about loss events like significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that financial asset because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an asset is impaired.

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

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

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

**(i) Assets carried at amortised cost**

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the loss is recorded in the income statements.

Subsequently, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of loss is recognised in the income statements.

**(ii) Assets carried at cost**

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

**(iii) AFS financial assets**

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statements, is transferred from other comprehensive income to the income statements. Reversals in respect of equity instruments are not recognised in the income statements. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statements if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statements.

Impairment for equity instrument is provided immediately upon meeting the significant or prolonged criteria in compliance with MFRS 139.

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

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

**(i) 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 statements, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

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

A financial asset is de-recognised when:

- (i) The contractual right to receive cash flows from the financial asset has expired.
- (ii) The Company retains the contractual rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party.
- (iii) The Company has transferred its rights to receive cash flows from the asset and either:
  - Has transferred substantially all the risks and rewards of the asset; or
  - 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 and 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.

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

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

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

Where continuing involvement takes the form of written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of:

- (i) The consideration received (including any new asset obtained less any new liability assumed); and
- (ii) Any cumulative gain or loss that has been recognised directly in equity is recognised in the income statements.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 statements.

**(k) Employee benefits**

- (i) Defined contribution plans under statutory regulations

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

- (ii) Employee leave entitlements

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

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

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

**(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 statements of financial position 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) 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 statement of financial position date includes an element of accrued profit, which is calculated at the shareholders' fund investment rate of return. 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.

**(n) Income tax**

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

In addition to paying tax on shareholders' profit, 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 statements.

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

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

**(n) Income tax (Continued)**

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 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 period 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 equity, in which case the deferred tax is also charged or credited directly in equity.

**(o) Family takaful fund**

The family takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and consists of AFS reserves and accumulated surplus in the fund attributable to participants which represents the participants' share in AFS 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 cashflows (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.

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

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

**(o) Family takaful fund (Continued)**

**(i) Contribution income (Continued)**

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 statements and reported as outstanding contributions in the statements 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 statements 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.

**(iii) Benefits and claim expenses**

A liability for outstanding claims is recognised when a claimable event occurs and/or 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.

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

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

**(o) Family takaful fund (Continued)**

**(iv) Actuarial liabilities**

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 statements. Profits originating from margins of adverse deviations on run-off certificates are recognised in the income statements over the life of the contract, whereas losses are fully recognised in the income statements 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 statements 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.

**(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 statements in the period in which they are incurred.



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

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

**(p) Product classification**

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

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

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

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

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

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

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

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

**(q) 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(p) 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 reporting 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.

**(r) Other revenue recognition**

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and/or takaful fund, and the amount of the revenue can be measured reliably. 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) 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.

**(t) 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 at 2.5775% using 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.

**(u) 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.

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 19.

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.

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

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

**(u) Shareholders' fund (Continued)**

**(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 statements.

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.

**Liability adequacy test**

At each financial year end, 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 statements.

**(v) 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.

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

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

**(v) Foreign currencies (Continued)**

**(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 reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting 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 statements.

The principal exchange rate for every unit of Singapore Dollar ruling at the reporting date used is RM3.10 (2015: RM3.03).

**(w) Leases**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. 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.

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

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

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

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

**(x) Measurement and impairment of Qard (Continued)**

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cashflows from the family takaful 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 statements, is recognised in the income statements.

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

**(y) Goods and Services Tax ("GST")**

GST is a multistage consumption tax on domestic consumption.

For the Company, revenues, expenses and assets are recognised net of the amount of GST. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the tax authority is included as part of the receivables and payables in the statements of financial position.

**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 as follows:

On 1 January 2016, the Company adopted the following amended MFRSs and new MFRSs mandatory for annual financial periods beginning on or after 1 January 2016.

- Annual Improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
- Amendments to MFRS 101 *Disclosure Initiatives*
- Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*
- MFRS 14 *Regulatory Deferral Accounts*

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

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

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

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

**2.4 STANDARDS ISSUED BUT NOT EFFECTIVE**

The following are standards, amendments to standards and interpretation to standard issued by Malaysian Accounting Standards Board (“MASB”), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, if applicable, when they become effective:

**Effective for financial periods beginning on or after 1 January 2017**

- Amendments to MFRS 12 (*Annual Improvements to MFRS Standards 2014-2016 Cycle*)
- Amendments to MFRS 107 *Disclosure Initiatives*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

**Effective for financial periods beginning on or after 1 January 2018**

- Amendments to MFRS 1 (*Annual Improvements to MFRS Standards 2014-2016 Cycle*)
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4: Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts (Amendments to MFRS 4)*
- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 128 (*Annual Improvements to MFRS Standards 2014-2016 Cycle*)
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

**Effective for financial periods beginning on or after 1 January 2019**

- MFRS 16 *Leases*

**Deferred**

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

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

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

The management expects that the adoption of the above standards, amendments to standards and interpretation to standard 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 9 *Financial Instruments***

In July 2014, the MASB issued the final version of MFRS 9 Financial Instruments that replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

**(a) Classification and measurement**

The Company expects to have mixed business models. The Company intends to hold its loans and receivable to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. The Company intends to hold debt securities either to collect cash contractual flows and to sell or to hold for trading, and this is accordingly measured either at fair value through other comprehensive income ("FVOCI") or at fair value through profit or loss ("FVTPL") respectively. The Company may make an election to measure its debt securities currently measured as AFS at FVTPL if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. The Company is currently assessing the impact arising from these changes.



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

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

***MFRS 9 Financial Instruments (Continued)***

**(a) Classification and measurement (Continued)**

For equity securities, the Company will continue to measure its currently held for trading equity securities at FVTPL. The Company may make an election to measure its AFS equity securities that is not held for trading at FVOCI. In addition, the Company currently measures its investments in unquoted securities whose fair value cannot be reliably measured at cost less impairment losses. Under MFRS 9, the Company will be required to measure such investments at fair value. Any difference between the previous carrying amount under MFRS 139 and the fair value would be recognised in the opening retained earnings when the Company applies MFRS 9. The Company is currently assessing the impact arising from this change.

**(b) Impairment**

The MFRS 9 impairment requirements are based on an expected credit loss (“ECL”) model that replaces the incurred loss model under the current accounting standard. The Company is required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, trade and other receivables, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing, and debt instruments held by the Company.

The Company expects to apply the simplified approach and record lifetime ECL on all trade and other receivables.

A more detailed analysis considering all reasonable and supportable information, including forward looking elements is required to determine the extent of the impact.

**(c) Hedge accounting**

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review.

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

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

***MFRS 9 Financial Instruments (Continued)***

**(d) Transition**

The Company plans to adopt the new standard on the required effective date without restating prior year's information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Company is in the process of assessing the impact of MFRS 9 and is not yet able to reasonably estimate the impact on its financial statements.

***Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts***

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the amendments to IFRS 4 as issued by the IASB.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if:

- (i) it has not previously applied any version of MFRS 9 before; and
- (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

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

However, the Company intends to adopt MFRS 9 on the required effective date without applying any of the alternative options.

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

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

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e., when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

**MFRS 16 Leases**

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**(a) Impairment of AFS financial assets (Note 6(a))**

Significant judgement is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than its cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

**(b) Takaful certificate classification (Note 13)**

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 7 and Note 9)**

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/STD 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.

Where there is an objective evidence of impairment, the Company will recognise the impairment loss in the income statements immediately.

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

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

**(a) Uncertainty in accounting estimates for family takaful certificate liabilities (Note 12 and Note 13)**

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 certificate. 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 10)**

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 statements 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>	<b>Motor vehicles RM'000</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Capital work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>2016</b>					
<b>Cost</b>					
At 1 January 2016	514	6,464	5,183	154	12,315
Additions	-	1,162	252	923	2,337
Transfer	-	666	-	(666)	-
At 31 December 2016	514	8,292	5,435	411	14,652
<b>Accumulated depreciation</b>					
At 1 January 2016	(223)	(1,851)	(2,253)	-	(4,327)
Charge for the year	(103)	(1,692)	(792)	-	(2,587)
At 31 December 2016	(326)	(3,543)	(3,045)	-	(6,914)
<b>Net book value</b>					
At 31 December 2016	188	4,749	2,390	411	7,738
<b>2015</b>					
<b>Cost</b>					
At 1 January 2015	336	1,304	4,720	2,411	8,771
Additions	178	2,073	1,002	835	4,088
Transfer	-	3,087	5	(3,092)	-
Write-off	-	-	(544)	-	(544)
At 31 December 2015	514	6,464	5,183	154	12,315
<b>Accumulated depreciation</b>					
At 1 January 2015	(123)	(550)	(1,826)	-	(2,499)
Charge for the year	(100)	(1,301)	(746)	-	(2,147)
Write-off	-	-	319	-	319
At 31 December 2015	(223)	(1,851)	(2,253)	-	(4,327)
<b>Net book value</b>					
At 31 December 2015	291	4,613	2,930	154	7,988

Included in motor vehicles and equipment are the cost of fully depreciated assets which are still in use amounting to RM1,059,000 (2015: RM378,000).

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**5. INTANGIBLE ASSETS**

<u>Shareholders' fund/Company</u>	<b>Computer software and licences RM'000</b>	<b>Distribution agreement RM'000</b>	<b>Total RM'000</b>
<b>2016</b>			
<b>Cost</b>			
At 1 January 2016	1,606	6,000	7,606
Additions	692	-	692
At 31 December 2016	<u>2,298</u>	<u>6,000</u>	<u>8,298</u>
<b>Accumulated amortisation</b>			
At 1 January 2016	(959)	(3,400)	(4,359)
Charge for the year	(375)	(1,200)	(1,575)
At 31 December 2016	<u>(1,334)</u>	<u>(4,600)</u>	<u>(5,934)</u>
<b>Net book value</b>			
At 31 December 2016	<u>964</u>	<u>1,400</u>	<u>2,364</u>
<b>2015</b>			
<b>Cost</b>			
At 1 January 2015	1,198	6,000	7,198
Additions	408	-	408
At 31 December 2015	<u>1,606</u>	<u>6,000</u>	<u>7,606</u>
<b>Accumulated amortisation</b>			
At 1 January 2015	(674)	(2,200)	(2,874)
Charge for the year	(285)	(1,200)	(1,485)
At 31 December 2015	<u>(959)</u>	<u>(3,400)</u>	<u>(4,359)</u>
<b>Net book value</b>			
At 31 December 2015	<u>647</u>	<u>2,600</u>	<u>3,247</u>

Included in intangible assets are the cost of fully amortised assets which are still in use amounting to RM845,000 (2015: RM379,000).



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**6. INVESTMENT ASSETS**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>			
AFS financial assets:			
Quoted Shariah-approved equities	3,089	17,428	20,517
Unit trusts - REITS	511	418	929
Government investment issues	6,046	43,502	49,548
Unquoted Islamic private debt securities	35,559	84,430	119,989
Units held in investment-linked fund	4,947	-	-
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	58,456	58,456
Financial instruments with embedded derivatives	-	28	28
Unit trusts - REITS	-	2,927	2,927
Government investment issues	-	19,099	19,099
Unquoted Islamic private debt securities	-	33,615	33,615
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	12,150	107,150	119,300
	<u>62,302</u>	<u>367,053</u>	<u>424,408</u>

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

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
AFS financial assets (Note 6(a))	50,152	145,778	190,983
Financial assets at FVTPL (Note 6(b))	-	114,125	114,125
Loans and receivables (Note 6(c))	12,150	107,150	119,300
	<u>62,302</u>	<u>367,053</u>	<u>424,408</u>

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**6. INVESTMENT ASSETS (CONTINUED)**

<b>2015</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
AFS financial assets:			
Quoted Shariah-approved equities	5,992	23,098	29,090
Unit trusts - REITS	438	877	1,315
Government investment issues	22,016	49,043	71,059
Unquoted Islamic private debt securities	34,642	62,291	96,933
Units held in investment-linked fund	4,741	-	-
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	45,247	45,247
Financial instruments with embedded derivatives	-	24	24
Unit trusts - REITS	-	353	353
Government investment issues	-	14,745	14,745
Unquoted Islamic private debt securities	-	21,579	21,579
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	750	69,080	69,830
	<u>68,579</u>	<u>286,337</u>	<u>350,175</u>

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

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
AFS financial assets (Note 6(a))	67,829	135,309	198,397
Financial assets at FVTPL (Note 6(b))	-	81,948	81,948
Loans and receivables (Note 6(c))	750	69,080	69,830
	<u>68,579</u>	<u>286,337</u>	<u>350,175</u>

**(a) AFS financial assets**

<b>2016</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>At cost:</b>			
Quoted Shariah-approved equities	3,140	17,380	20,520
Unit trusts - REITS	467	369	836
Government investment issues	5,986	43,975	49,961
Unquoted Islamic private debt securities	35,242	83,856	119,098
Units held in investment-linked fund	3,639	-	-
	<u>48,474</u>	<u>145,580</u>	<u>190,415</u>

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**6. INVESTMENT ASSETS (CONTINUED)**

**(a) AFS financial assets (Continued)**

<b>2016</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>At fair value:</b>			
Quoted Shariah-approved equities	3,089	17,428	20,517
Unit trusts - REITS	511	418	929
Government investment issues	6,046	43,502	49,548
Unquoted Islamic private debt securities	35,559	84,430	119,989
Units held in investment-linked fund	4,947	-	-
	<u>50,152</u>	<u>145,778</u>	<u>190,983</u>
<b>2015</b>			
<b>At cost:</b>			
Quoted Shariah-approved equities	5,558	22,110	27,668
Unit trusts - REITS	442	886	1,328
Government investment issues	22,255	49,042	71,297
Unquoted Islamic private debt securities	34,421	61,751	96,172
Units held in investment-linked fund	3,639	-	-
	<u>66,315</u>	<u>133,789</u>	<u>196,465</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	5,992	23,098	29,090
Unit trusts - REITS	438	877	1,315
Government investment issues	22,016	49,043	71,059
Unquoted Islamic private debt securities	34,642	62,291	96,933
Units held in investment-linked fund	4,741	-	-
	<u>67,829</u>	<u>135,309</u>	<u>198,397</u>

During the year, the shareholders' and family takaful funds and the Company recognised impairment losses on quoted Shariah-approved equities amounting to RM267,000 (2015: RM64,000), RM876,000 (2015: RM875,000) and RM1,143,000 (2015: RM939,000) respectively, in accordance with the policy adopted in Note 2.2(h).

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**6. INVESTMENT ASSETS (CONTINUED)**

**(b) Financial assets at FVTPL**

<b>2016</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>At cost:</b>			
Quoted Shariah-approved equities	-	55,988	55,988
Financial instruments with embedded derivatives	-	-	-
Unit trusts - REITS	-	2,833	2,833
Government investment issues	-	19,315	19,315
Unquoted Islamic private debt securities	-	33,271	33,271
	<u>-</u>	<u>111,407</u>	<u>111,407</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	-	58,456	58,456
Financial instruments with embedded derivatives	-	28	28
Unit trusts - REITS	-	2,927	2,927
Government investment issues	-	19,099	19,099
Unquoted Islamic private debt securities	-	33,615	33,615
	<u>-</u>	<u>114,125</u>	<u>114,125</u>
<b>2015</b>			
<b>At cost:</b>			
Quoted Shariah-approved equities	-	40,137	40,137
Unit trusts - REITS	-	349	349
Government investment issues	-	14,810	14,810
Unquoted Islamic private debt securities	-	21,471	21,471
	<u>-</u>	<u>76,767</u>	<u>76,767</u>
<b>At fair value:</b>			
Quoted Shariah-approved equities	-	45,247	45,247
Financial instruments with embedded derivatives	-	24	24
Unit trusts - REITS	-	353	353
Government investment issues	-	14,745	14,745
Unquoted Islamic private debt securities	-	21,579	21,579
	<u>-</u>	<u>81,948</u>	<u>81,948</u>

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**6. INVESTMENT ASSETS (CONTINUED)**

**(c) Loans and receivables**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>			
<b>At amortised cost/fair value:</b>			
Islamic investment accounts with licensed Islamic banks	<u>12,150</u>	<u>107,150</u>	<u>119,300</u>
<b>2015</b>			
<b>At amortised cost/fair value:</b>			
Islamic investment accounts with licensed Islamic banks	<u>750</u>	<u>69,080</u>	<u>69,830</u>

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 RM114,300,000 (2015: RM64,830,000), 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.

**7. TAKAFUL RECEIVABLES**

<b><u>Family takaful fund/Company</u></b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Contributions due from agents, other intermediaries and corporate shareholder	9,543	8,340
Amount due from retakaful operators	5,974	3,521
Amount due from cotakaful operator	<u>1,989</u>	<u>1,399</u>
	<u>17,506</u>	<u>13,260</u>

Included in the takaful receivables is an amount of RM9.5 million (2015: RM8.3 million) due from a corporate shareholder of the Company, Koperasi Angkatan Tentera (Note 27). The amount receivable is subject to settlement terms stipulated in the takaful contracts.

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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**7. TAKAFUL RECEIVABLES (CONTINUED)**

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

<b>31 December 2016</b>	<b>Gross</b>	<b>Gross</b>	<b>Net amounts</b>
<b>Description</b>	<b>amount</b>	<b>offset in the</b>	<b>in the</b>
	<b>RM'000</b>	<b>statement of</b>	<b>statement of</b>
		<b>financial</b>	<b>financial</b>
		<b>position</b>	<b>position</b>
		<b>RM'000</b>	<b>RM'000</b>
Retakaful contributions	(3,280)	-	(3,280)
Claims recoveries	-	9,254	9,254
	<u>(3,280)</u>	<u>9,254</u>	<u>5,974</u>

<b>31 December 2015</b>	<b>Gross</b>	<b>Gross</b>	<b>Net amounts</b>
<b>Description</b>	<b>amount</b>	<b>offset in the</b>	<b>in the</b>
	<b>RM'000</b>	<b>statement of</b>	<b>statement of</b>
		<b>financial</b>	<b>financial</b>
		<b>position</b>	<b>position</b>
		<b>RM'000</b>	<b>RM'000</b>
Retakaful contributions	(20)	-	(20)
Claims recoveries	-	2,678	2,678
Surplus sharing	-	863	863
	<u>(20)</u>	<u>3,541</u>	<u>3,521</u>

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

<b>31 December 2016</b>	<b>Gross</b>	<b>Gross</b>	<b>Net amounts</b>
<b>Description</b>	<b>amount</b>	<b>offset in the</b>	<b>in the</b>
	<b>RM'000</b>	<b>statement of</b>	<b>statement of</b>
		<b>financial</b>	<b>financial</b>
		<b>position</b>	<b>position</b>
		<b>RM'000</b>	<b>RM'000</b>
Profit receivable	181	-	181
Cash float paid	10,652	-	10,652
Outstanding claims	-	(8,844)	(8,844)
	<u>10,833</u>	<u>(8,844)</u>	<u>1,989</u>

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**7. TAKAFUL RECEIVABLES (CONTINUED)**

<b>31 December 2015</b>	<b>Gross</b>	<b>Gross</b>	<b>Net amounts</b>
<b>Description</b>	<b>carrying</b>	<b>amounts</b>	<b>in the</b>
	<b>amount</b>	<b>offset in the</b>	<b>statement of</b>
	<b>RM'000</b>	<b>financial</b>	<b>statement of</b>
		<b>position</b>	<b>financial</b>
		<b>RM'000</b>	<b>position</b>
			<b>RM'000</b>
Profit receivable	181	-	181
Cash float paid	10,652	-	10,652
Outstanding claims		(9,434)	(9,434)
	<u>10,833</u>	<u>(9,434)</u>	<u>1,399</u>

**8. RETAKAFUL ASSETS**

<b><u>Family takaful fund/Company</u></b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Retakaful of takaful contracts (Note 13)	<u>96,609</u>	<u>57,626</u>

**9. OTHER RECEIVABLES**

<b>2016</b>	<b>Shareholders'</b>	<b>Family</b>	<b>Company</b>
	<b>fund</b>	<b>takaful fund</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	
Profit due and accrued	465	2,266	2,731
Other receivables and deposits	474	1,821	2,295
Amount due from family takaful fund * (Note 17)	31,685	-	-
	<u>32,624</u>	<u>4,087</u>	<u>5,026</u>
<b>2015</b>			
Profit due and accrued	499	1,530	2,029
Other receivables and deposits	306	43	349
Amount due from family takaful fund * (Note 17)	30,599	-	-
	<u>31,404</u>	<u>1,573</u>	<u>2,378</u>

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

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**10. DEFERRED TAX (LIABILITY)/ASSET**

<u>Shareholders' fund</u>	<b>2016</b> RM'000	<b>2015</b> RM'000
At beginning of year	3,073	4,373
Recognised in other comprehensive income	(39)	(117)
Recognised in income statement (Note 25(b))	<u>(3,195)</u>	<u>(1,183)</u>
At end of year	<u>(161)</u>	<u>3,073</u>

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

<u>Shareholders' fund</u>	← (Liability)/Asset →		
	AFS reserves RM'000	Unutilised tax losses RM'000	Total RM'000
<b>2016</b>			
At 1 January 2016	(363)	3,436	3,073
Recognised in other comprehensive income	(39)	-	(39)
Recognised in income statement	-	<u>(3,195)</u>	<u>(3,195)</u>
At 31 December 2016	<u>(402)</u>	<u>241</u>	<u>(161)</u>
<b>2015</b>			
At 1 January 2015	(246)	4,619	4,373
Recognised in other comprehensive income	(117)	-	(117)
Recognised in income statement	-	<u>(1,183)</u>	<u>(1,183)</u>
At 31 December 2015	<u>(363)</u>	<u>3,436</u>	<u>3,073</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.

<u>Family takaful fund</u>	<b>2016</b> RM'000	<b>2015</b> RM'000
At beginning of year	(471)	(3)
Recognised in other comprehensive income	36	(52)
Recognised in income statement (Note 25(a))	<u>237</u>	<u>(416)</u>
At end of year	<u>(198)</u>	<u>(471)</u>



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**10. DEFERRED TAX (LIABILITY)/ASSET (CONTINUED)**

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

	← Asset/(Liability) →		
	AFS reserves RM'000	FVTPL financial assets RM'000	Total RM'000
<b><u>Family takaful fund</u></b>			
<b>2016</b>			
At 1 January 2016	(5)	(466)	(471)
Recognised in other comprehensive income	36	-	36
Recognised in income statement	-	237	237
At 31 December 2016	<u>31</u>	<u>(229)</u>	<u>(198)</u>
<b>2015</b>			
At 1 January 2015	47	(50)	(3)
Recognised in other comprehensive income	(52)	-	(52)
Recognised in income statement	-	(416)	(416)
At 31 December 2015	<u>(5)</u>	<u>(466)</u>	<u>(471)</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.

<b><u>Company</u></b>	<b>2016</b> RM'000	<b>2015</b> RM'000 Restated
At beginning of year	2,867	4,806
Recognised in other comprehensive income	46	(340)
Recognised in income statement	(2,958)	(1,599)
At end of year	<u>(45)</u>	<u>2,867</u>

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**10. DEFERRED TAX (LIABILITY)/ASSET (CONTINUED)**

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

<u>Company</u>	← (Liability)/Asset →		Total RM'000
	AFS reserves RM'000	Unutilised tax losses RM'000	
<b>2016</b>			
At 1 January 2016	(153)	3,020	2,867
Recognised in other comprehensive income	46	-	46
Recognised in income statement	-	(2,958)	(2,958)
At 31 December 2016	<u>(107)</u>	<u>62</u>	<u>(45)</u>
<b>2015</b>			
At 1 January 2015	187	4,619	4,806
Recognised in other comprehensive income	(340)	-	(340)
Recognised in income statement	-	(1,599)	(1,599)
At 31 December 2015	<u>(153)</u>	<u>3,020</u>	<u>2,867</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.

**11. SHARE CAPITAL**

<u>Shareholders' fund/Company</u>	No. of shares of RM1 each '000	Amount RM'000
<b>2016</b>		
<b><u>Authorised:</u></b>		
Ordinary shares of RM1 each:		
At 1 January 2016/31 December 2016	<u>180,000</u>	<u>180,000</u>
Redeemable preference shares of RM1 each:		
At 1 January 2016/31 December 2016	<u>20,000</u>	<u>20,000</u>
At 31 December 2016	<u>200,000</u>	<u>200,000</u>

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**11. SHARE CAPITAL (CONTINUED)**

<u>Shareholders' fund/Company</u>	No. of shares of RM1 each '000	Amount RM'000
<b>2016</b>		
<b><u>Issued and paid-up:</u></b>		
Ordinary shares of RM1 each:		
At 1 January 2016/31 December 2016	100,000	100,000
Redeemable preference shares of RM1 each:		
At 1 January 2016/31 December 2016	20,000	20,000
At 31 December 2016	120,000	120,000
<b>2015</b>		
<b><u>Authorised:</u></b>		
Ordinary shares of RM1 each:		
At 1 January 2015/31 December 2015	180,000	180,000
Redeemable preference shares of RM1 each:		
At 1 January 2015/31 December 2015	20,000	20,000
At 31 December 2015	200,000	200,000
<b><u>Issued and paid-up:</u></b>		
Ordinary shares of RM1 each:		
At 1 January 2015/31 December 2015	100,000	100,000
Redeemable preference shares of RM1 each:		
At 1 January 2015/31 December 2015	20,000	20,000
At 31 December 2015	120,000	120,000

The salient features of the redeemable preference shares 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 redeemable preference share 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 redeemable preference share;

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**11. SHARE CAPITAL (CONTINUED)**

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

- (c) The redeemable preference shares 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 redeemable preference shares 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 five (5) years from the issue date of the redeemable preference shares.

The Company has 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 Redeemable Preference Shares ("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, 1965 only.

**12. EXPENSE LIABILITIES**

<b><u>Shareholders' fund/Company</u></b>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Provision for expense liabilities	14,446	10,777
Provision for expense over-run	1,591	1,790
	<u>16,037</u>	<u>12,567</u>
At beginning of the year	12,567	7,011
Change in expense liabilities	3,669	5,101
Expense over-run reserves	(199)	455
	<u>3,470</u>	<u>5,556</u>
	<u>16,037</u>	<u>12,567</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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**13. TAKAFUL CERTIFICATE LIABILITIES**

<u>Family takaful fund</u>	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
<b>2016</b>			
Provision for outstanding claims reported by certificate holders	18,846	(14,617)	4,229
Actuarial reserves	95,929	(81,992)	13,937
Participants' investment account ("PIA")	169,423	-	169,423
Net asset value attributable to certificate holders	116,290	-	116,290
Accumulated surplus	25,965	-	25,965
	<u>426,453</u>	<u>(96,609)</u>	<u>329,844</u>

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

	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
At 1 January 2016	294,935	(57,626)	237,309
Benefits intimated during the year	70,896	(33,983)	36,913
Benefits paid during the year	(64,276)	29,241	(35,035)
Increase in liabilities due to:			
Portfolio movements	97,418	(27,891)	69,527
Surplus allocated to participants during the year (Note 14(i))	15,382	-	15,382
Change in assumptions and basis	5,206	(6,350)	(1,144)
Surplus arising during the year	6,892	-	6,892
At 31 December 2016	<u>426,453</u>	<u>(96,609)</u>	<u>329,844</u>

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

<u>Family takaful fund (Continued)</u>	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
<b>2015</b>			
Provision for outstanding claims reported by certificate holders	12,226	(9,875)	2,351
Actuarial reserves	59,220	(47,751)	11,469
Participants' investment account ("PIA")	126,534	-	126,534
Net asset value attributable to certificate holders	77,881	-	77,881
Accumulated surplus	19,074	-	19,074
	<u>294,935</u>	<u>(57,626)</u>	<u>237,309</u>

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

	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
At 1 January 2015	216,626	(33,250)	183,376
Benefits intimated during the year	66,541	(25,196)	41,345
Benefits paid during the year	(66,611)	26,036	(40,575)
Increase in liabilities due to:			
Portfolio movements	67,349	(8,439)	58,910
Surplus allocated to participants during the year (Note 14(i))	4,708	-	4,708
Change in assumptions and basis	17,711	(16,777)	934
Deficit arising during the year	(11,389)	-	(11,389)
At 31 December 2015	<u>294,935</u>	<u>(57,626)</u>	<u>237,309</u>

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

<u>Company</u>	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
<b>2016</b>			
Provision for outstanding claims reported by certificate holders	18,846	(14,617)	4,229
Actuarial reserves	95,929	(81,992)	13,937
Participants' investment account ("PIA")	169,423	-	169,423
Net asset value attributable to certificate holders	112,651	-	112,651
Accumulated surplus	25,965	-	25,965
Unallocated surplus	19,989	-	19,989
AFS reserves	229	-	229
	<u>443,032</u>	<u>(96,609)</u>	<u>346,423</u>

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

	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
At 1 January 2016	309,690	(57,626)	252,064
Benefits intimated during the year	70,896	(33,983)	36,913
Benefits paid during the year	(64,276)	29,241	(35,035)
Increase in liabilities due to:			
Portfolio movements	97,418	(27,891)	69,527
Change in assumptions and basis	5,206	(6,350)	(1,144)
Net surplus arising during the year	6,892	-	6,892
Surplus distributable to participants	18,445	-	18,445
AFS fair value loss for the year	(1,322)	-	(1,322)
Deferred tax relating to AFS fair value loss	83	-	83
At 31 December 2016	<u>443,032</u>	<u>(96,609)</u>	<u>346,423</u>

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

<u>Company (Continued)</u>	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
<b>2015</b>			
Provision for outstanding claims reported by certificate holders	12,226	(9,875)	2,351
Actuarial reserves	59,220	(47,751)	11,469
Participants' investment account ("PIA")	126,534	-	126,534
Net asset value attributable to certificate holders	74,242	-	74,242
Accumulated surplus	19,074	-	19,074
Unallocated surplus	16,926	-	16,926
AFS reserves	1,468	-	1,468
	<u>309,690</u>	<u>(57,626)</u>	<u>252,064</u>

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

	<b>Gross RM'000</b>	<b>Retakaful (Note 8) RM'000</b>	<b>Net RM'000</b>
At 1 January 2015	214,468	(33,250)	181,218
Benefits intimated during the year	66,541	(25,196)	41,345
Benefits paid during the year	(62,185)	26,036	(36,149)
Increase in liabilities due to:			-
Portfolio movements	67,349	(8,439)	58,910
Change in assumptions and basis	17,711	(16,777)	934
Deficit arising during the year	(12,439)	-	(12,439)
Surplus distributable to participants	16,237	-	16,237
AFS fair value gain for the year	2,060	-	2,060
Deferred tax relating to AFS fair value loss	(52)	-	(52)
At 31 December 2015	<u>309,690</u>	<u>(57,626)</u>	<u>252,064</u>

**14. PARTICIPANTS' FUND**

<u>Family takaful fund</u>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Unallocated surplus (Note (i))	19,989	16,926
AFS reserves (Note (ii))	229	1,468
	<u>20,218</u>	<u>18,394</u>



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**14. PARTICIPANTS' FUND (CONTINUED)**

<u>Family takaful fund (Continued)</u>	<b>2016</b> RM'000	<b>2015</b> RM'000
(i) Unallocated surplus:		
At beginning of the year	16,926	5,397
Surplus distributable to participants	18,445	16,237
Surplus allocated to participants (Note 13)	<u>(15,382)</u>	<u>(4,708)</u>
At end of the year	<u>19,989</u>	<u>16,926</u>
(ii) AFS reserves:		
At beginning of the year	1,468	(540)
Net (loss)/gain recognised during the year	<u>(1,239)</u>	<u>2,008</u>
At end of the year	<u>229</u>	<u>1,468</u>

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

The amount due to related companies is non-trade in nature, unsecured, not subject to any profit elements and repayable upon demand.

**16. TAKAFUL PAYABLES**

<b>2016</b>	<b>Shareholders'</b> <b>fund</b> RM'000	<b>Family</b> <b>takaful fund</b> RM'000	<b>Company</b> RM'000
Due to clients, agents and other intermediaries	7,643	-	7,643
Amount due to cotakaful operators	1	-	1
Amount due to retakaful operators	<u>-</u>	<u>7,179</u>	<u>7,179</u>
	<u>7,644</u>	<u>7,179</u>	<u>14,823</u>
<b>2015</b>			
Due to clients, agents and other intermediaries	1,753	-	1,753
Amount due to cotakaful operator	1	-	1
Amount due to retakaful operators	<u>-</u>	<u>7,889</u>	<u>7,889</u>
	<u>1,754</u>	<u>7,889</u>	<u>9,643</u>

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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**16. TAKAFUL PAYABLES (CONTINUED)**

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

	<b>Gross amount carrying amount RM'000</b>	<b>Gross amounts offset in the statement of financial position RM'000</b>	<b>Net amounts in the statement of financial position RM'000</b>
<b>31 December 2016</b>			
Retakaful contributions	23,868	-	23,868
Claims recoveries	-	(11,798)	(11,798)
Commissions	-	(355)	(355)
Surplus sharing	-	(4,536)	(4,536)
	<u>23,868</u>	<u>(16,689)</u>	<u>7,179</u>
<b>31 December 2015</b>			
Retakaful contributions	22,785	-	22,785
Claims recoveries	-	(14,639)	(14,639)
Commissions	-	(257)	(257)
	<u>22,785</u>	<u>(14,896)</u>	<u>7,889</u>

**17. OTHER PAYABLES**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>			
Deposit contributions	-	3,701	3,701
Amount due to shareholders' fund* (Note 9)	-	31,685	-
Accruals	6,401	-	6,401
Agents' retirement benefits (Note 17.1)	3,389	-	3,389
Other payables and sundry creditors	11,999	5,603	17,602
	<u>21,789</u>	<u>40,989</u>	<u>31,093</u>
<b>2015</b>			
Deposit contributions	-	7,630	7,630
Amount due to shareholders' fund* (Note 9)	-	30,599	-
Accruals	6,586	-	6,586
Agents' retirement benefits (Note 17.1)	1,622	-	1,622
Other payables and sundry creditors	10,752	5,489	16,241
	<u>18,960</u>	<u>43,718</u>	<u>32,079</u>

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**17. OTHER PAYABLES (CONTINUED)**

**17.1 Agents' retirement benefits**

<b><u>Shareholders' fund</u></b>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
At 1 January	1,622	839
Provision for the year	1,767	783
At 31 December	<u>3,389</u>	<u>1,622</u>
Payable after 12 months	<u>3,389</u>	<u>1,622</u>

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

**18. PROVISIONS**

<b><u>Shareholders' fund/Company</u></b>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Provision for bonus (Note 18.1)	5,426	3,153
Provision for short-term accumulating compensated absences	260	224
	<u>5,686</u>	<u>3,377</u>

**18.1 Provision for bonus**

<b><u>Shareholders' fund</u></b>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
At 1 January	3,153	2,862
Provision for the year	5,426	2,735
Utilised during the year	<u>(3,153)</u>	<u>(2,444)</u>
At 31 December	<u>5,426</u>	<u>3,153</u>

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**19. WAKALAH FEE INCOME**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>			
Upfront fee	109,379	-	-
Risk management charges	1,061	-	-
Fund management and service charges	6,261	-	-
	<u>116,701</u>	<u>-</u>	<u>-</u>
<b>2015</b>			
Upfront fee	91,051	-	-
Risk management charges	1,138	-	-
Fund management and service charges	4,852	-	-
	<u>97,041</u>	<u>-</u>	<u>-</u>

**20. INVESTMENT INCOME**

	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>			
AFS financial assets:			
Profit income	2,502	6,078	8,580
Dividend income	173	610	783
Net accretion	9	56	65
Financial assets at FVTPL:			
Profit income	-	2,180	2,180
Dividend income	-	1,312	1,312
Net accretion	-	-	-
Loans and receivables profit income	175	1,980	2,135
Investment expenses	(6)	(524)	(510)
	<u>2,853</u>	<u>11,692</u>	<u>14,545</u>

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**20. INVESTMENT INCOME (CONTINUED)**

<b>2015</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>AFS financial assets:</b>			
Profit income	2,624	3,614	6,238
Dividend income	258	659	917
Net (amortisation)/accretion	(19)	152	133
<b>Financial assets at FVTPL:</b>			
Profit income	-	1,242	1,242
Dividend income	-	1,180	1,180
Net accretion	-	8	8
Loans and receivables profit income	299	2,075	2,353
Investment expenses	(8)	(333)	(320)
	<u>3,154</u>	<u>8,597</u>	<u>11,751</u>

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

<b>2016</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>AFS financial assets:</b>			
<b>Realised gains:</b>			
Shariah-approved equities			
- quoted in Malaysia	286	50	336
Financial instruments with embedded derivatives	12	26	38
Unit trusts - REITS	24	111	135
Government investment issues	50	383	433
Unquoted Islamic private debt securities	1,297	1,534	2,831
<b>Total realised gains for AFS financial assets</b>	<u>1,669</u>	<u>2,104</u>	<u>3,773</u>

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

2016	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Financial assets at FVTPL:</b>			
Realised gains:			
Shariah-approved equities			
- quoted in Malaysia	-	1,473	1,473
Financial instruments with embedded derivatives	-	47	47
Unit trusts - REITS	-	46	46
Government investment issues	-	148	148
Unquoted Islamic private debt securities	-	891	891
<b>Total realised gains for financial assets at FVTPL</b>	<b>-</b>	<b>2,605</b>	<b>2,605</b>
	<b>1,669</b>	<b>4,709</b>	<b>6,378</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2015</b>	<b>Shareholders'</b>	<b>Family</b>	<b>Company</b>
	<b>fund</b>	<b>takaful fund</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>AFS financial assets:</b>			
Realised (losses)/gains:			
Shariah-approved equities			
- quoted in Malaysia	(189)	(645)	(834)
Financial instruments with embedded derivatives	10	22	32
Government investment issues	(72)	214	142
Unquoted Islamic private debt securities	(51)	597	546
Units held in investment-linked fund	1,050	-	-
<b>Total realised gains/(losses) for AFS financial assets</b>	<b>748</b>	<b>188</b>	<b>(114)</b>

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

<b>2015</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>Financial assets at FVTPL:</b>			
Realised (losses)/gains:			
Shariah-approved equities			
- quoted in Malaysia	-	(2,403)	(2,403)
Financial instruments with embedded derivatives	-	61	61
Unit trusts - REITS	-	6	6
Government investment issues	-	(81)	(81)
Unquoted Islamic private debt securities	-	313	313
<b>Total realised losses for financial assets at FVTPL</b>	<b>-</b>	<b>(2,104)</b>	<b>(2,104)</b>
	<b>748</b>	<b>(1,916)</b>	<b>(2,218)</b>

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

<b>2016</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
Financial assets at FVTPL	-	(2,462)	(2,462)
<b>2015</b>			
Financial assets at FVTPL	-	5,241	5,241

**23. WAKALAH FEE EXPENSE**

<b>2016</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
Upfront fee	-	109,379	-
Risk management charges	-	1,061	-
Fund management and service charges	-	6,261	-
	<b>-</b>	<b>116,701</b>	<b>-</b>

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**23. WAKALAH FEE EXPENSE (CONTINUED)**

<b>2015</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
Upfront fee	-	91,051	-
Risk management charges	-	1,138	-
Fund management and service charges	-	4,852	-
	<u>-</u>	<u>97,041</u>	<u>-</u>

**24. MANAGEMENT EXPENSES**

<b>2016</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
Staff costs:			
Salaries, bonus and other related costs	22,223	-	22,223
Deferred contribution plans	3,163	-	3,163
Social security contribution	134	-	134
Short-term accumulating compensated absences	36	-	36
	25,556	-	25,556
Non-executive directors' remuneration (Note 24(b))	435	-	435
Shariah committee members' remuneration (Note 24(c))	188	-	188
Auditors' remuneration:			
- statutory audit	149	-	149
- regulatory related fees	58	8	66
- non-audit fee	38	-	38
Agency related expenses	14,951	-	14,951
Advertising and marketing expenses	7,336	4	7,340
Rental of properties	1,439	-	1,439
Rental of equipment	124	-	124
Depreciation of motor vehicles and equipment	2,587	-	2,587
Amortisation of intangible assets	1,575	-	1,575
Marketing and communication	2,266	-	2,266
Electronic data processing	3,423	-	3,423
Management fees	5,150	-	5,150
Shared services charges	10,789	-	10,789
Other expenses	4,780	2,422	7,202
	<u>80,844</u>	<u>2,434</u>	<u>83,278</u>



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**24. MANAGEMENT EXPENSES (CONTINUED)**

<b>2015</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
Staff costs:			
Salaries, bonus and other related costs	17,561	-	17,561
Deferred contribution plans	2,493	-	2,493
Social security contribution	102	-	102
Short-term accumulating compensated absences	37	-	37
	20,193	-	20,193
Non-executive directors' remuneration (Note 24(b))	382	-	382
Shariah committee members' remuneration (Note 24(c))	231	-	231
Auditors' remuneration:			
- statutory audit	168	-	168
- regulatory related fees	31	8	39
- non-audit fee	17	-	17
Agency related expenses	13,672	-	13,672
Advertising and marketing expenses	6,605	4	6,609
Rental of properties	1,408	-	1,408
Rental of equipment	134	-	134
Depreciation of motor vehicles and equipment	2,147	-	2,147
Amortisation of intangible assets	1,485	-	1,485
Write-off of motor vehicles and equipment	225	-	225
Marketing and communication	2,239	-	2,239
Electronic data processing	1,600	-	1,600
Management fees	6,539	-	6,539
Shared services charges	8,758	-	8,758
Other expenses	3,748	1,504	5,252
	<u>69,582</u>	<u>1,516</u>	<u>71,098</u>

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

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

	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Salaries and bonus	634	597
Deferred contribution plans	100	94
Others	18	25
	<u>752</u>	<u>716</u>

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**24. MANAGEMENT EXPENSES (CONTINUED)**

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

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer, amounted to approximately RM752,268 (2015: RM716,160).

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

<u>Shareholders' fund/Company</u>	<b>2016</b> RM'000	<b>2015</b> RM'000
<b>Non-executive directors' remuneration:</b>		
<u>Fees:</u>		
<u>Current directors:</u>		
Datuk Kamaruddin bin Taib (Chairman)	94	121
Norman Ip Ka Cheung	58	50
Major General Dato' Zulkiflee bin Mazlan (Rtd)	26	-
Datin Zaharah binti Ali	26	-
Lee Kong Yip	25	-
<u>Former directors:</u>		
Major General Dato' Paduka Che Hasni bin Che Ahmad (Rtd)	14	46
Tuan Haji Jamaluddin bin Masrin	15	45
	<u>258</u>	<u>262</u>
<u>Allowances:</u>		
<u>Current directors:</u>		
Datuk Kamaruddin bin Taib (Chairman)	43	30
Norman Ip Ka Cheung	43	28
Major General Dato' Zulkiflee bin Mazlan (Rtd)	22	-
Datin Zaharah binti Ali	20	-
Lee Kong Yip	17	-
<u>Former directors:</u>		
Major General Dato' Paduka Che Hasni bin Che Ahmad (Rtd)	13	28
Tuan Haji Jamaluddin bin Masrin	19	34
	<u>177</u>	<u>120</u>
	<u>435</u>	<u>382</u>

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**24. MANAGEMENT EXPENSES (CONTINUED)**

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

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:

<u>Shareholders' fund/Company</u>	2016	2015
<b>Non-Executive directors</b>		
Below RM50,000	5	-
RM50,001 - RM100,000	-	3
RM100,001 - RM150,000	2	1
	<hr/>	<hr/>

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

<u>Shareholders' fund/Company</u>	2016 RM'000	2015 RM'000
<u>Fees:</u>		
Dr. Akhtarzaite binti Abdul Aziz	32	30
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	30	30
Dr. Mohamad Sabri bin Zakaria	30	30
Assoc. Prof. Dr. Siti Salwani binti Razali	30	30
Assoc. Prof. Dr. Mahamad bin Arifin	-	30
Assoc. Prof. Dr. Ahmad Basri bin Ibrahim	27	36
	<hr/>	<hr/>
	149	186
	<hr/>	<hr/>
<u>Other emoluments</u>		
Dr. Akhtarzaite binti Abdul Aziz	8	8
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	8	6
Dr. Mohamad Sabri bin Zakaria	9	7
Assoc. Prof. Dr. Siti Salwani binti Razali	8	8
Assoc. Prof. Dr. Mahamad bin Arifin	-	8
Assoc. Prof. Dr. Ahmad Basri bin Ibrahim	6	8
	<hr/>	<hr/>
	39	45
	<hr/>	<hr/>
	188	231
	<hr/>	<hr/>

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

<b>(a) <u>Family takaful fund</u></b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Malaysian income tax:		
Current year	811	181
(Over)/under provision in prior year	(181)	27
	630	208
Deferred tax relating to the origination and reversal of temporary differences (Note 10):		
Current year	(237)	431
Overprovision in prior year	-	(15)
	(237)	416
Tax expense for the year	<u>393</u>	<u>624</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% (2015: 8%) of the chargeable investment income net of allowable deductions for the year.

<b>(b) <u>Shareholders' fund/Company</u></b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Malaysian income tax:		
Current year	-	-
Deferred tax relating to the origination and reversal of temporary differences (Note 10):		
Current year	4,073	3,931
Overprovision in prior years	(878)	(2,748)
	3,195	1,183
Tax expense for the year	<u>3,195</u>	<u>1,183</u>

Domestic income tax for the shareholders' fund/Company is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated chargeable income for the year.

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

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

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

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss before zakat and taxation	<u>(15,348)</u>	<u>(11,055)</u>
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	(3,684)	(2,764)
Expenses not deductible for tax purposes	35,731	30,812
Income not subject to tax	(27,974)	(24,260)
Overprovision of deferred tax in prior year	(878)	(2,748)
Effect due to change in tax rate	-	143
Tax expense for the year	<u>3,195</u>	<u>1,183</u>

**26. LOSS PER SHARE - BASIC AND DILUTED**

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

<b><u>Shareholders' fund/Company</u></b>	<b>2016</b>	<b>2015</b>
Net loss for the year (RM'000)	(18,757)	(12,308)
Number of ordinary shares in issue ('000)	100,000	100,000
Basic loss per share (sen)	<u>(18.8)</u>	<u>(12.3)</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.

**27. 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.

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

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

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

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

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

<u>Company</u>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
<u>(Expenses)/income:</u>		
Service charges (vi):		
- Koperasi Angkatan Tentera Malaysia Berhad	(248)	(851)
Commission fees paid (ii):		
- OCBC Al-Amin Bank Berhad	(597)	(1,157)
- Koperasi Angkatan Tentera Malaysia Berhad	(3,545)	(3,295)
Custodian fees (ii):		
- OCBC Bank (Malaysia) Berhad	(52)	(34)
Bank charges (ii):		
- OCBC Al-Amin Bank Berhad	(196)	(163)
Credit card charges (ii):		
- OCBC Bank (Malaysia) Berhad	(735)	(470)
Rental paid (v):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,321)	(1,269)
- Koperasi Angkatan Tentera Malaysia Berhad	(43)	(40)
Profit income (iii):		
- OCBC Al-Amin Bank Berhad	1,198	1,041

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

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

<u>Company</u>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
<u>(Expenses)/income:</u>		
Charges for outsourcing services (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(9,095)	(8,973)
- I Great Capital Holdings Sdn Bhd	78	78
Charges for group services (vi):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,736)	(1,525)
- Great Eastern Life Assurance Co. Ltd.	(5,150)	(5,015)
Staff secondment charges (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	-	(1,066)
Shariah Committee members' fees	(188)	(231)
Disposal of investments (i):		
- Great Eastern Life Assurance (Malaysia) Berhad	71,769	132,333
Purchase of investments (i):		
- Great Eastern Life Assurance (Malaysia) Berhad	(799)	(8,601)

(ii) Balances with related parties at year end:

	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Cash and bank balances:		
- OCBC Al-Amin Bank Berhad	12,547	6,867
Islamic investment accounts with licensed Islamic banks:		
- OCBC Al-Amin Bank Berhad	41,500	42,980
Amount due (to)/from related companies:		
- Great Eastern Life Assurance (Malaysia) Berhad	(3,172)	(5,026)
- Great Eastern Life Assurance Co. Ltd.	(1,425)	(1,887)
- I Great Capital Holdings Sdn Bhd	14	14
	<u>(4,583)</u>	<u>(6,899)</u>
Takaful receivables:		
- Koperasi Angkatan Tentera Malaysia Berhad	9,521	8,311

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

Related companies are within the OCBC Bank 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 services to related parties are made in the normal course of business and have been established under negotiated terms.

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

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Key management personnel's remuneration:</b>		
Non-executive directors	435	382
Salaries and bonus	3,259	2,882
Deferred contribution plans	518	456
Benefits-in-kind	74	51
	<u>4,286</u>	<u>3,771</u>



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**28. REGULATORY CAPITAL REQUIREMENT**

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

2016	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Eligible Tier 1 Capital</b>			
Share capital	100,000	-	100,000
Accumulated losses	(67,114)	-	(67,114)
Valuation surplus maintained in the takaful funds	-	15,705	15,705
	<u>32,886</u>	<u>15,705</u>	<u>48,591</u>
<b>Eligible Tier 2 Capital</b>			
Available-for-sale reserves	1,276	(42)	1,234
Redeemable preference shares	20,000	-	20,000
	<u>21,276</u>	<u>(42)</u>	<u>21,234</u>
<b>Deductions</b>			
Intangible assets	(2,364)	-	(2,364)
Deferred tax assets	-	(15)	(15)
	<u>(2,364)</u>	<u>(15)</u>	<u>(2,379)</u>
<b>Capital Available</b>	<u>51,798</u>	<u>15,648</u>	<u>67,446</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(9,200)	(9,200)
<b>Total Capital Available</b>	<u>51,798</u>	<u>6,448</u>	<u>58,246</u>

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**28. REGULATORY CAPITAL REQUIREMENT (CONTINUED)**

<b>2015</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>Eligible Tier 1 Capital</b>			
Share capital	100,000	-	100,000
Accumulated losses	(48,357)	-	(48,357)
Valuation surplus maintained in the takaful funds	-	11,391	11,391
	<u>51,643</u>	<u>11,391</u>	<u>63,034</u>
<b>Eligible Tier 2 Capital</b>			
Available-for-sale reserves	1,150	29	1,179
Redeemable preference shares	8,000	-	8,000
	<u>9,150</u>	<u>29</u>	<u>9,179</u>
<b>Deductions</b>			
Intangible assets	(3,247)	-	(3,247)
Deferred tax assets	(3,073)	(4)	(3,077)
	<u>(6,320)</u>	<u>(4)</u>	<u>(6,324)</u>
<b>Capital Available</b>	<u>54,473</u>	<u>11,416</u>	<u>65,889</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(8,179)	(8,179)
<b>Total Capital Available</b>	<u>54,473</u>	<u>3,237</u>	<u>57,710</u>

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**29. FINANCIAL INSTRUMENTS BY CATEGORY**

<u>Shareholders' fund</u>	Note	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2016</b>						
<b>Assets</b>						
Motor vehicles and equipment	4	-	-	-	7,738	7,738
Intangible assets	5	-	-	-	2,364	2,364
Investment assets	6	50,152	12,150	62,302	-	62,302
Other receivables	9	-	32,624	32,624	-	32,624
Cash and bank balances		-	5,228	5,228	-	5,228
<b>Total assets</b>		<u>50,152</u>	<u>50,002</u>	<u>100,154</u>	<u>10,102</u>	<u>110,256</u>
<b>Liabilities</b>						
	Note		Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Provision for zakat			-	-	194	194
Expense liabilities	12		-	-	16,037	16,037
Deferred tax liability	10		161	161	-	161
Amounts due to related companies			4,583	4,583	-	4,583
Takaful payables	16		7,644	7,644	-	7,644
Other payables	17		21,789	21,789	-	21,789
Provisions	18		5,686	5,686	-	5,686
<b>Total liabilities</b>			<u>39,863</u>	<u>39,863</u>	<u>16,231</u>	<u>56,094</u>

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

<u>Shareholders' fund (Continued)</u>	Note	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2015</b>						
<b>Assets</b>						
Motor vehicles and equipment	4	-	-	-	7,988	7,988
Intangible assets	5	-	-	-	3,247	3,247
Investment assets	6	67,829	750	68,579	-	68,579
Other receivables	9	-	31,404	31,404	-	31,404
Deferred tax asset	10	-	-	-	3,073	3,073
Cash and bank balances		-	2,116	2,116	-	2,116
<b>Total assets</b>		<b>67,829</b>	<b>34,270</b>	<b>102,099</b>	<b>14,308</b>	<b>116,407</b>
	Note		<b>Other financial liabilities RM'000</b>	<b>Sub-total RM'000</b>	<b>Liabilities not in scope of MFRS 139 RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>						
Provision for zakat			-	-	57	57
Expense liabilities	12		-	-	12,567	12,567
Amounts due to related companies			6,899	6,899	-	6,899
Takaful payables	16		1,754	1,754	-	1,754
Other payables	17		18,960	18,960	-	18,960
Provisions	18		3,377	3,377	-	3,377
<b>Total liabilities</b>			<b>30,990</b>	<b>30,990</b>	<b>12,624</b>	<b>43,614</b>

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

<u>Family takaful fund</u>	Note	AFS RM'000	FVTPL RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2016</b>							
<b>Assets</b>							
Investment assets	6	145,778	114,125	107,150	367,053	-	367,053
Takaful receivables	7	-	-	17,506	17,506	-	17,506
Retakaful assets	8	-	-	-	-	96,609	96,609
Other receivables	9	-	-	-	-	4,087	4,087
Tax recoverable		-	-	-	-	44	44
Cash and bank balances		-	-	9,738	9,738	-	9,738
<b>Total assets</b>		<b>145,778</b>	<b>114,125</b>	<b>134,394</b>	<b>394,297</b>	<b>100,740</b>	<b>495,037</b>
<b>Liabilities</b>							
	Note			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Takaful certificate liabilities	13			-	-	426,453	426,453
Participants' fund	14			-	-	20,218	20,218
Deferred tax liability	10			-	-	198	198
Takaful payables	16			7,179	7,179	-	7,179
Other payables	17			40,989	40,989	-	40,989
<b>Total liabilities</b>				<b>48,168</b>	<b>48,168</b>	<b>446,869</b>	<b>495,037</b>

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

<u>Family takaful fund (Continued)</u>	Note	AFS RM'000	FVTPL RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2015</b>							
<b>Assets</b>							
Investment assets	6	135,309	81,948	69,080	286,337	-	286,337
Takaful receivables	7	-	-	13,260	13,260	-	13,260
Retakaful assets	8	-	-	-	-	57,626	57,626
Other receivables	9	-	-	-	-	1,573	1,573
Tax recoverable		-	-	-	-	364	364
Cash and bank balances		-	-	6,247	6,247	-	6,247
<b>Total assets</b>		<b>135,309</b>	<b>81,948</b>	<b>88,587</b>	<b>305,844</b>	<b>59,563</b>	<b>365,407</b>
<b>Liabilities</b>							
	Note			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Takaful certificate liabilities	13			-	-	259,462	259,462
Participants' fund	14			-	-	53,867	53,867
Deferred tax liability	10			-	-	471	471
Takaful payables	16			7,889	7,889	-	7,889
Other payables	17			43,718	43,718	-	43,718
<b>Total liabilities</b>				<b>51,607</b>	<b>51,607</b>	<b>313,800</b>	<b>365,407</b>

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

<u>Company</u>	Note	AFS RM'000	FVTPL RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2016</b>							
<b>Assets</b>							
Motor vehicles and equipment	4	-	-	-	-	7,738	7,738
Intangible assets	5	-	-	-	-	2,364	2,364
Investment assets	6	190,983	114,125	119,300	424,408	-	424,408
Takaful receivables	7	-	-	17,506	17,506	-	17,506
Retakaful assets	8	-	-	-	-	96,609	96,609
Other receivables	9	-	-	-	-	5,026	5,026
Tax recoverable		-	-	-	-	44	44
Cash and bank balances		-	-	14,966	14,966	-	14,966
<b>Total assets</b>		<b>190,983</b>	<b>114,125</b>	<b>151,772</b>	<b>456,880</b>	<b>111,781</b>	<b>568,661</b>
				<b>Other financial liabilities RM'000</b>	<b>Sub-total RM'000</b>	<b>Liabilities not in scope of MFRS 139 RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>							
Provision for zakat				-	-	194	194
Expense liabilities	12			-	-	16,037	16,037
Takaful certificate liabilities	13			-	-	443,032	443,032
Deferred tax liability	10			-	-	45	45
Amounts due to related companies				-	-	4,583	4,583
Takaful payables	16			14,823	14,823	-	14,823
Other payables	17			31,093	31,093	-	31,093
Provisions	18			5,686	5,686	-	5,686
<b>Total liabilities</b>				<b>51,602</b>	<b>51,602</b>	<b>463,891</b>	<b>515,493</b>

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

<u>Company (Continued)</u>		AFS	FVTPL	LAR	Sub-total	Assets not in scope of MFRS 139	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>							
<b>Assets</b>							
Motor vehicles and equipment	4	-	-	-	-	7,988	7,988
Intangible assets	5	-	-	-	-	3,247	3,247
Investment assets	6	198,397	81,948	69,830	350,175	-	350,175
Takaful receivables	7	-	-	13,260	13,260	-	13,260
Retakaful assets	8	-	-	-	-	57,626	57,626
Other receivables	9	-	-	-	-	2,378	2,378
Deferred tax asset	10	-	-	-	-	2,867	2,867
Tax recoverable		-	-	-	-	364	364
Cash and bank balances		-	-	8,363	8,363	-	8,363
<b>Total assets</b>		<b>198,397</b>	<b>81,948</b>	<b>91,453</b>	<b>371,798</b>	<b>74,470</b>	<b>446,268</b>
<b>Liabilities</b>							
	Note			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Provision for zakat				-	-	57	57
Expense liabilities	12			-	-	12,567	12,567
Takaful certificate liabilities	13			-	-	309,690	309,690
Amounts due to related companies				-	-	6,899	6,899
Takaful payables	16			9,643	9,643	-	9,643
Other payables	17			32,079	32,079	-	32,079
Provisions	18			3,377	3,377	-	3,377
<b>Total liabilities</b>				<b>45,099</b>	<b>45,099</b>	<b>329,213</b>	<b>374,312</b>



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**30. RISK MANAGEMENT FRAMEWORK**

**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 not shy away from taking risk, but shall:

- Always operate within the risk appetite set by the Board; and
- Ensure commensurate reward for any risk taken.

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

The Board Risk Management Committee ("BRMC") is constituted to provide 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 oversight with regard to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

The ALC is responsible for assisting the SMT in balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. The ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

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

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**30. RISK MANAGEMENT FRAMEWORK (CONTINUED)**

**Governance framework (Continued)**

The ITSC is responsible for the oversight of technology and information risks and any relevant regulatory and compliance risks relating to technology and information risks within the Company.

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

On 3 August 2016, Bank Negara Malaysia (“BNM”) issued a guideline on Corporate Governance which sets out a framework of principles to strengthen board composition rules; heighten expectations on the board and senior management to foster a corporate culture that promotes ethical, prudent and professional behaviour; and expand requirements on compensation structures to ensure that employees’ incentives are aligned with prudent risk-taking, and clarifies expectations in respect of group-wide governance. The Company is working towards full compliance with the guideline by 2019.

**Regulatory framework**

Takaful operators have to comply with the Islamic Financial Services Act 2013 (“IFSA”) which came into force on 30 June 2013, and regulations as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company’s investment policies rests with the Board. The Board exercises oversight on the investments to safeguard the interests of the certificate holders and shareholders.

The IFSA has a profound impact on the way the Company operates and it raises challenges to business departments to ensure compliance with the new regulatory requirements. It provides greater sense of regulatory control and consumer protection as well as endowing BNM with wide powers to intervene with a financial institution’s business or operations to manage risk and ensure good governance. Notwithstanding the impact of IFSA on the Company’s overall operations and business conduct, the Company is in full compliance with the applicable provisions of the IFSA.

BNM guideline on Compliance will be effective on 1 January 2017. The guideline aims to promote the safety and soundness of financial institutions by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance. The Company is currently working towards full compliance with the guideline by 2017.

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**30. RISK MANAGEMENT FRAMEWORK (CONTINUED)**

**Regulatory framework (Continued)**

BNM guideline on Operational Risk will be effective on 10 May 2018. The guideline sets out the regulatory expectations for the management of operational risk by financial institutions. It aims to strengthen the governance, framework and processes for managing operational risk within financial institutions. Emphasis is also given to effective coordination in the management of operational risk with that of other risks (e.g. credit and market risks) to provide a holistic and integrated approach to a financial institution's overall risk management strategy. The Company is currently working towards full compliance with the guideline.

**Capital management framework**

The Company's capital management policy is to create shareholder value, deliver sustainable returns to shareholder, maintain a strong capital position with sufficient buffer to meet obligations to certificate holders and regulatory requirements and 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 above the minimum capital requirement of 130% under the RBCT regulated by BNM.

The Company has taken the initiative to establish an Internal Capital Adequacy Assessment Process ("ICAAP") Framework two years ago and was prepared for the effective date of 1 January 2017. Under this Framework, the Company has established methods 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 were 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 takaful and key financial risks 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 takaful and key financial risks or the manner in which it manages and measures the risks.

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**31. TAKAFUL RISK**

The principal activities 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 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, regular review of the actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria.

Takaful risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of takaful contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Sources of assumptions affecting takaful risk include certificate lapses and certificate claims, such as mortality, morbidity and expenses.

The Company utilises retakaful to manage the mortality and morbidity risks. The Company's retakaful management strategy and policy are reviewed annually by the SMT and BRMC, and approved by the Board. Retakaful structures are set based on the type of risk.

Only retakaful operators meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, are considered when deciding on which retakaful operator to reinsure the Company's risk. The combined paid-up capital and surplus of a retakaful operator should not less than US\$150 million. 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 products 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 expense to ensure that appropriate policies, guidelines and limits are put in place to manage these risks remain adequate and appropriate.

For family takaful funds, the risk is that the guaranteed certificate benefits must be met even when investment markets perform poorly, or claims experience is higher than expected. As such, the investment profit and surplus distribution to the participants may be reduced.

Stress Testing ("ST") is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the Operator and Takaful funds under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, mortality/morbidity patterns and lapse rates.

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**31. TAKAFUL RISK (CONTINUED)**

**Concentration by type of certificates**

The following table shows the concentration of expense liabilities of the shareholders' fund and actuarial liabilities and unit reserves of family takaful fund as at the reporting date by type of takaful certificates issued:

<u>Shareholders' fund - expense liabilities</u>	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2016</b>			
Ordinary family takaful plans	3,837	-	3,837
Investment-linked takaful plans	10,340	-	10,340
Group credit takaful plans	1,860	-	1,860
	<u>16,037</u>	<u>-</u>	<u>16,037</u>
<b>2015</b>			
Ordinary family takaful plans	2,793	-	2,793
Investment-linked takaful plans	8,520	-	8,520
Credit takaful plans	499	-	499
Group credit takaful plans	755	-	755
	<u>12,567</u>	<u>-</u>	<u>12,567</u>
<b>Family takaful fund - PRF, PIA and net asset value attributable to certificate holders</b>			
	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2016</b>			
Ordinary family takaful plans	81,373	(62,971)	18,402
Investment-linked takaful plans	138,043	(13,077)	124,966
Group credit takaful plans	162,226	(5,944)	156,282
	<u>381,642</u>	<u>(81,992)</u>	<u>299,650</u>
<b>2015</b>			
Ordinary family takaful plans	43,454	(29,271)	14,183
Investment-linked takaful plans	99,554	(14,554)	85,000
Credit takaful plans	17,661	(2,406)	15,255
Group credit takaful plans	102,966	(1,520)	101,446
	<u>263,635</u>	<u>(47,751)</u>	<u>215,884</u>

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**31. TAKAFUL RISK (CONTINUED)**

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:

	<b>Change in assumptions</b>
(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

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**31. TAKAFUL RISK (CONTINUED)**

**Sensitivity analysis (Continued)**

The sensitivity analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, surplus of risk funds, 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, changes in assumptions are analysed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions. The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

<u>Shareholders' fund - expense liabilities</u>	Change in assumptions %	Impact on gross liabilities RM'000 ← Increase/(decrease)→	Impact on net liabilities RM'000	Impact on loss before taxation RM'000 ← (Decrease)/increase →	Impact on equity* RM'000
<b>2016</b>					
Scenario 1 - Mortality and major illness	+25%	174	174	174	(174)
Scenario 2 - Mortality and major illness	-25%	(407)	(407)	(407)	407
Scenario 3 - Health and disability	+25%	5,445	5,445	5,445	(5,445)
Scenario 4 - Health and disability	-25%	(1,706)	(1,706)	(1,706)	1,706
Scenario 5 - Lapse and surrender rates	+25%	(836)	(836)	(836)	836
Scenario 6 - Lapse and surrender rates	-25%	1,044	1,044	1,044	(1,044)
Scenario 7 - Expenses	+25%	8,193	8,193	8,193	(8,193)
Scenario 8 - Expenses	-25%	(4,803)	(4,803)	(4,803)	4,803

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**31. TAKAFUL RISK (CONTINUED)**

**Sensitivity analysis (Continued)**

<b><u>Shareholders' fund - expense liabilities (Continued)</u></b>		<b>Change in assumptions</b>	<b>Impact on gross liabilities</b>	<b>Impact on net liabilities</b>	<b>Impact on loss before taxation</b>	<b>Impact on equity*</b>
<b>2015</b>	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>← Increase/(decrease) →</b>		<b>← (Decrease)/increase →</b>		
Scenario 1 - Mortality and major illness	+25%	155	155	155	(155)	(155)
Scenario 2 - Mortality and major illness	-25%	(184)	(184)	(184)	184	184
Scenario 3 - Health and disability	+25%	4,028	4,028	4,028	(4,028)	(4,028)
Scenario 4 - Health and disability	-25%	(1,290)	(1,290)	(1,290)	1,290	1,290
Scenario 5 - Lapse and surrender rates	+25%	(522)	(522)	(522)	522	522
Scenario 6 - Lapse and surrender rates	-25%	635	635	635	(635)	(635)
Scenario 7 - Expenses	+25%	7,154	7,154	7,154	(7,154)	(7,154)

<b><u>Family takaful fund - takaful certificate liabilities</u></b>		<b>Change in assumptions</b>	<b>Impact on gross liabilities</b>	<b>Impact on net liabilities</b>	<b>Impact on surplus</b>	<b>Impact on profit before taxation</b>	<b>Impact on participants' fund</b>
<b>2016</b>	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>← Increase/(decrease) →</b>		<b>← (Decrease)/increase →</b>			
Scenario 1 - Mortality and major illness	+25%	41,929	5,697	(5,697)	(1,657)	(4,040)	(4,040)
Scenario 2 - Mortality and major illness	-25%	(31,079)	(1,214)	1,214	378	836	836
Scenario 3 - Health and disability	+25%	10,818	7,093	(7,093)	(206)	(6,887)	(6,887)
Scenario 4 - Health and disability	-25%	(1,067)	(280)	280	36	244	244
Scenario 5 - Lapse and surrender rates	+25%	(3,335)	(215)	215	51	164	164
Scenario 6 - Lapse and surrender rates	-25%	3,811	266	(266)	(59)	(207)	(207)



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**31. TAKAFUL RISK (CONTINUED)**

**Sensitivity analysis (Continued)**

<b><u>Family takaful fund - takaful certificate liabilities</u></b>							
<b><u>(Continued)</u></b>		<b>Change in assumptions</b>	<b>Impact on gross liabilities</b>	<b>Impact on net liabilities</b>	<b>Impact on surplus</b>	<b>Impact on profit before taxation</b>	<b>Impact on participants' fund</b>
<b>2015</b>	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>← Increase/(decrease) →</b>	<b>← (Decrease)/increase →</b>				
Scenario 1 - Mortality and major illness	+25%	38,199	3,785	(3,785)	(647)	(3,138)	
Scenario 2 - Mortality and major illness	-25%	(11,818)	(1,141)	1,141	137	1,004	
Scenario 3 - Health and disability	+25%	18,522	9,339	(9,339)	(105)	(9,234)	
Scenario 4 - Health and disability	-25%	(6,093)	(723)	723	10	713	
Scenario 5 - Lapse and surrender rates	+25%	(1,867)	(225)	225	19	206	
Scenario 6 - Lapse and surrender rates	-25%	2,381	283	(283)	(23)	(260)	
<b><u>Company - expense liabilities and takaful certificate liabilities</u></b>							
<b>2016</b>	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>← Increase/(decrease) →</b>	<b>← (Decrease)/increase →</b>				
Scenario 1 - Mortality and major illness	+25%	42,103	5,871	1,831	(1,831)		
Scenario 2 - Mortality and major illness	-25%	(31,486)	(1,621)	784	(784)		
Scenario 3 - Health and disability	+25%	16,263	12,538	5,652	(5,652)		
Scenario 4 - Health and disability	-25%	(2,773)	(1,986)	1,741	(1,741)		
Scenario 5 - Lapse and surrender rates	+25%	(4,171)	(1,051)	(888)	888		
Scenario 6 - Lapse and surrender rates	-25%	4,855	1,310	(1,102)	1,102		
Scenario 7 - Expenses	+25%	8,193	8,193	8,193	(8,193)		
Scenario 8 - Expenses	-25%	(4,803)	(4,803)	(4,803)	4,803		

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**31. TAKAFUL RISK (CONTINUED)**

**Sensitivity analysis (Continued)**

<u>Company - expense liabilities and takaful</u> <u>certificate liabilities (Continued)</u>	Change in assumptions %	Impact	Impact	Impact	Impact on equity* RM'000
		on gross liabilities RM'000	on net liabilities RM'000	on loss before taxation RM'000	
2015		← Increase/(decrease)→		← (Decrease)/increase →	
Scenario 1 - Mortality and major illness	+25%	38,354	3,940	802	(802)
Scenario 2 - Mortality and major illness	-25%	(12,003)	(1,325)	(322)	322
Scenario 3 - Health and disability	+25%	22,550	13,368	4,134	(4,134)
Scenario 4 - Health and disability	-25%	(7,383)	(2,013)	(1,300)	1,300
Scenario 5 - Lapse and surrender rates	+25%	(2,388)	(747)	(541)	541
Scenario 6 - Lapse and surrender rates	-25%	3,015	918	658	(658)
Scenario 7 - Expenses	+25%	7,154	7,154	7,154	(7,154)

\* The impact on equity is stated net of tax.

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**32. MARKET AND CREDIT RISKS**

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes in profit rates, foreign exchange rates and equity prices can impact present and future investment earnings of the takaful operations as well as shareholders' equity.

The Company is exposed to market risk in the operator fund as well as 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 and the Company does not assume any liability in the event of occurrence of loss or write-down in market valuation. 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 fees earned.

Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risk resulting from changes in profit rates and currency exchange rates, volatility in equity price, as well as other risks like credit and liquidity risks are briefly described as follows:

**(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Company is mainly exposed to credit risk through (i) investments in cash and sukuk and (ii) exposure to retakaful contracts. For the two types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in sukuk, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

Retakaful is placed with counterparties that have good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

The task of evaluating and monitoring of credit risk 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.

Credit risk in respect of customer balances incurred on non-payment of contributions predominantly persists during the grace period specified in the certificate document, when the certificate is either paid up or terminated. The credit risk in respect of group takaful outstanding contribution is being actively monitored.

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(a) Credit risk (Continued)**

The following table shows the maximum exposure to credit risk for the components of the statement of financial position.

<b>2016</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
AFS financial assets:			
Government investment issues	6,046	43,502	49,548
Unquoted Islamic private debt securities	35,559	84,430	119,989
Financial assets at FVTPL:			
Government investment issues	-	19,099	19,099
Unquoted Islamic private debt securities	-	33,615	33,615
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	12,150	107,150	119,300
Takaful receivables	-	17,506	17,506
Retakaful assets	-	96,609	96,609
Other receivables	32,624	4,087	5,026
Cash and bank balances	5,228	9,738	14,966
	<u>91,607</u>	<u>415,736</u>	<u>475,658</u>
<b>2015</b>	<b>Shareholders' fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
AFS financial assets:			
Government investment issues	22,016	49,043	71,059
Unquoted Islamic private debt securities	34,642	62,291	96,933
Financial assets at FVTPL:			
Government investment issues	-	14,745	14,745
Unquoted Islamic private debt securities	-	21,579	21,579
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	750	69,080	69,830
Takaful receivables	-	13,260	13,260
Retakaful assets	-	57,626	57,626
Other receivables	31,404	1,573	2,378
Cash and bank balances	2,116	6,247	8,363
	<u>90,928</u>	<u>295,444</u>	<u>355,773</u>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(a) Credit risk (Continued)**

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

<u>Shareholders' fund</u>	Neither past due nor impaired			Not subject to credit risk RM'000	Past due RM'000	Total RM'000
	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000			
<b>2016</b>						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	3,089	-	3,089
Unit trusts - REITS	-	-	-	511	-	511
Government investment issues	6,046	-	-	-	-	6,046
Unquoted Islamic private debt securities	-	32,511	3,048	-	-	35,559
Units held in investment-linked fund	-	-	-	4,947	-	4,947
Loans and receivables:						
Islamic investment accounts with licensed						
Islamic banks	-	12,150	-	-	-	12,150
Other receivables	-	-	32,624	-	-	32,624
Cash and bank balances	-	5,228	-	-	-	5,228
	<u>6,046</u>	<u>49,889</u>	<u>35,672</u>	<u>8,547</u>	<u>-</u>	<u>100,154</u>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to credit ratings of counterparties (Continued).

<b><u>Shareholders' fund (Continued)</u></b>	<b>Neither past due nor impaired</b>			<b>Not subject to credit risk</b>	<b>Past due</b>	<b>Total</b>
	<b>Government guaranteed</b>	<b>Investment grade* (BBB to AAA)</b>	<b>Not rated</b>			
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2015</b>						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	5,992	-	5,992
Unit trusts - REITS	-	-	-	438	-	438
Government investment issues	22,016	-	-	-	-	22,016
Unquoted Islamic private debt securities	-	33,632	1,010	-	-	34,642
Units held in investment-linked fund	-	-	-	4,741	-	4,741
Loans and receivables:						
Islamic investment accounts with licensed						
Islamic banks	-	750	-	-	-	750
Other receivables	-	-	31,404	-	-	31,404
Cash and bank balances	-	2,116	-	-	-	2,116
	<b>22,016</b>	<b>36,498</b>	<b>32,414</b>	<b>11,171</b>	<b>-</b>	<b>102,099</b>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to credit ratings of counterparties (Continued).

	Neither past due nor impaired			Not subject to credit risk RM'000	Past due RM'000	Total RM'000
	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000			
<b>Family takaful fund</b>						
<b>2016</b>						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	17,428	-	17,428
Unit trusts - REITS	-	-	-	418	-	418
Government investment issues	43,502	-	-	-	-	43,502
Unquoted Islamic private debt securities	-	68,835	15,595	-	-	84,430
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	58,456	-	58,456
Financial instruments with embedded derivatives	-	-	-	28	-	28
Unit trusts - REITS	-	-	-	2,927	-	2,927
Government investment issues	19,099	-	-	-	-	19,099
Unquoted Islamic private debt securities	-	29,086	4,529	-	-	33,615
Loans and receivables:						
Islamic investment accounts with licensed						
Islamic banks	-	107,150	-	-	-	107,150
Takaful receivables	-	5,974	11,532	-	-	17,506
Retakaful assets	-	96,609	-	-	-	96,609
Other receivables	-	-	4,087	-	-	4,087
Cash and bank balances	-	9,738	-	-	-	9,738
	<u>62,601</u>	<u>317,392</u>	<u>35,743</u>	<u>79,257</u>	<u>-</u>	<u>494,993</u>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to credit ratings of counterparties (Continued).

	Neither past due nor impaired			Not subject to credit risk	Past due	Total
	Government guaranteed	Investment grade* (BBB to AAA)	Not rated			
<u>Family takaful fund (Continued)</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	23,098	-	23,098
Unit trusts - REITS	-	-	-	877	-	877
Government investment issues	49,043	-	-	-	-	49,043
Unquoted Islamic private debt securities	-	52,262	10,029	-	-	62,291
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	45,247	-	45,247
Financial instruments with embedded derivatives	-	-	-	24	-	24
Unit trusts - REITS	-	-	-	353	-	353
Government investment issues	14,745	-	-	-	-	14,745
Unquoted Islamic private debt securities	-	19,075	2,504	-	-	21,579
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	-	69,080	-	-	-	69,080
Takaful receivables	-	3,521	9,739	-	-	13,260
Retakaful assets	-	57,626	-	-	-	57,626
Other receivables	-	-	1,573	-	-	1,573
Cash and bank balances	-	6,247	-	-	-	6,247
	<u>63,788</u>	<u>207,811</u>	<u>23,845</u>	<u>69,599</u>	<u>-</u>	<u>365,043</u>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.



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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to credit ratings of counterparties (Continued).

<u>Company</u>	Neither past due nor impaired			Not subject to credit risk RM'000	Past due RM'000	Total RM'000
	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000			
<b>2016</b>						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	20,517	-	20,517
Unit trusts - REITS	-	-	-	929	-	929
Government investment issues	49,548	-	-	-	-	49,548
Unquoted Islamic private debt securities	-	101,346	18,643	-	-	119,989
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	58,456	-	58,456
Financial instruments with embedded derivatives	-	-	-	28	-	28
Unit trusts - REITS	-	-	-	2,927	-	2,927
Government investment issues	19,099	-	-	-	-	19,099
Unquoted Islamic private debt securities	-	29,086	4,529	-	-	33,615
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	-	119,300	-	-	-	119,300
Takaful receivables	-	5,974	11,532	-	-	17,506
Retakaful assets	-	96,609	-	-	-	96,609
Other receivables	-	-	5,026	-	-	5,026
Cash and bank balances	-	14,966	-	-	-	14,966
	<u>68,647</u>	<u>367,281</u>	<u>39,730</u>	<u>82,857</u>	<u>-</u>	<u>558,515</u>

\* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(a) Credit risk (Continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to credit ratings of counterparties (Continued).

<u>Company (Continued)</u>	Neither past due nor impaired			Not subject to credit risk RM'000	Past due RM'000	Total RM'000
	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000			
<b>2015</b>						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	29,090	-	29,090
Unit trusts - REITS	-	-	-	1,315	-	1,315
Government investment issues	71,059	-	-	-	-	71,059
Unquoted Islamic private debt securities	-	85,894	11,039	-	-	96,933
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	45,247	-	45,247
Financial instruments with embedded derivatives	-	-	-	24	-	24
Unit trusts - REITS	-	-	-	353	-	353
Government investment issues	14,745	-	-	-	-	14,745
Unquoted Islamic private debt securities	-	19,075	2,504	-	-	21,579
Loans and receivables:						
Islamic investment accounts with licensed						
Islamic banks	-	69,830	-	-	-	69,830
Takaful receivables	-	3,521	9,739	-	-	13,260
Retakaful assets	-	57,626	-	-	-	57,626
Other receivables	-	-	2,378	-	-	2,378
Cash and bank balances	-	8,363	-	-	-	8,363
	85,804	244,309	25,660	76,029	-	431,802

\* Based on public ratings assigned by external rating agencies including RAM, MARC and S&P.

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks**

Cash flow and liquidity risks arise when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. 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 relatively small.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring.

**Maturity profiles**

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 contractual undiscounted cash flow basis. 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.

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<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
<b>2016</b>							
AFS financial assets:							
Quoted Shariah-approved equities	3,089	-	-	-	-	3,089	3,089
Unit trusts - REITS	511	-	-	-	-	511	511
Government investment issues	6,046	18	121	2,969	4,152	-	7,260
Unquoted Islamic private debt securities	35,559	532	890	14,271	35,549	-	51,242
Units held in investment-linked fund	4,947	-	-	-	-	4,947	4,947
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	12,150	12,156	-	-	-	-	12,156
Other receivables	32,624	32,624	-	-	-	-	32,624
Cash and bank balances	5,228	5,228	-	-	-	-	5,228
<b>Total financial assets</b>	<b>100,154</b>	<b>50,558</b>	<b>1,011</b>	<b>17,240</b>	<b>39,701</b>	<b>8,547</b>	<b>117,057</b>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<b><u>Shareholders' fund (Continued)</u></b>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2016 (Continued)</b>							
Expense liabilities	16,037	62	2,530	245	13,200	-	16,037
Deferred tax liability	161	161	-	-	-	-	161
Amounts due to related companies	4,583	4,583	-	-	-	-	4,583
Takaful payables	7,644	7,644	-	-	-	-	7,644
Other payables	21,789	21,789	-	-	-	-	21,789
Provisions	5,686	5,686	-	-	-	-	5,686
Total financial and other liabilities	<u>55,900</u>	<u>39,925</u>	<u>2,530</u>	<u>245</u>	<u>13,200</u>	<u>-</u>	<u>55,900</u>
Total liquidity surplus/(gap)	<u>44,254</u>	<u>10,633</u>	<u>(1,519)</u>	<u>16,995</u>	<u>26,501</u>	<u>8,547</u>	<u>61,157</u>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<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
<b>2015</b>							
AFS financial assets:							
Quoted Shariah-approved equities	5,992	-	-	-	-	5,992	5,992
Unit trusts - REITS	438	-	-	-	-	438	438
Government investment issues	22,016	150	434	18,059	8,363	-	27,006
Unquoted Islamic private debt securities	34,642	711	926	11,508	41,097	-	54,242
Units held in investment-linked fund	4,741	-	-	-	-	4,741	4,741
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	750	751	-	-	-	-	751
Other receivables	31,404	31,404	-	-	-	-	31,404
Cash and bank balances	2,116	2,116	-	-	-	-	2,116
<b>Total financial assets</b>	<b>102,099</b>	<b>35,132</b>	<b>1,360</b>	<b>29,567</b>	<b>49,460</b>	<b>11,171</b>	<b>126,690</b>

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**GREAT EASTERN TAKAFUL BERHAD**  
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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<b><u>Shareholders' fund (Continued)</u></b>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2015 (Continued)</b>							
Expense liabilities	12,567	-	972	757	10,838	-	12,567
Amounts due to related companies	6,899	6,899	-	-	-	-	6,899
Takaful payables	1,754	1,754	-	-	-	-	1,754
Other payables	18,960	18,960	-	-	-	-	18,960
Provisions	3,377	3,377	-	-	-	-	3,377
Total financial and other liabilities	<u>43,557</u>	<u>30,990</u>	<u>972</u>	<u>757</u>	<u>10,838</u>	<u>-</u>	<u>43,557</u>
Total liquidity surplus	<u>58,542</u>	<u>4,142</u>	<u>388</u>	<u>28,810</u>	<u>38,622</u>	<u>11,171</u>	<u>83,133</u>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Family takaful 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
<b>2016</b>							
AFS financial assets:							
Quoted Shariah-approved equities	17,428	-	-	-	-	17,428	17,428
Unit trusts - REITS	418	-	-	-	-	418	418
Government investment issues	43,502	346	905	18,012	40,972	-	60,235
Unquoted Islamic private debt securities	84,430	1,170	2,092	34,506	87,438	-	125,206
Financial assets at FVTPL:							
Quoted Shariah-approved equities	58,456	-	-	-	-	58,456	58,456
Financial instruments with embedded derivatives	28	-	-	-	-	28	28
Unit trusts - REITS	2,927	-	-	-	-	2,927	2,927
Government investment issues	19,099	166	393	9,509	15,890	-	25,958
Unquoted Islamic private debt securities	33,615	474	841	12,137	38,427	-	51,879
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	107,150	107,304	-	-	-	-	107,304
Takaful receivables	17,506	17,506	-	-	-	-	17,506
Retakaful assets	96,609	12,532	32,319	1,065	50,693	-	96,609
Other receivables	4,087	4,087	-	-	-	-	4,087
Cash and bank balances	9,738	9,738	-	-	-	-	9,738
<b>Total financial/takaful assets</b>	<b>494,993</b>	<b>153,323</b>	<b>36,550</b>	<b>75,229</b>	<b>233,420</b>	<b>79,257</b>	<b>577,779</b>



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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<b><u>Family takaful fund (Continued)</u></b>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2016 (Continued)</b>							
Takaful certificate liabilities	426,453	44,571	37,512	7,443	334,999	-	424,525
Participants' fund	20,218	20,218	-	-	-	-	20,218
Deferred tax liability	198	198	-	-	-	-	198
Takaful payables	7,179	7,179	-	-	-	-	7,179
Other payables	40,989	40,989	-	-	-	-	40,989
Total financial/takaful liabilities	<u>495,037</u>	<u>113,155</u>	<u>37,512</u>	<u>7,443</u>	<u>334,999</u>	<u>-</u>	<u>493,109</u>
Total liquidity (gap)/surplus	<u>(44)</u>	<u>40,168</u>	<u>(962)</u>	<u>67,786</u>	<u>(101,579)</u>	<u>79,257</u>	<u>84,670</u>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Family takaful 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
<b>2015</b>							
AFS financial assets:							
Quoted Shariah-approved equities	23,098	-	-	-	-	23,098	23,098
Unit trusts - REITS	877	-	-	-	-	877	877
Government investment issues	49,043	409	986	35,513	27,598	-	64,506
Unquoted Islamic private debt securities	62,291	1,133	1,632	27,314	70,238	-	100,317
Financial assets at FVTPL:							
Quoted Shariah-approved equities	45,247	-	-	-	-	45,247	45,247
Financial instruments with embedded derivatives	24	-	-	-	-	24	24
Unit trusts - REITS	353	-	-	-	-	353	353
Government investment issues	14,745	120	300	6,612	11,866	-	18,898
Unquoted Islamic private debt securities	21,579	428	557	8,527	23,679	-	33,191
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	69,080	69,249	-	-	-	-	69,249
Takaful receivables	13,260	13,260	-	-	-	-	13,260
Retakaful assets	57,626	35,736	2,470	19,419	-	-	57,626
Other receivables	1,573	1,573	-	-	-	-	1,573
Cash and bank balances	6,247	6,247	-	-	-	-	6,247
<b>Total financial/takaful assets</b>	<b>365,043</b>	<b>128,155</b>	<b>5,945</b>	<b>97,385</b>	<b>133,381</b>	<b>69,599</b>	<b>434,465</b>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<b><u>Family takaful fund (Continued)</u></b>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2015 (Continued)</b>							
Takaful certificate liabilities	259,462	36,297	26,231	102,966	129,441	-	294,935
Participants' fund	53,867	18,394	-	-	-	-	18,394
Deferred tax liability	471	471	-	-	-	-	471
Takaful payables	7,889	7,889	-	-	-	-	7,889
Other payables	43,718	43,718	-	-	-	-	43,718
Total financial/takaful liabilities	<u>365,407</u>	<u>106,769</u>	<u>26,231</u>	<u>102,966</u>	<u>129,441</u>	<u>-</u>	<u>365,407</u>
Total liquidity (gap)/surplus	<u>(364)</u>	<u>21,386</u>	<u>(20,286)</u>	<u>(5,581)</u>	<u>3,940</u>	<u>69,599</u>	<u>69,058</u>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Company</u>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2016</b>							
AFS financial assets:							
Quoted Shariah-approved equities	20,517	-	-	-	-	20,517	20,517
Unit trusts - REITS	929	-	-	-	-	929	929
Government investment issues	49,548	364	1,026	20,981	45,124	-	67,495
Unquoted Islamic private debt securities	119,989	1,702	2,982	48,777	122,987	-	176,448
Financial assets at FVTPL:							
Quoted Shariah-approved equities	58,456	-	-	-	-	58,456	58,456
Financial instruments with embedded derivatives	28	-	-	-	-	28	28
Unit trusts - REITS	2,927	-	-	-	-	2,927	2,927
Government investment issues	19,099	166	393	9,509	15,890	-	25,958
Unquoted Islamic private debt securities	33,615	474	841	12,137	38,427	-	51,879
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	119,300	119,460	-	-	-	-	119,460
Takaful receivables	17,506	17,506	-	-	-	-	17,506
Retakaful assets	96,609	12,532	32,319	1,065	50,693	-	96,609
Other receivables	5,026	5,026	-	-	-	-	5,026
Cash and bank balances	14,966	14,966	-	-	-	-	14,966
<b>Total financial/takaful assets</b>	<b>558,515</b>	<b>172,196</b>	<b>37,561</b>	<b>92,469</b>	<b>273,121</b>	<b>82,857</b>	<b>658,204</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (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
<b>2016 (Continued)</b>							
Expense liabilities	16,037	62	2,530	245	13,200	-	16,037
Takaful certificate liabilities	443,032	61,150	37,512	7,443	334,999	-	441,104
Deferred tax liability	45	45	-	-	-	-	45
Amounts due to related companies	4,583	4,583	-	-	-	-	4,583
Takaful payables	14,823	14,823	-	-	-	-	14,823
Other payables	31,093	31,093	-	-	-	-	31,093
Provisions	5,686	5,686	-	-	-	-	5,686
Total financial/takaful liabilities	<u>515,299</u>	<u>117,442</u>	<u>40,042</u>	<u>7,688</u>	<u>348,199</u>	<u>-</u>	<u>513,371</u>
Total liquidity surplus/(gap)	<u>43,216</u>	<u>54,754</u>	<u>(2,481)</u>	<u>84,781</u>	<u>(75,078)</u>	<u>82,857</u>	<u>144,833</u>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (Continued)**

<u>Company</u>	<b>Carrying value RM'000</b>	<b>0 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2015</b>							
AFS financial assets:							
Quoted Shariah-approved equities	29,090	-	-	-	-	29,090	29,090
Unit trusts - REITS	1,315	-	-	-	-	1,315	1,315
Government investment issues	71,059	559	1,420	53,572	35,961	-	91,512
Unquoted Islamic private debt securities	96,933	1,844	2,558	38,822	111,335	-	154,559
Financial assets at FVTPL:							
Quoted Shariah-approved equities	45,247	-	-	-	-	45,247	45,247
Financial instruments with embedded derivatives	24	-	-	-	-	24	24
Unit trusts - REITS	353	-	-	-	-	353	353
Government investment issues	14,745	120	300	6,612	11,866	-	18,898
Unquoted Islamic private debt securities	21,579	428	557	8,527	23,679	-	33,191
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	69,830	70,000	-	-	-	-	70,000
Takaful receivables	13,260	13,260	-	-	-	-	13,260
Retakaful assets	57,626	35,736	2,470	19,419	-	-	57,626
Other receivables	2,378	2,378	-	-	-	-	2,378
Cash and bank balances	8,363	8,363	-	-	-	-	8,363
<b>Total financial/takaful assets</b>	<b>431,802</b>	<b>132,688</b>	<b>7,305</b>	<b>126,952</b>	<b>182,841</b>	<b>76,029</b>	<b>525,816</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(b) Cash flow and liquidity risks (Continued)**

**Maturity profiles (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
<b>2015 (Continued)</b>							
Expense liabilities	12,567	-	972	757	10,838	-	12,567
Takaful certificate liabilities	309,690	51,052	26,231	102,966	129,441	-	309,690
Amounts due to related companies	6,899	6,899	-	-	-	-	6,899
Takaful payables	9,643	9,643	-	-	-	-	9,643
Other payables	32,079	32,079	-	-	-	-	32,079
Provisions	3,377	3,377	-	-	-	-	3,377
Total financial/takaful liabilities	<u>374,255</u>	<u>103,050</u>	<u>27,203</u>	<u>103,723</u>	<u>140,279</u>	<u>-</u>	<u>374,255</u>
Total liquidity surplus/(gap)	<u>57,547</u>	<u>29,638</u>	<u>(19,898)</u>	<u>23,229</u>	<u>42,562</u>	<u>76,029</u>	<u>151,561</u>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(c) Profit rate risk (or Profit yield risk)**

The Company is exposed to profit rate risk through (i) investments in fixed income instruments and money market instruments in both the shareholders' fund and the family takaful fund and (ii) expense liabilities in the shareholders' fund. This happens when there are changes to yields where it will incur an economic loss when yields rise.

The Company manages its profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from yield movements.

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>	<b>Within 1 year RM'000</b>	<b>1 to 5 years RM'000</b>	<b>More than 5 years RM'000</b>	<b>Total RM'000</b>
<b>2016</b>				
Government investment issues	-	1,995	4,051	6,046
Unquoted Islamic private debt securities	-	7,674	27,885	35,559
Islamic investment accounts with licensed Islamic banks	12,150	-	-	12,150
	<u>12,150</u>	<u>9,669</u>	<u>31,936</u>	<u>53,755</u>
<b>2015</b>				
Government investment issues	-	14,523	7,493	22,016
Unquoted Islamic private debt securities	-	4,305	30,337	34,642
Islamic investment accounts with licensed Islamic banks	750	-	-	750
	<u>750</u>	<u>18,828</u>	<u>37,830</u>	<u>57,408</u>



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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(c) Profit rate risk (or Profit yield risk) (Continued)**

<u>Family takaful fund</u>	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>2016</b>				
Government investment issues	-	17,672	44,929	62,601
Unquoted Islamic private debt securities	-	25,625	92,420	118,045
Islamic investment accounts with licensed Islamic banks	107,150	-	-	107,150
	<u>107,150</u>	<u>43,297</u>	<u>137,349</u>	<u>287,796</u>
<b>2015</b>				
Government investment issues	-	32,248	31,540	63,788
Unquoted Islamic private debt securities	-	19,163	64,707	83,870
Islamic investment accounts with licensed Islamic banks	69,080	-	-	69,080
	<u>69,080</u>	<u>51,411</u>	<u>96,247</u>	<u>216,738</u>
<u>Company</u>	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>2016</b>				
Government investment issues	-	19,667	48,980	68,647
Unquoted Islamic private debt securities	-	33,299	120,305	153,604
Islamic investment accounts with licensed Islamic banks	119,300	-	-	119,300
	<u>119,300</u>	<u>52,966</u>	<u>169,285</u>	<u>341,551</u>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(c) Profit rate risk (or Profit yield risk) (Continued)**

<u>Company</u>	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>2015</b>				
Government investment issues	-	46,771	39,033	85,804
Unquoted Islamic private debt securities	-	23,468	95,044	118,512
Islamic investment accounts with licensed Islamic banks	69,830	-	-	69,830
	<u>69,830</u>	<u>70,239</u>	<u>134,077</u>	<u>274,146</u>

**Sensitivity analysis**

The analysis below is performed for reasonably possible movements in key variables with all other variables being held constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, these variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit/(loss) after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in income statements, and changes in valuation of takaful certificate liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value of financial assets held in the shareholders' fund.

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(c) Profit rate risk (or Profit yield risk) (Continued)**

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

Change in profit rate	← 2016 →					← 2015 →				
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on loss before tax 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	Impact on loss before tax RM'000	Impact on equity/ participants' fund* RM'000
	← Increase/(Decrease) →					← Increase/(Decrease) →				
<b>Shareholders' fund</b>										
+100 basis points	(683)	(683)	-	(683)	367	(386)	(386)	-	(386)	(39)
-100 basis points	907	907	-	907	(591)	486	486	-	486	(61)
<b>Family takaful fund</b>										
+100 basis points	-	-	(527)	-	(1,662)	-	-	(363)	-	(1,358)
-100 basis points	-	-	527	-	1,662	-	-	363	-	1,358
<b>Company</b>										
+100 basis points	(683)	(683)	-	(683)	367	(386)	(386)	-	(386)	(39)
-100 basis points	907	907	-	907	(591)	486	486	-	486	(61)

\* Impact on equity is after tax of 24% (2015: 25%) and the impact on participants' fund is after tax of 8% (2015: 8%).

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(d) 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.

The table below shows the foreign exchange position of the shareholders' fund, family takaful fund and Company's assets/liabilities by major currencies.

<u>Shareholders' fund</u>	RM RM'000	SGD RM'000	Total RM'000
<b>2016</b>			
<b>Assets</b>			
Motor vehicles and equipment	7,738	-	7,738
Intangible assets	2,364	-	2,364
Investment assets:			
AFS financial assets	50,152	-	50,152
Loans and receivables	12,150	-	12,150
Other receivables	32,624	-	32,624
Cash and bank balances	5,228	-	5,228
<b>Total assets</b>	<b>110,256</b>	<b>-</b>	<b>110,256</b>
<b>Liabilities</b>			
Provision for zakat	194	-	194
Expense liabilities	16,037	-	16,037
Deferred tax liability	161	-	161
Amounts due to related companies	3,158	1,425	4,583
Takaful payables	7,644	-	7,644
Other payables	21,789	-	21,789
Provisions	5,686	-	5,686
<b>Total liabilities</b>	<b>54,669</b>	<b>1,425</b>	<b>56,094</b>

**GREAT EASTERN TAKAFUL BERHAD**  
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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(d) Foreign currency risk (Continued)**

<u>Shareholders' fund</u>	<b>RM</b> <b>RM'000</b>	<b>SGD</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>2015</b>			
<b>Assets</b>			
Motor vehicles and equipment	7,988	-	7,988
Intangible assets	3,247	-	3,247
Investment assets:			
AFS financial assets	67,829	-	67,829
Loans and receivables	750	-	750
Other receivables	31,404	-	31,404
Deferred tax asset	3,073	-	3,073
Cash and bank balances	2,116	-	2,116
<b>Total assets</b>	<b>116,407</b>	<b>-</b>	<b>116,407</b>
<b>Liabilities</b>			
Provision for zakat	57	-	57
Expense liabilities	12,567	-	12,567
Amounts due to related companies	5,012	1,887	6,899
Takaful payables	1,754	-	1,754
Other payables	18,960	-	18,960
Provisions	3,377	-	3,377
<b>Total liabilities</b>	<b>41,727</b>	<b>1,887</b>	<b>43,614</b>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(d) Foreign currency risk (Continued)**

<u>Family takaful fund</u>	<b>RM</b> <b>RM'000</b>	<b>SGD</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>2016</b>			
<b>Assets</b>			
Investment assets:			
AFS financial assets	145,778	-	145,778
Financial assets at FVTPL	114,125	-	114,125
Loans and receivables	107,150	-	107,150
Takaful receivables	17,506	-	17,506
Retakaful assets	96,609	-	96,609
Other receivables	4,087	-	4,087
Tax recoverable	44	-	44
Cash and bank balances	9,736	2	9,738
<b>Total assets</b>	<u>495,035</u>	<u>2</u>	<u>495,037</u>
<b>Liabilities</b>			
Takaful certificate liabilities	426,453	-	426,453
Participants' fund	20,218	-	20,218
Deferred tax liability	198	-	198
Takaful payables	7,179	-	7,179
Other payables	40,989	-	40,989
<b>Total liabilities</b>	<u>495,037</u>	<u>-</u>	<u>495,037</u>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(d) Foreign currency risk (Continued)**

<u>Family takaful fund</u>	<b>RM</b> <b>RM'000</b>	<b>SGD</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>2015</b>			
<b>Assets</b>			
Investment assets:			
AFS financial assets	135,309	-	135,309
Financial assets at FVTPL	81,948	-	81,948
Loans and receivables	69,080	-	69,080
Takaful receivables	13,260	-	13,260
Retakaful assets	57,626	-	57,626
Other receivables	1,573	-	1,573
Tax recoverable	364	-	364
Cash and bank balances	6,245	2	6,247
<b>Total assets</b>	<b>365,405</b>	<b>2</b>	<b>365,407</b>
<b>Liabilities</b>			
Takaful certificate liabilities	259,462	-	259,462
Participants' fund	53,867	-	53,867
Deferred tax liability	471	-	471
Takaful payables	7,889	-	7,889
Other payables	43,718	-	43,718
<b>Total liabilities</b>	<b>365,407</b>	<b>-</b>	<b>365,407</b>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(d) Foreign currency risk (Continued)**

<u>Company</u>	<b>RM RM'000</b>	<b>SGD RM'000</b>	<b>Total RM'000</b>
<b>2016</b>			
<b>Assets</b>			
Motor vehicles and equipment	7,738	-	7,738
Intangible assets	2,364	-	2,364
Investment assets:			
AFS financial assets	190,983	-	190,983
Financial assets at FVTPL	114,125	-	114,125
Loans and receivables	119,300	-	119,300
Takaful receivables	17,506	-	17,506
Retakaful assets	96,609	-	96,609
Other receivables	5,026	-	5,026
Tax recoverable	44	-	44
Cash and bank balances	14,964	2	14,966
<b>Total assets</b>	<b>568,659</b>	<b>2</b>	<b>568,661</b>
<b>Liabilities</b>			
Provision for zakat	194	-	194
Expense liabilities	16,037	-	16,037
Takaful certificate liabilities	443,032	-	443,032
Deferred tax liability	45	-	45
Amounts due to related companies	3,158	1,425	4,583
Takaful payables	14,823	-	14,823
Other payables	31,093	-	31,093
Provisions	5,686	-	5,686
<b>Total liabilities</b>	<b>514,068</b>	<b>1,425</b>	<b>515,493</b>



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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(d) Foreign currency risk (Continued)**

<u>Company</u>	<b>RM</b> <b>RM'000</b>	<b>SGD</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>2015</b>			
<b>Assets</b>			
Motor vehicles and equipment	7,988	-	7,988
Intangible assets	3,247	-	3,247
Investment assets:			
AFS financial assets	198,397	-	198,397
Financial assets at FVTPL	81,948	-	81,948
Loans and receivables	69,830	-	69,830
Takaful receivables	13,260	-	13,260
Retakaful assets	57,626	-	57,626
Other receivables	2,378	-	2,378
Deferred tax asset	2,867	-	2,867
Tax recoverable	364	-	364
Cash and bank balances	8,361	2	8,363
<b>Total assets</b>	<b>446,266</b>	<b>2</b>	<b>446,268</b>
<b>Liabilities</b>			
Provision for zakat	57	-	57
Expense liabilities	12,567	-	12,567
Takaful certificate liabilities	309,690	-	309,690
Amounts due to related companies	5,012	1,887	6,899
Takaful payables	9,643	-	9,643
Other payables	32,079	-	32,079
Provisions	3,377	-	3,377
<b>Total liabilities</b>	<b>372,425</b>	<b>1,887</b>	<b>374,312</b>

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(e) Equity price risk**

Exposure to equity price risk exists in assets. Asset exposure exists through direct equity investment, where the Company through its investments in the shareholders' fund and takaful funds, bears all or most of the volatility in returns and investment performance risk.

A robust monitoring process is in place to manage equity risk by activating 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.

Market indices - FTSE Bursa Malaysia

Change in variables	← 2016 →		← 2015 →	
	Impact on surplus arising	Impact on equity/ participants' fund*	Impact on surplus arising	Impact on equity/ participants' fund*
	RM'000	RM'000	RM'000	RM'000
	← Increase/(decrease) →		← Increase/(decrease) →	
<b>Shareholders' fund</b>				
+ 20%	-	547	-	965
- 20%	-	(547)	-	(965)
<b>Family takaful fund</b>				
+ 20%	12,282	14,583	9,125	12,806
- 20%	(12,282)	(14,583)	(9,125)	(12,806)
<b>Company</b>				
+ 20%	-	547	-	965
- 20%	-	(547)	-	(965)

\* Impact on equity is after tax of 24% (2015: 25%) and the impact on participants' fund is after tax of 8% (2015: 8%).

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**32. MARKET AND CREDIT RISKS (CONTINUED)**

**(f) Credit spread risk**

Exposure to credit spread risk exists in the Company's investments in Islamic private debt securities or corporate sukuk. Credit spread is the difference between the corporate yields against risk-free rate of similar tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the sukuk. A widening in credit spreads will generally result in a fall in the value of the Company's sukuk portfolio.

**(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 product mix to ensure that there is no significant concentration of credit risk.

**33. OPERATIONAL 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.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- Laws, regulations and rules governing takaful family business and financial activities undertaken by the Company
- Codes of practice promoted by industry associations
- Internal standards and guidelines

The day-to-day management of operational and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors operational and compliance issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the 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 and compliance risks.

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**34. TECHNOLOGY RISK**

Technology risk is any event or action that may potentially impact partly or completely the achievement of the Company objectives resulting from inadequate or failed technology controls, processes or human behaviour.

The Company adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology 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 risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

**35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The bases by which fair values of financial assets, takaful receivables, takaful payables and other financial liabilities are determined are disclosed in Note 2.2(g) as well as the relevant explanatory notes in the financial statements.

The fair values of financial assets can be classified in accordance to the fair value hierarchy as defined by MFRS 7 *Financial Instruments: Disclosures*. The different levels of the fair value hierarchy are an indication of the observability of prices or valuation inputs. The definition of the different levels of the fair value hierarchy is as follows:

(i) Level 1: Active market – quoted prices

Prices of financial instruments are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, or other counterparty, and those prices reflect actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include equity investments listed on exchanges, financial instruments with embedded derivatives, unit trusts - REITS and units held in investment-linked fund where unit prices are published or otherwise available.

(ii) Level 2: No active market – valuation using market observable inputs

Fair values of these financial instruments are valued using inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This includes financial instruments where prices are determined and estimated by pricing services or other agencies including most unquoted private debt securities and government investment issues.

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**35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

(iii) Level 3: No active market – valuation using non-market observable inputs

These financial instruments are valued using inputs that are not based on observable market data. Examples of such instruments include unquoted corporate bonds in illiquid markets, non-listed equity investments and over-the-counter derivatives.

An analysis of the methods used in determining the fair values of financial assets in accordance with the fair value hierarchy is as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2016</b>			
<b><u>Shareholders' fund</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	3,089	-	3,089
Unit trusts - REITS	511	-	511
Government investment issues	-	6,046	6,046
Unquoted Islamic private debt securities	-	35,559	35,559
Units held in investment-linked fund	4,947	-	4,947
	<u>8,547</u>	<u>41,605</u>	<u>50,152</u>
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2015</b>			
<b><u>Shareholders' fund</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	5,992	-	5,992
Unit trusts - REITS	438	-	438
Government investment issues	-	22,016	22,016
Unquoted Islamic private debt securities	-	34,642	34,642
Units held in investment-linked fund	4,741	-	4,741
	<u>11,171</u>	<u>56,658</u>	<u>67,829</u>

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**35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

2016	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b><u>Family takaful fund</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	17,428	-	17,428
Unit trusts - REITS	418	-	418
Government investment issues	-	43,502	43,502
Unquoted Islamic private debt securities	-	84,430	84,430
Financial assets at FVTPL:			
Quoted Shariah-approved equities	58,456	-	58,456
Financial instruments with embedded derivatives	28	-	28
Unit trusts - REITS	2,927	-	2,927
Government investment issues	-	19,099	19,099
Unquoted Islamic private debt securities	-	33,615	33,615
	<u>79,257</u>	<u>180,646</u>	<u>259,903</u>
2015	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b><u>Family takaful fund</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	23,098	-	23,098
Unit trusts - REITS	877	-	877
Government investment issues	-	49,043	49,043
Unquoted Islamic private debt securities	-	62,291	62,291
Financial assets at FVTPL:			
Quoted Shariah-approved equities	45,247	-	45,247
Financial instruments with embedded derivatives	24	-	24
Unit trusts - REITS	353	-	353
Government investment issues	-	14,745	14,745
Unquoted Islamic private debt securities	-	21,579	21,579
	<u>69,599</u>	<u>147,658</u>	<u>217,257</u>

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**35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

<b>2016</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Total RM'000</b>
<b><u>Company</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	20,517	-	20,517
Unit trusts - REITS	929	-	929
Government investment issues	-	49,548	49,548
Unquoted Islamic private debt securities	-	119,989	119,989
Financial assets at FVTPL:			
Quoted Shariah-approved equities	58,456	-	58,456
Financial instruments with embedded derivatives	28	-	28
Unit trusts - REITS	2,927	-	2,927
Government investment issues	-	19,099	19,099
Unquoted Islamic private debt securities	-	33,615	33,615
	<b>82,857</b>	<b>222,251</b>	<b>305,108</b>
<b>2015</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Total RM'000</b>
<b><u>Company</u></b>			
AFS financial assets:			
Quoted Shariah-approved equities	29,090	-	29,090
Unit trusts - REITS	1,315	-	1,315
Government investment issues	-	71,059	71,059
Unquoted Islamic private debt securities	-	96,933	96,933
Financial assets at FVTPL:			
Quoted Shariah-approved equities	45,247	-	45,247
Financial instruments with embedded derivatives	24	-	24
Unit trusts - REITS	353	-	353
Government investment issues	-	14,745	14,745
Unquoted Islamic private debt securities	-	21,579	21,579
	<b>76,029</b>	<b>204,316</b>	<b>280,345</b>

There were no financial instruments whose fair values were determined based on Level 3 of the fair value hierarchy during the financial year ended 31 December 2016 and 31 December 2015 nor were there any significant transfers between different levels of the fair value hierarchy during the said financial years.

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**36. 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 Manual.

**37. OPERATING LEASE AGREEMENTS**

The Company has entered into non-cancellable operating lease agreements for the use of office premises and equipment. The leases are for a period of 1 to 3 years. There are no restrictions placed upon the Company by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

<u>Shareholders' fund/Company</u>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Not later than 1 year	793	1,499
Later than 1 year but not later than 5 years	225	990
	<u>1,018</u>	<u>2,489</u>

**38. INVESTMENT-LINKED TAKAFUL FUNDS**

**(a) Statement of income and expenditure**

	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Investment income	2,636	1,951
Realised gains and losses	2,307	(2,056)
Fair value gains and losses	(2,374)	5,382
	<u>2,569</u>	<u>5,277</u>
Asset management charges	(1,081)	(785)
Net other operating expenses	(2,454)	(1,476)
Profit before taxation	(966)	3,016
Taxation	(180)	(280)
Net (loss)/profit for the year	<u>(1,146)</u>	<u>2,736</u>



**GREAT EASTERN TAKAFUL BERHAD**  
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**38. INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)**

**(a) Statement of income and expenditure (Continued)**

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Undistributed income brought forward	6,980	4,244
Undistributed income carried forward	<u>5,834</u>	<u>6,980</u>

**(b) Statement of financial position**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial assets at FVTPL:		
Quoted Shariah-approved equities	58,456	45,247
Financial instruments with embedded derivatives	28	24
Unit trusts - REITS	2,927	353
Government investment issues	2,931	-
Unquoted Islamic private debt securities	29,086	19,075
Profit receivables	513	211
Loans and receivables:		
Islamic investment accounts with licensed Islamic banks	23,700	14,130
Other receivables	12,808	9,166
Tax recoverable	-	165
Cash and bank balances	243	121
Total assets	<u>130,692</u>	<u>88,492</u>
 <b>LIABILITIES</b>		
Other payables	13,968	10,192
Tax payable	205	-
Deferred tax liabilities	229	419
Total liabilities	<u>14,402</u>	<u>10,611</u>
 Represented by:		
Net asset value of funds	<u>116,290</u>	<u>77,881</u>
Value of units	110,456	70,901
Undistributed income carried forward	5,834	6,980
Net asset value of funds	<u>116,290</u>	<u>77,881</u>

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**GREAT EASTERN TAKAFUL BERHAD**  
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**FURTHER INFORMATION ON DIRECTORS**  
(As at 31 December 2016)

**DATUK KAMARUDDIN BIN TAIB**  
- Chairman / Independent Non-Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

1. Germanisher Lloyd GLM Sdn Bhd	Chairman
2. GHL Systems Berhad	Chairman
3. Great Eastern Life Assurance (Malaysia) Berhad	Director
4. FIDE FORUM	Director
5. I Great Capital Holdings Sdn Bhd	Director
6. Overseas Assurance Corporation (Malaysia) Berhad	Director
7. Maksud Sdn Bhd	Director
8. Harta Maksud Sdn Bhd	Director
9. BFC Exchange Malaysia Sdn Bhd	Director
10. Malaysian Oil & Gas Services Council	Trustee

**Academic and Professional Qualifications**

Bachelor of Science Degree in Mathematics, University of Salford, United Kingdom

**Board Committees Served on**

Member, Board Audit Committee

Member, Board Nominations and Remuneration Committee

Member, Board Risk Management Committee

Chairman, Governance Committee

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**GREAT EASTERN TAKAFUL BERHAD**  
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**FURTHER INFORMATION ON DIRECTORS**  
(As at 31 December 2016)

**MR NORMAN IP**

- Independent Non-Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

1. Far Island Bay Sdn Bhd	Chairman
2. Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3. Great Eastern Holdings Limited*	Chairman
4. I Great Capital Holdings Sdn Bhd	Chairman
5. Overseas Assurance Corporation (Holdings) Berhad	Chairman
6. Overseas Assurance Corporation (Malaysia) Berhad	Chairman
7. WBL Corporation Limited	Chairman
8. Great Eastern Life Assurance (Malaysia) Berhad	Chairman
9. AIMS AMP Capital Industrial REIT Management Limited*	Director
10. Lion Global Investors Limited	Director
11. The Great Eastern Life Assurance Company Limited	Director
12. The Overseas Assurance Corporation Limited	Director
13. United Engineers Limited*	Group Managing Director
14. Building and Construction Authority	Deputy Chairman

\* Listed Companies

**Academic and Professional Qualifications**

Bachelor of Science (Economics), London School of Economics and Political Science

Fellow of the Institute Chartered Accountants in England and Wales

Fellow of the Institute of Certified Public Accountants of Singapore

**Board Committees Served on**

Chairman, Board Risk Management Committee

Chairman, Board Nominations and Remuneration Committee

Member, Board Audit Committee

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**GREAT EASTERN TAKAFUL BERHAD**  
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**FURTHER INFORMATION ON DIRECTORS**  
(As at 31 December 2016)

**MAJOR GENERAL DATO' ZULKIFLEE BIN MAZLAN (RTD)**

- Non-Independent Non-Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

- |  |          |
|--|----------|
| 1. Koperasi Angkatan Tentera Malaysia Berhad | Chairman |
| 2. Affin Hwang Investment Bank Berhad        | Director |

**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

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**GREAT EASTERN TAKAFUL BERHAD**  
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**FURTHER INFORMATION ON DIRECTORS**  
(As at 31 December 2016)

**DATIN ZAHARAH BINTI ALI**

- Non-Independent Non-Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

Nil

**Academic and Professional Qualifications**

Master of Computer Science, Universiti Teknologi Malaysia

Bachelor of Arts (Hons), University of Malaya

**Board Committees Served on**

Member, Board Risk Management Committee

Member, Governance Committee

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

**FURTHER INFORMATION ON DIRECTORS**  
(As at 31 December 2016)

**MR LEE KONG YIP**

- Independent Non-Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

1. Fraser & Neave Holdings Berhad\*

Director

\* *Listed Company*

**Academic and Professional Qualifications**

Advanced Management Program, University of California, Berkeley

Bachelor of Economics (Hons) Degree, University of Malaya

**Board Committees Served on**

Chairman, Board Audit Committee

Member, Board Risk Management Committee

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

**FURTHER INFORMATION ON DIRECTORS**  
(As at 31 December 2016)

**MR KHOR HOCK SENG**

- Executive Director

**Shareholding in the Company**

Nil

**Current Directorships (and Appointments)**

1. Lion Global Investors Limited	Chairman
2. Great Eastern Financial Advisers Private Limited	Chairman
3. Great Eastern Capital (Malaysia) Sdn Bhd	Director
4. I Great Capital Holdings Sdn Bhd	Director
5. Overseas Assurance Corporation (Holdings) Berhad	Director
6. Overseas Assurance Corporation (Malaysia) Berhad	Director
7. Great Eastern Life Assurance (Malaysia) Berhad	Director
8. The Great Eastern Trust Private Limited	Director
9. Great Eastern International Private Limited	Director
10. 218 Orchard Private Limited	Director
11. PT Great Eastern Life Indonesia	President Commissioner

**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