

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

Directors' Report and Audited Financial Statements
31 December 2018

916257-H

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

CONTENTS	PAGE
Directors' Report	1 - 5
Statement of Corporate Governance	6 - 35
Statement by Directors	36
Statutory Declaration	36
Report of the Shariah Committee	37 - 38
Independent Auditors' Report	39 - 42
Statements of Financial Position	43
Income Statement	44 - 45
Statement of Comprehensive Income	46
Statement of Changes in Equity	47
Statement of Cash Flows	48 - 49
Notes to the Financial Statements	50 - 187
Further Information on Directors	188 - 192

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Company for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

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

RESULTS

	RM'000
Net loss for the year	<u>(9,801)</u>

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

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

ULTIMATE HOLDING COMPANY

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

DIVIDENDS

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

DIRECTORS

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

Datuk Kamaruddin bin Taib (Chairman)
Mr Norman Ka Cheung Ip
Mr Khor Hock Seng
Major General Dato' Zulkiflee bin Mazlan (Rtd)
Datin Zaharah binti Ali
Mr Lee Kong Yip
Rear Admiral Dato' Anuwar bin Mad Said (Rtd) (Appointed on 18 May 2018)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS (CONTINUED)

In accordance with Article 72 of the Company's Constitution, Datuk Kamaruddin bin Taib and Mr Lee Kong Yip would retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 76 of the Company's Constitution, Rear Admiral Dato' Anuwar bin Mad Said (Rtd) would retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Notes 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.

A Director and officer's liability takaful has been entered into by the Company for the financial year ended 31 December 2018 pursuant to Section 289 of the Companies Act, 2016. The cost of takaful effected for the directors and officers of the Company amounted to RM55,916.

DIRECTORS' INTERESTS

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

<u>Shareholdings in which directors have a</u>			
<u>direct interest</u>			
<u>01.01.2018</u>	<u>Acquired</u>	<u>Disposed</u>	<u>31.12.2018</u>

(a) Ordinary shares in the capital of OCBC Bank

Mr Norman Ka Cheung Ip	4,201	83	-	4,284
Mr Khor Hock Seng	264,380	122,859	-	387,239
Mr Lee Kong Yip	154,021	3,035	-	157,056

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' INTERESTS (CONTINUED)

	<u>Shareholdings in which directors are deemed to have interest</u>				
	<u>01.01.2018</u>	<u>Adjustment</u>	<u>Granted</u>	<u>Vested</u>	<u>31.12.2018</u>
(b) Ordinary shares in the capital of OCBC Bank					
Mr Khor Hock Seng	219,148	-	61,710	(122,859)	157,999 ⁽¹⁾

Note:

- (1) Deemed interest from Remuneration Trust which was released annually on 31 March 2016 to 2018. Deemed interest arising from OCBC Deferred Share Plan is 61,710.

	<u>Options held by directors in their own name</u>					
	<u>Expiry Date</u>	<u>Exercise Price (\$)</u>	<u>01.01.2018</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.2018</u>
(c) Options to subscribe for ordinary shares in the capital of OCBC Bank						
Mr Khor Hock	22.03.2027	9.60	327,082	-	-	327,082
Seng	21.03.2028	13.34	-	122,135	-	122,135

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

CORPORATE GOVERNANCE DISCLOSURES

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

OTHER STATUTORY INFORMATION

- (a) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; 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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

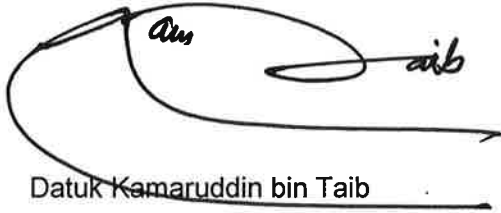
916257- H

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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 financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 February 2019.

A handwritten signature in black ink, consisting of a large, sweeping loop on the left and a horizontal line extending to the right. The initials 'aib' are written in a smaller, cursive script above the horizontal line.

Datuk Kamaruddin bin Taib

Kuala Lumpur

A handwritten signature in black ink, featuring a stylized, angular shape on the left and a series of vertical, slightly wavy lines on the right.

Major General Dato' Zulkiflee bin Mazlan (Rtd)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE

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

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

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

THE BOARD’S CONDUCT OF AFFAIRS

Board’s responsibilities and accountability

The Board provides strategic directions to, and oversight of the operations of the Company. The principal roles and functions of the Board, as set out in the Board Charter include the following:

- (a) reviewing and approving the overall business strategy as well as the organisation structure of the Company, developed and recommended by the Management;
- (b) overseeing and approving the risk appetite of the Company that is consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- (c) overseeing the implementation of the Company’s governance framework and internal control framework, and periodically reviewing the frameworks to ensure they remain appropriate in light of material changes to the size, nature and complexity of the Company’s operations;
- (d) overseeing, through the Board Nominations and Remuneration Committee, the selection, performance, remuneration and succession plans of the Chief Executive Officer (“CEO”), Senior Officers and Non-Senior Officers, such that the Board is satisfied with their collective competence of Senior Officers to effectively lead the operations of the Company;
- (e) ensuring that the decisions and investments are consistent with the long-term strategic goals of the Company and reasonable standards of fair dealing with all stakeholders;
- (f) ensuring that interests of shareholders, certificate holders and other stakeholders are taken into account in managing the Company’s business;
- (g) ensuring that the necessary human resources are in place for the Company to achieve its objectives;
- (h) ensuring that the Company is operated in accordance with the relevant laws and regulations, as well as policies, processes and guidelines approved by the Board, so as to preserve its financial integrity;

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Board's responsibilities and accountability (Continued)

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

The Company has adopted internal guidelines on matters which require Board approval. Matters requiring Board approval include but are not limited to the overall business strategy and direction, significant policies governing the operations of the Company, strategic or significant acquisitions and disposal of assets by the Company, corporate restructuring, major corporate initiatives and other activities of a significant nature, all material and special related party transactions, authority levels for the Company's core functions and outsourcing of core business functions.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board Committees and Management to optimise operational efficiency.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

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 terms of reference.

The Company's Board Committees, in carrying out responsibilities pursuant to their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the principal roles and responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of all Board Committees meetings, which provide fair and accurate record of the discussions, key deliberations and decisions taken during the meetings, are maintained and are circulated to the Board.

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 presented by the Management. All members of the Board participate actively in Board discussions and decisions are taken objectively in the interests of the Company. The Board guides Management with strategic directions to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened. In 2018, the Board convened six scheduled and two ad hoc Board meetings. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Constitution. Director who is unable to attend any Board or Board Committee meeting will still be provided with all meeting papers for information. Directors are equipped with electronics tablets that allow secured access to Board and Board Committee meeting materials.

All Directors have complied with the minimum 75% meeting attendance requirement at Board meetings as stipulated in the CG PD and Board Charter.

The number of meetings of the Board and Board Committees held in 2018 and the attendance of the Directors at those meetings are tabulated below:

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Directors' attendance at Board and Board Committee meetings in 2018

Name of Director	Board			
	No. of Meetings			
	Scheduled Meeting	Attended	Adhoc Meeting	Attended
Datuk Kamaruddin bin Taib (Chairman)	6	6	2	1
Mr Norman Ka Cheung Ip	6	6	2	2
Mr Khor Hock Seng	6	6	2	2
Major General Dato' Zulkiflee bin Mazlan (Rtd)	6	6	2	2
Datin Zaharah binti Ali	6	6	2	2
Mr Lee Kong Yip	6	6	2	2
Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	3	3	2	2

Name of Director	Board Nominations and Remuneration Committee		Board Audit Committee		Board Risk Management Committee		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	5	5	7	7	-	-	2	2
Mr Norman Ka Cheung Ip	5	5	7	3 ⁽¹⁾	5	5	-	-
Mr Khor Hock Seng	5	5 ⁽¹⁾	7	5 ⁽¹⁾	5	5 ⁽¹⁾	-	-
Major General Dato' Zulkiflee bin Mazlan (Rtd)	5	5	7	7	-	-	-	-
Datin Zaharah binti Ali	-	-	-	-	5	5	2	2
Mr Lee Kong Yip	-	-	7	7	5	5	-	-
Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	-	-	-	-	-	-	-	-

Notes:

(1) Attendance by Invitation

(-) Not applicable to the Non-Member of the respective Board Committees.

Directors' attendance at the Annual General Meeting of the Company on 17 April 2018 is not included in the above table.

There was 1 Joint Board Audit Committee-Board Risk Management Committee meeting held on 23 January 2018. Directors' attendance at these meetings is not included in the above table.

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD COMPOSITION AND GUIDANCE

Board Membership

The Company's Board of Directors during the financial year comprised an Independent Chairman, five other non-executive Directors and one Executive Director.

Maj. Gen. Dato' Zulkiflee bin Mazlan (Rtd) and Datin Zaharah binti Ali retired by rotation and were re-elected to the Board at the Company's Annual General Meeting on 17 April 2018 pursuant to Article 72 of the Company's Constitution.

Further, all appointments and re-appointments of Directors of the Company are subject to the approval of BNM. The composition of the Board during the financial year 2018 is as follows:

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

Note:

Datin Zaharah binti Ali was re-designated as an Independent Director on 29 April 2018.

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

Key information on Directors

Key information on each Director's professional qualifications and background is set out under the sections "Board of Directors' Profile" and "Further Information on Directors" of the Company's Financial Report¹. The Directors' membership in the various Board Committees is set out herein.

Directors' interests in shares and share options in the Company's ultimate holding company, OCBC Bank are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2018 ("FY2018"). The Directors do not hold any shares in the Company or its penultimate holdings company, Great Eastern Holdings Limited ("GEH").

¹ Available at the Company's website.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

Board Composition and Independence

The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, the Board will determine whether an individual to be appointed as an Independent Director is independent in character and judgment, and free from associations or circumstances that may impair the exercise of his/her independent judgment. An Independent Director of the Company must be one who himself 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 any of its affiliates within the last two years; and has not served for more than nine years on the Board. CG PD also provides for tenure limits of Independent Directors to general 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 up a majority of the Board membership by 3 August 2021.

The current Board comprises a majority of Independent Directors as determined by the Board Nominations and Remuneration Committee annually, pursuant to the definition of "independence" of a Director under the CG PD. The Company's Independent Directors are currently Datuk Kamaruddin bin Taib, Mr Norman Ka Cheung Ip, Datin Zaharah binti Ali and Mr Lee Kong Yip.

Under the CG PD, Maj. Gen. Dato' Zulkiflee bin Mazlan (Rtd) and Rear Admiral Dato' Anuwar bin Mad Said (Rtd) are deemed non-independent as they both representing the interests of Koperasi Angkatan Tentera Malaysia Berhad, the shareholder of the Company.

Mr Khor Hock Seng is an Executive Director as he is the Group Chief Executive Officer of GEH.

The current Board complies with the CG PD requirements on Board independence. Four out of seven of the Board members are Independent Directors.

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

Further, the Board Nominations and Remuneration Committee also assesses the diversity of its members competency profiles, and determines the collective skills required to discharge its responsibilities effectively.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

Board Composition and Independence (Continued)

The Board members of the Company have diverse backgrounds and qualifications, and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.

With the knowledge, objectivity and balance contributed by the non-executive Directors, the Board constructively challenges and enhances proposals on strategy, reviews the performance of Management against agreed goals and objectives, and monitors the reporting of performances.

CHAIRMAN AND CEO

The roles of the Chairman, Datuk Kamaruddin bin Taib and the CEO, Mr. Shahrul Azlan bin Shahruman 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.

The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its roles and responsibilities, approving the meeting agenda of the Board, monitoring the quality and timelines of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations at Board meetings, encourages constructive relations between executive and non-executive Directors, as well as between the Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management. He also leads efforts to address the Board's developmental needs.

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

SHARIAH COMMITTEE

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

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

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

The Shariah Committee is responsible and accountable for all its decisions, views and opinions related to Shariah matters. All matters which require the Shariah Committee's opinion and decision are deliberated at Shariah Committee meetings with the attendance of the Management and representatives from the Shariah Department. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

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.
- (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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

SHARIAH COMMITTEE (CONTINUED)

- (d) approving the product manual, marketing advertisements, benefit illustrations and brochures used to describe the product.
- (e) assessing the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties on providing their assessment of Shariah compliance and assurance information in the Shariah Committee's Report at page 37 to 38.
- (f) providing necessary assistance to the Company's related parties such as its legal counsel, auditor or consultant on Shariah matters.
- (g) advising the Company 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

The CG PD requires the Board Nominations and Remuneration Committee to have at least three non-executive Directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.

For FY2018, the Board Nominations and Remuneration Committee comprised the following Directors:

Mr Norman Ka Cheung 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, amongst others the responsibilities include identifying, reviewing and recommending candidates for nominations and recommending the re-appointment and re-election of Directors on the Board and Board Committees and Shariah Committee members. It also reviews and recommends nominations of Senior Management positions in the Company to the Board.

The Board Nominations and Remuneration Committee held a total of five meetings in 2018.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Process for Appointment of New Directors

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

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

Re-appointment/Re-election of Directors

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Orientation and Training

Upon the appointment of a new Director, a formal appointment letter will be issued together with a Director's Orientation Kit which will include key information on the Company, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations. As part of the induction programme for new Directors, the Senior Management will conduct presentation sessions for new Directors on the Company's principal activities, business operations, staff strengths, and applicable rules and regulations. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which affect the Directors and to enable them to have a more comprehensive understanding of the Company, the takaful business and practices and the Company's financial statements.

The Board Nominations and Remuneration Committee ensures there is a professional development programme for all Directors, so that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Directors are continually updated on developments affecting the takaful industry. The Company facilitates the attendance of the first-time Directors in completing the mandatory "Financial Institutions Directors' Education ("FIDE") Core Programme within the year from their date of appointment. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management staff on topics relevant to the takaful industry and provides updates on developments in the industry locally. Industry-related and topical articles are regularly circulated to Directors as part of the Company's continuous development programme for Directors. Directors may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the FIDE FORUM, where relevant. The Company has dedicated sufficient resources towards the on-going development of its directors and also maintains formal records of the training and development received by its Directors.

During the financial year, the Directors, collectively or on their own, attended seminars, courses and briefing organised by professional bodies and regulatory authorities as well as those conducted in-house, including the following:

- FIDE Core Programme - Module A and B
- Board Educational Series - Workshop on Risk Culture by Ernst & Young, Singapore
- Board Educational Series - Sales & Service Tax Briefing
- Board Educational Series - Update on Anti-Money Laundering
- Board Educational Series - Risk Culture Report by Ernst & Young
- Board Educational Series - Directors' & Officers' Liability Insurance by Jardine Lloyd Thompson
- BNM-FIDE FORUM Board Conversations

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Orientation and Training (Continued)

- Focus Group - Discussion in Preparation for the 5th BNM-FIDE FORUM Annual Dialogue with the Governor
- 5th BNM-FIDE FORUM Annual Dialogue
- Directors' Continuing Education Programme 2018
- 1st PIDM - FIDE FORUM Annual Dialogue
- Blockchain in Financial Services Industry by IBM
- Exclusive session for FIDE FORUM Members: IBM Think Malaysia
- Credit Risk Management - Banking Sector
- Board Educational Series - Digital Transformation Strategy for Great Eastern Group
- FIDE FORUM Workshop - Identifying your next Board Talent

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, which is facilitated by external consultants, consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees. The assessment of the contributions of individual directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year. The purpose of the evaluation is to increase the overall effectiveness of the Board. The Board has found the evaluation process useful and constructive since its implementation several years ago. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board.

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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Conflicts of Interest

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

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 Senior Management of the Company.

Additionally, it is responsible to oversee performance evaluation of CEO, Shariah Committee and Senior Management. Whenever applicable and consistent with the prescribed internal Remuneration Framework, the Board Nominations and Remuneration Committee's recommendations on the CEO and Senior Management would be made in consultation with the input from the Board Audit Committee and Board Risk Management Committee.

Further, the Board Nominations and Remuneration Committee is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements in line with the Fit and Proper Policy for KRPs.

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

The Board Nominations and Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of individual Directors, Shariah Committee members and Senior Management.

It is responsible to recommend to the Board the Policy on Remuneration for Directors, Shariah Committee members, CEO and Senior Management; and its review thereof from time to time. This will ensure that the Company remains competitive along with the industry and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the compensation packages are not excessive and consistent with the prudent management of the Company's affairs.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

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 meetings and frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his/her own remuneration.

The Board Nominations and Remuneration Committee performs an annual review of the fee structure for Directors' fees and of the computation of the aggregate Directors' fees based on the Board-approved fee structure. The Directors' fees proposed by the Board each year are subject to the shareholders' approval at the Company's Annual General Meeting.

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 FY2018 as that used in the previous financial year.

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Remuneration of Non-Executive Directors (Continued)

Disclosure of Directors' and CEO Remuneration

The total Directors' Remuneration from the Company in respect of FY2018 is shown under Note 24(b) in the Company's financial statements. Fees for Non-Executive Directors totalling RM544,540 in respect of FY2018 will be tabled for approval at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2018 are disclosed under Note 24(b) and Note 24(a) in the Company's financial statements.

Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers 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 Senior Management Team and such other executives as the Board of Directors and/or regulator should determine. Currently, there are eight identified SOs.

Staff engaged in all control functions including Compliance, Risk, Actuarial, Audit, Shariah and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.

Besides the SOs, the Company has identified another key segment of officers; i.e. Other Material Risk Takers ("OMRT"). OMRT is defined to include an officer who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile. There are two identified OMRTs who are subject to risk control Key Performance Indicators and risk adjusted variable compensation commencing from FY2018.

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 compensation (refers to cash, deferred shares and share options), which are generally paid/awarded once a year.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

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

All deferred components will be in the form of deferred shares from the 2019 grants onward. Senior Officers are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

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 fully paid over short periods when risks are realised over long periods.

The Board Nominations and Remuneration Committee reviews the annual budget for salary increment and performance-related variable compensation before submitting their recommendation 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 benchmarking 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 adopted compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it also continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to sustain business performance. In its deliberations, the Board Nominations and Remuneration Committee also takes into account the remuneration principles, practices and standards issued by the regulator from time to time.

SOs and OMRTs, through annual self-declaration, commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

In collaboration with the Board Nominations and Remuneration Committee, the Company has designed and developed its Performance, Assessment and Remuneration Framework, which takes into consideration the prevailing regulatory requirements, and with the input from the SOs. The Performance, Assessment and Remuneration Framework is independently reviewed by the Board Audit Committee and Board Risk Management Committee. The Board Risk Management Committee may with the assistance of Risk Management Department assess how the Performance, Assessment and Remuneration Framework affects the Company's risk profile.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

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

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

The Company does not have any share option scheme or share plan in place. Instead, the Company's ultimate holding company, OCBC Bank, awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Group. There are current malus provisions in the OCBC Deferred Share Plan where the Group Remuneration Committee ("RC") has the discretion to cancel all or part of unvested deferred share.

A significant proportion of the SOs' and OMRTs' compensation may be deferred under deferral arrangements over a period of years and the deferred amount increases with the seniority/rank and bonus amount. The cash bonus paid to the SOs and OMRTs is subject to claw back by the Company. If, at any time before the date (the Cut-Off Date) falling 6 years after the date of payment of the cash bonus, the company determines, in its absolute discretion, that any events set out in the OCBC Deferred Share Plan occurs, the Company has the discretion to elect to claw back part or all of the amount of the cash bonus paid to the SOs and OMRTs. Details of the remuneration granted to the eligible executives are disclosed in table below:

	Unrestricted	Deferred	Remark
	RM	RM	
Total value of remuneration awards for the financial year			
Fixed remuneration			
Cash-based	3,102,016		- Salary + SOCSO + EIS + EPF
Other	83,664		- Fixed Allowances
Variable remuneration			
No. received (Cash-based)	6		-
Cash-based	816,428		- Performance Bonus
No. received (Others)	3		-
Other*	1,100		- LIFE Programme + Long Service Awards

* Include SOs

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

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. For matters requiring approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget (if applicable) and Management's recommendation. The Senior 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.

The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively. Similarly, the Board and each Board Committee may obtain the professional advice, whenever necessary and appropriate, so as to effectively discharge their roles and responsibilities.

BOARD AUDIT COMMITTEE

The CG PD requires the Board Audit Committee to have at least three non-executive directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.

For FY2018, the Board Audit Committee comprised the following Directors:

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD AUDIT COMMITTEE (CONTINUED)

The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2018 included the following:

- (a) Reviewed with the Internal Auditors
 - (i) their audit plans, their evaluation of the system of internal controls, and their audit reports;
 - (ii) the scope and results of the internal audits; and
 - (iii) the assistance given by the officers of the Company to the internal auditors.
- (b) Reviewed with the External Auditors
 - (i) their audit 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 Officers;
 - (v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and
 - (vi) the assistance given by the officers of the Company, including the internal auditors to the external auditors.
- (c) Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company, including financial, operational, compliance and information technology controls and systems established by Management.
- (d) Reviewed the effectiveness of the outsourced internal audit function of the Company.
- (e) Maintained an appropriate relationship with both the internal and external auditors, and in separate sessions met at least annually with the Management, internal and external auditors without the presence of Management, to consider any other matters which may be raised privately.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD AUDIT COMMITTEE (CONTINUED)

- (f) Made recommendation to the Board on the re-appointment of the external auditors and their remuneration and terms of engagement.
- (g) Reviewed and updated the Board on all related-party transactions, as well as reviewed the write-off of material and special related-party transaction and recommend them to the Board for approval.
- (h) Monitor compliance with the Directors' Conflict of Interest Guide.

The Board Audit Committee held a total of seven meetings in 2018, and its members' attendance at these meetings is disclosed herein. The Board Audit Committee meetings were attended by the internal and external auditors, the Group CEO, Group Chief Financial Officer, Group Chief Internal Auditor and certain members of the Senior Officers.

The Company has instituted a whistle-blowing policy whereby employees of the Company and any other persons may raise genuine concerns about possible improprieties in matters of financial reporting or other malpractices at the earliest opportunity. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Board Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Board Audit Committee would be updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith. The Board Audit Committee Chairman is responsible for the effective implementation of the whistle-blowing policy which includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing periodic review of the effectiveness of the policy.

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

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.

INTERNAL AUDIT

The Company utilises the outsourced services of the Internal Audit Department of Great Eastern Life Assurance (Malaysia) Berhad ("GELM"), which assists the Board Audit Committee in discharging its duties and responsibilities. The internal audit function ("Internal Audit") serves to provide the Board and Management with independent and objective assessments of the adequacy and effectiveness of the governance, risk management and internal control processes as designed and implemented by Management. The Internal Audit Charter is approved by the Board Audit Committee. Internal Audit function is independent of the activities it audits.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD AUDIT COMMITTEE (CONTINUED)

INTERNAL AUDIT (CONTINUED)

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 CG PD requires the Board Risk Management Committee to have at least three non-executive directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.

For FY2018, the Board Risk Management Committee comprised the following Directors:

Mr Norman Ka Cheung Ip, Chairman
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, compliance and shariah risks; and any other category of risks as delegated by the Board or as deemed necessary by the committee to manage the financial and reputational impact arising from these risks. It reviews the overall risk management philosophy, including, the risk profile, risk tolerance level, and risk and capital management strategy, guided by the overall corporate strategy and risk appetite as set and approved by the Board. The Board Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management process and systems set up by the Company.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

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 or review and approval of (where applicable) frameworks, policies and charters; as well as 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 and certain financial transactions that exceed the authorisation limits of the Management Committees. Material investment-related activities and transactions are reviewed by the Board Risk Management Committee and recommended to the Board for information or approval, as applicable.

The Company engages the services of the Risk Management and Compliance Department of GELM in discharging its duties and responsibilities. Risk Management and Compliance Department of GELM which are adequately resourced with experienced and qualified employees who are sufficiently independent to perform their duties objectively. They regularly engage Senior Management to develop enterprise-wide risk controls and risk mitigation procedures. The Board Risk Management Committee reviews the performance of the outsourced services and its servicing fees.

The Board Risk Management Committee meets with the Chief Risk Officer and the Head of Compliance of GELM at least once a year without the presence of Management to discuss matters which may be raised privately.

The Board Risk Management Committee held a total of five meetings in 2018.

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

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.

For FY2018, the Governance Committee comprised the following:

Datuk Kamaruddin bin Taib, Chairman
Datin Zaharah binti Ali, Member
Professor Dato' Dr Wan Sabri bin Wan Yusof, Member
Mr Mohd Khalid bin Khairullah, Member

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

GOVERNANCE COMMITTEE (CONTINUED)

Professor Dato' Dr. Wan Sabri bin Wan Yusof is a member of Shariah Committee.

Mr Mohd Khalid bin Khairullah was appointed as the Member of the Governance Committee replacing Ms Jasveen Kaur Marne following his appointment as the Appointed Actuary of the Company on 15 May 2018.

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

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 two meetings in 2018.

INTERNAL CONTROL FRAMEWORKS

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and that the Company has effective operations, risk management and internal control, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Company and the stakeholders' interest.

The system of internal controls provide reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, it is noted that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

INTERNAL CONTROL FRAMEWORKS (CONTINUED)

The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; frameworks, policies and procedures; risk and compliance self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their system of internal controls and their level of compliance with applicable rules and regulations; and a monitoring and reporting process.

Infrastructure

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

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 which serve as guidance to 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 certificates, 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 and policies that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The frameworks outline the common risk management process across all risk types within the Company.

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

INTERNAL CONTROL FRAMEWORKS (CONTINUED)

Frameworks, Policies and Procedures (Continued)

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

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

(ii) Shariah Audit

The Company engages the services of GELM Internal Audit Department to conduct periodic Shariah Audit and 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 the Shariah Committee. GELM 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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

INTERNAL CONTROL FRAMEWORKS (CONTINUED)

Shariah Internal Controls (Continued)

(iii) Shariah Risk Management

The Company has established a Shariah Risk Management Policy to set forth the means by which the Company shall manage Shariah Compliance risks. The policy which was endorsed and approved by the Shariah Committee and Board respectively, outlines the roles and responsibilities of the Board, Senior Management and individual functions in relation to Shariah risk management and provides a framework for monitoring, reviewing, reporting and improving Shariah 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 as a tool to document the risks and the controls identified to mitigate the Shariah non-compliance risks in each business units. With respect to Shariah compliance risk management, Compliance Requirement Self-Assessment 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 the 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 Risk and Control Self-Assessment and Compliance Requirement Self-Assessment 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 to the CEO on the adequacy and effectiveness of the Company's operational risk management and internal control systems, and compliance with the relevant statutory and regulatory requirements. In 2018, an annual Own Risk and Solvency Assessment report was submitted to the Board and Board Risk Management Committee on the Company's risk profile, the manner in which the Company determines its solvency and the various measures put in place to ensure that the solvency requirements are met at all times. Commencing from 2018, this self-assessment process is further supplemented by an annual assurance report on the adequacy of risk management and internal controls.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

INTERNAL CONTROL FRAMEWORKS (CONTINUED)

Monitoring and Reporting

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

Stress test scenarios and the corresponding stress factors are developed and used to stress the financial positions at least annually. Thereafter, the stress scenarios, factors, test results and relevant management actions are reviewed by the Board.

Regulatory breach and operational incidents are reported in the Enterprise Risk Dashboard while investment breaches are reported via the limits report and compliance examination reports. 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.

RELATED PARTY TRANSACTION

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

Details of the Company's related party transactions during FY2018 are set out in Note 27 of the Notes to the Financial Statements.

ETHICAL STANDARDS

The Directors and Management are committed to promoting and maintaining values which emphasise integrity, honesty and proper conduct at all times in the business operations and dealings of the Company. The Company has adopted a Code of Conduct which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of conduct and professional integrity. The Code of Conduct also provides guidance on areas such as responsible stewardship of the Company's resources, the Company's position against fraudulent conduct, conflicts of interests and the appropriate disclosures to be made, and maintaining confidentiality of information. The Code of Conduct is available on the Company's StaffNet.

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

ETHICAL STANDARDS (CONTINUED)

The Company has a suite of policies in place for proper governance and management that staff have to comply with. All policies are prepared in accordance with the Company's risk management and internal control systems and processes, including Management self-assessment and independent audits.

The Company treats feedback and complaints from its customers seriously, and has instituted channels whereby customers may provide feedback or complaints. The Company aims to resolve feedback and complaints professionally and fairly in accordance with the service standards indicated on its website.

BOARD OF DIRECTORS' PROFILE

Datuk Kamaruddin bin Taib, Chairman

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

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

Currently, he is the Chairman of GHJ Systems Berhad and HSBC Amanah Malaysia Berhad. He also sits on the Board of several companies, namely Fraser & Neave Holdings Berhad, Malaysia Smelting Corporation Berhad, BFC Exchange Malaysia Sdn Bhd, DNV GL Malaysia Sdn Bhd, FIDE FORUM (Financial Institutions Directors Education FORUM), Maksud Sdn Bhd and Harta Maksud Sdn Bhd as well as a Trustee of the Malaysian Oil & Gas Service Council.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD OF DIRECTORS' PROFILE (CONTINUED)

Mr Norman Ka Cheung Ip

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

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

Mr Ip is currently the Chairman of WBL Corporation Limited and also serves as a Director in several other companies listed on the Singapore Exchange Securities Trading (SGX-ST), namely AIMS AMP Capital Industrial REIT Management Limited.

Major General Dato' Zulkiflee bin Mazlan (Rtd)

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

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

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

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. She was redesignated as an Independent Director on 29 April 2018.

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD OF DIRECTORS' PROFILE (CONTINUED)

Mr Lee Kong Yip

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

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

Currently, he is a Board Member of Fraser & Neave Holdings Berhad.

Rear Admiral Dato' Anuwar bin Mad Said (Rtd)

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

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

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

Mr Khor Hock Seng

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

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

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

916257-H

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 43 to 187 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 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 12 February 2019.



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, Jasveen Kaur Marne, being the officer primarily responsible for the financial management of Great Eastern Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 43 to 187 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed
Jasveen Kaur Marne
at Kuala Lumpur in the
Federal Territory on 12 February 2019



Before me,

No. 41-G (2)
Tingkat Bawah, Jalan 3/76D
Desa Pandan
55100 Kuala Lumpur

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

Shariah Committee

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

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

The Shariah Committee meets at minimum six times a year. In 2018, the Shariah Committee met six times. The attendance of members at the Shariah Committee meetings is as follows:

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

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 2018 to 31 December 2018. 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 2018 to 31 December 2018 that we have reviewed, are in compliance with Shariah principles. There was no incident involving Shariah Non-Compliance Event on the business conducted by Great Eastern Takaful Berhad.
2. the allocation of profit and surplus sharing and charging of losses and deficits between shareholders' fund and/or tabarru' and participant's investment funds conform to the basis that had been approved by us in accordance with Shariah principles;
3. no earnings that have been realised from sources or means prohibited by the Shariah principles during the financial year from 1 January 2018 to 31 December 2018; 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 2018 to 31 December 2018 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

12 FEB 2019

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 2018, 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 43 to 187.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and 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, Statement of Corporate Governance and Further Information on Directors but does not include the financial statements of the Company and our auditors' report thereon.

916257 - H

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

916257 - H

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

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

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

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

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

916257 - H

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

Other matters

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



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
12 February 2019



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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018			2017		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Assets							
Motor vehicles and equipment	4	11,624	-	11,624	10,027	-	10,027
Intangible assets	5	6,217	-	6,217	8,092	-	8,092
Investments	6	99,422	578,621	672,605	88,087	463,875	546,585
Takaful receivables	7	-	10,777	10,777	-	11,082	11,082
Retakaful assets	8	-	124,132	124,132	-	98,529	98,529
Other receivables	9	28,019	3,810	5,811	30,517	5,409	6,721
Deferred tax assets	10	-	485	481	-	-	-
Tax recoverable		784	-	383	492	-	-
Cash and bank balances		5,351	16,021	21,372	5,213	9,684	14,897
Total assets		151,417	733,846	853,402	142,428	588,579	695,933
Equity							
Share capital	11	155,000	-	155,000	155,000	-	155,000
Accumulated losses		(89,322)	-	(90,773)	(81,200)	-	(81,200)
Other comprehensive income fair value reserves/AFS		(455)	-	(455)	1,798	-	408
Total equity		65,223	-	63,772	75,598	-	74,208
Liabilities and participants' fund							
Provision for taxation		-	401	-	-	979	487
Expense liabilities	12	26,791	-	26,791	22,634	-	22,634
Takaful certificate liabilities	13	-	666,627	682,846	-	520,598	538,759
Participants' fund	14	-	19,858	-	-	21,800	-
Deferred tax liabilities	10	352	-	-	418	847	917
Amounts due to related companies	15	8,939	-	8,939	4,900	-	4,900
Takaful payables	16	10,534	11,448	21,982	7,999	7,998	15,997
Other payables	17	33,300	35,512	42,794	25,386	36,357	32,538
Provisions	18	6,278	-	6,278	5,493	-	5,493
Total liabilities and participants' fund		86,194	733,846	789,630	66,830	588,579	621,725
Total equity, liabilities and participants' fund		151,417	733,846	853,402	142,428	588,579	695,933

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018			2017		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Wakalah fee income	19	155,746	-	-	124,689	-	-
Gross earned contributions		-	420,123	420,123	-	307,264	307,264
Earned contributions ceded to retakaful operators		-	(54,071)	(54,071)	-	(47,091)	(47,091)
Net earned contributions		-	366,052	366,052	-	260,173	260,173
Investment income	20	3,814	19,906	23,720	3,403	14,825	18,228
Realised gains/(losses)	21	105	(3,258)	(3,153)	928	9,979	10,907
Fair value (losses)/gains	22	(143)	(12,736)	(12,940)	-	7,615	7,615
Fee and commission income		-	1,378	257	-	1,537	453
Other operating revenue		196	95	291	53	70	123
Other revenue		3,972	5,385	8,175	4,384	34,026	37,326
Gross benefits and claims paid	13	-	(110,599)	(110,599)	-	(85,823)	(85,823)
Claims ceded to retakaful operators	13	-	38,980	38,980	-	37,422	37,422
Gross change in certificate liabilities	13	-	(132,845)	(150,835)	-	(82,594)	(99,976)
Change in certificate liabilities ceded to retakaful operators	13	-	25,603	25,603	-	1,920	1,920
Net benefits and claims		-	(178,861)	(196,851)	-	(129,075)	(146,457)
Wakalah fee expense	23	-	(155,746)	-	-	(124,689)	-
Commission expenses/administration fees		(86,242)	(1,854)	(86,975)	(68,851)	(1,268)	(69,035)
Management expenses	24	(88,104)	(2,188)	(90,292)	(80,378)	(3,160)	(83,538)
Change in expense liabilities	12	(4,157)	-	(4,157)	(6,597)	-	(6,597)
Impairment loss on FVOCI/AFS financial assets		-	(49)	(49)	(129)	(530)	(659)
Taxation of family takaful business	25(a)	-	267	267	-	(2,231)	(2,231)
Other expenses		(178,503)	(159,570)	(181,206)	(155,955)	(131,878)	(162,060)

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GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018			2017			
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	
Operating (loss)/profit before surplus transfers	(18,785)	33,006	(3,830)	(26,882)	33,246	(11,018)	
Surplus attributable to participants	-	(17,990)	-	-	(17,382)	-	
Surplus attributable to shareholders	15,016	(15,016)	-	15,864	(15,864)	-	
Loss before zakat and taxation	(3,769)	-	(3,830)	(11,018)	-	(11,018)	
Zakat	-	-	-	161	-	161	
Taxation	(6,032)	-	(6,032)	(3,229)	-	(3,229)	
Net loss for the year	(9,801)	-	(9,862)	(14,086)	-	(14,086)	
Loss per share (sen)							
Basic and diluted	26	(7.3)	-	(7.3)	(11.5)	-	(11.5)

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018			2017		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Net loss for the year		(9,801)	-	(9,862)	(14,086)	-	(14,086)
Other comprehensive (loss)/income:							
Other comprehensive loss that will not be reclassified to income statement in subsequent periods (net of tax):							
Equity instruments designated at Fair Value through Other Comprehensive Income ("FVOCI"):							
Net loss on fair value changes		(887)	(3,925)	(4,812)	-	-	-
Tax on realised loss		69	157	226	-	-	-
Deferred tax relating to components of other comprehensive income	10	119	266	385	-	-	-
		<u>(699)</u>	<u>(3,502)</u>	<u>(4,201)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available-for-sale ("AFS") fair value reserves:							
Net gain on fair value changes		-	-	-	1,337	3,889	4,796
Net realised gain transferred to income statement	21	-	-	-	(928)	(3,918)	(4,846)
Impairment losses transferred to income statement		-	-	-	129	530	659
Deferred tax relating to components of other comprehensive income	10	-	-	-	(16)	(56)	(38)
Other comprehensive income attributable to participants	14	-	-	-	-	(445)	(445)
Islamic debt instruments at FVOCI:							
Net loss on fair value changes		-	370	370	-	-	-
Net realised gain transferred to income statement	21	-	(427)	(427)	-	-	-
Changes in allowance for Expected Credit Loss ("ECL")	30(f)	-	931	931	-	-	-
Deferred tax relating to components of other comprehensive income	10	-	10	10	-	-	-
Other comprehensive income attributable to participants	14	-	2,618	2,618	-	-	-
Other comprehensive income for the year, net of tax		<u>-</u>	<u>3,502</u>	<u>3,502</u>	<u>522</u>	<u>-</u>	<u>126</u>
Total comprehensive loss for the year		<u>(10,500)</u>	<u>-</u>	<u>(10,561)</u>	<u>(13,564)</u>	<u>-</u>	<u>(13,960)</u>

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to Equity Holders of the Company			
	Share capital RM'000 (Note 11)	Non-distributable Fair value reserves RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2017	120,000	282	(67,114)	53,168
Net loss for the year	-	-	(14,086)	(14,086)
Other comprehensive income	-	126	-	126
Total comprehensive income/(loss)	-	126	(14,086)	(13,960)
Issuance of shares (Note 11)	35,000	-	-	35,000
At 31 December 2017	155,000	408	(81,200)	74,208
At 1 January 2018	155,000	408	(81,200)	74,208
Effects of adoption of MFRS 9 (Note 2.3)	-	(381)	506	125
At 1 January 2018, restated	155,000	27	(80,694)	74,333
Net loss for the year	-	-	(9,862)	(9,862)
Other comprehensive loss	-	(699)	-	(699)
Total comprehensive loss	-	(699)	(9,862)	(10,561)
Transfer of fair value reserve of equity instruments designated at FVOCI (Note 6(a))	-	217	(217)	-
At 31 December 2018	155,000	(455)	(90,773)	63,772

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
OPERATING ACTIVITIES			
Loss before zakat and taxation		(3,830)	(11,018)
Adjustments for:			
Depreciation for motor vehicles and equipment	4, 24	4,162	3,027
Amortisation of intangible assets	5, 24	2,116	1,863
Investment income	20	(23,720)	(18,228)
Realised losses/(gains)	21	3,153	(10,907)
Fair value losses/(gains) in income statement	22	12,940	(7,615)
Impairment loss on FVOCI/AFS financial assets		49	130
Taxation of family takaful business	25(a)	(267)	2,231
Operating loss before working capital changes		(5,397)	(40,517)
Purchase of FVOCI/AFS investments		(253,233)	(291,471)
Proceeds from sales of FVOCI/AFS investments		219,499	217,332
Purchase of FVTPL investments		(461,521)	(236,906)
Proceeds from sales of FVTPL investments		368,531	189,918
Decrease in loans and receivables		-	5,000
Decrease in takaful and other receivables		1,092	6,510
Increase in retakaful assets		(25,603)	(1,920)
Increase in takaful and other payables		20,958	9,024
Increase in takaful certificate liabilities		146,705	95,282
Net change in balance with related companies		4,038	317
Cash generated from/(used in) operating activities		15,069	(47,431)
Income tax paid		(7,412)	(4,096)
Zakat paid		-	(32)
Investment income received		23,848	16,447
Net cash generated from/(used in) operating activities		31,505	(35,112)
INVESTING ACTIVITIES			
Purchase of motor vehicles and equipment	4	(5,769)	(5,316)
Proceeds from disposal of property and equipment		10	-
Purchase of intangible assets	5	(241)	(7,591)
Net cash used in investing activities		(6,000)	(12,907)
FINANCING ACTIVITY			
Issuance of shares	11	-	35,000
Net cash generated from financing activity		-	35,000

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Net increase/(decrease) in cash and cash equivalents		25,505	(13,019)
Cash and cash equivalents at beginning of year		<u>116,247</u>	<u>129,266</u>
Cash and cash equivalents at end of year		<u>141,752</u>	<u>116,247</u>
Cash and cash equivalents comprise of:			
Cash and bank balances		21,372	14,897
Short term Islamic investment accounts with original maturity period of less than 3 months	6(c)	<u>120,380</u>	<u>101,350</u>
		<u>141,752</u>	<u>116,247</u>

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 12 February 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

At the beginning of the current financial year, the Company had adopted the amended MFRSs and new MFRSs applicable for annual financial periods beginning on or after 1 January 2018, 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.

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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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

Takaful operations and its funds

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

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

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

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Motor vehicles and equipment and depreciation

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

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

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

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

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

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets and amortisation

Intangible assets comprise the distribution agreement with Bank Muamalat Malaysia Berhad ("Bank Muamalat") which is amortised over its economic useful life in relation to the associated income from the related business and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

The distribution agreement with Bank Muamalat 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.

(c) Investments and financial assets (Policy applicable before 1 January 2018)

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 depends 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 the 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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investments and financial assets (Policy applicable before 1 January 2018)
(Continued)

(i) 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 quoted Shariah-approved equities, financial instruments with embedded derivatives, unit trusts - REITS, government investment issues and 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.

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 statement.

(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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investments and financial assets (Policy applicable before 1 January 2018)
(Continued)

(ii) LAR (continued)

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 statement when the assets are de-recognised or impaired, as well as through the amortisation process.

(iii) AFS Financial Assets

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 statement 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 statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is de-recognised.

(d) Investments and financial assets (Policy applicable after 1 January 2018)

Initial Recognition and Measurement

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments and financial assets (Policy applicable after 1 January 2018)
(Continued)

Initial Recognition and Measurement (Continued)

Classification

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

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

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

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

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

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

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

All other financial assets are measured as FVTPL.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments and financial assets (Policy applicable after 1 January 2018)
(Continued)

Initial Recognition and Measurement (Continued)

Business model assessment

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

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

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

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

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments and financial assets (Policy applicable after 1 January 2018)
(Continued)

Initial Recognition and Measurement (Continued)

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

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

Subsequent measurement

I. Islamic Debt Instruments

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

(i) Amortised Cost ("AC")

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments and financial assets (Policy applicable after 1 January 2018)
(Continued)

Subsequent measurement (Continued)

I. Islamic Debt Instruments (Continued)

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

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

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

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

II. Shariah-approved Equity Instruments

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments and financial assets (Policy applicable after 1 January 2018)
(Continued)

Subsequent measurement (Continued)

III. Derivatives and Hedging Activities

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

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

IV. Loans and Receivables (“LAR”)

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

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

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

(e) Takaful receivables

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

Prior to 1 January 2018, the carrying value of takaful receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement. After 1 January 2018, a loss allowance is measured at an amount equal to lifetime expected credit losses (“ECL”) using a simplified net flow rate model for outstanding contributions from certificate holders, agents, intermediaries and corporate shareholders.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Takaful receivables (Continued)

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

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

(f) Financial liabilities and takaful payables

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

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

(i) Financial liabilities at FVTPL

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

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

The Company has not designated any financial liabilities at FVTPL.

(ii) Other financial liabilities

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial liabilities and takaful payables (Continued)

(ii) Other financial liabilities (Continued)

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

(g) Fair value measurement

The Company measures financial instruments at fair value at each statement of financial position date. Also, fair values of financial instruments 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.

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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fair value measurement (Continued)

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

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

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

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

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

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fair value measurement (Continued)

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 (Policy applicable before 1 January 2018)

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

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.

(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 statement.

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 statement.

(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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of financial assets (Policy applicable before 1 January 2018)
(Continued)

(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 statement, is transferred from other comprehensive income to the income statement. Reversals in respect of equity instruments are not recognised in the income statement. Impairment for equity instrument is provided immediately upon meeting the significant or prolonged criteria in compliance with MFRS 139. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which fair value has been below its original cost.

In the case of Islamic private debt securities classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future profit income continues to be accrued based on the reduced carrying amount of the asset, using the rate of profit used to discount the future cash flows for the purpose of measuring impairment loss. If in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed in the income statement.

(i) Impairment of financial assets (Policy applicable after 1 January 2018)

The Company recognises loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of financial assets (Policy applicable after 1 January 2018)
(Continued)

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

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

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

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

Modified financial assets

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of financial assets (Policy applicable after 1 January 2018)
(Continued)

Credit-impaired financial assets

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

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

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

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

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

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

Write-off

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derecognition

A financial asset is derecognised when:

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

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

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

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

Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

(k) Regular way purchase or sale of a financial asset

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(l) Impairment of non-financial assets

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

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

(m) Employee benefits

(i) Defined contribution plans under statutory regulations

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

(ii) Employee leave entitlements

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 statement 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.

(o) Offsetting of Financial Assets and Liabilities

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

(p) 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, net of tax. The accrued deferred benefit shall only become payable provided the Agreements have been in force for certain continuous contract years and the agent has attained the minimum age stipulated in the Agreements.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

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

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

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

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

(r) Family takaful fund

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Family takaful fund (Continued)

(i) Contribution income

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

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

(ii) Creation or cancellation of units

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

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

(iii) Retakaful ceded contribution

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

(iv) Benefits and claim expenses

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Family takaful fund (Continued)

(iv) Benefits and claim expenses (Continued)

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

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

(v) Commission and agency expenses

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

(vi) Actuarial liabilities

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Family takaful fund (Continued)

(vi) Actuarial liabilities (Continued)

Types of Takaful Certificates

Takaful certificate liabilities are classified into principal components as follows:

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

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

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

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

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Product classification

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

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

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

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

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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(s) are accounted for as described below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the statement of financial position date, all retakaful arrangements entered into by the Company during the year met the classification requirements of takaful certificates.

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

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

(u) Other revenue recognition

Prior to 1 January 2018, 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. Subsequent to 1 January 2018, revenue is recognised at an amount that reflects the consideration to which the Company/takaful fund expects to be entitled when the performance obligation is satisfied. Revenue is measured at the fair value of consideration received or receivable.

Profit income

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

Dividend income

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Other revenue recognition (Continued)

Realised gains and losses on investments

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

(v) 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.

(w) Zakat

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

(x) Shareholders' fund

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

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

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

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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Shareholders' fund (continued)

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

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

(ii) Expense liabilities of the family takaful fund

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

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

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

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

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 statement.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

The principal exchange rate for every unit of Singapore Dollar ruling at the statement of financial position date is RM3.03 (2017: RM3.03).

(z) Leases

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

Operating leases - Company as lessee

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Measurement and impairment of Qard

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

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

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

(ab) 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 except where GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case GST is recognised as part of the expense item as applicable. Receivable 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 statement of financial position.

Based on the Federal Government Gazette on Goods and Services Tax (Rate of Tax) (Amendment) Order 2018 ("the Order") issued on 16 May 2018, the GST standard rate was amended from 6% to 0% with effect from 1 June 2018. Effective from 1 September 2018, the Sales Tax Act 2018 and the Service Tax Act 2018 together with its respective subsidiary legislations are introduced to replace the GST Act 2014 which was repealed on the same date.

(ac) Shareholders' Equity

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

(i) Share capital

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Shareholders' Equity (Continued)

(ii) FVOCI reserves

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

(iii) Redeemable preference shares

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

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

On 1 January 2018, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018.

- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2 *Share-based Payment - Classification and Measurement of Share-based based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- MFRS 9 *Financial Instruments*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures* (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*
- MFRS 15 *Revenue from Contracts with Customers*

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations (Continued)

MFRS 9 *Financial Instruments*

The Company applies, for the first time, MFRS 9 *Financial Instruments* in the current financial year. The nature and effect of adopting MFRS 9 are disclosed in Table A.

The Company has adopted MFRS 9 *Financial Instruments* effective 1 January 2018. The requirements of MFRS 9 represent a significant change from MFRS 139 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Company's accounting policies resulting from its adoption of MFRS 9 are summarised below.

MFRS 9 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Classification under MFRS 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI.

Under the new model, FVTPL is the residual category – financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The gains or losses of debt instruments initially classified as FVOCI are recycled to profit or loss on derecognition.

MFRS 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income, with no recycling of gains or losses in profit or loss on derecognition.

Derivatives and hybrid contracts with financial asset hosts where contractual cash flows are not solely payments of principal and interest are required to be classified at fair value through profit or loss.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations (Continued)

MFRS 9 *Financial Instruments* (Continued)

Impairment

MFRS 9 requires the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Transition

The changes in accounting policies have been applied retrospectively and the Company has elected to apply the limited exemption in MFRS 9 and has not restated comparative periods in the year of initial application. The impact arising from MFRS 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018.

The following table shows the material reclassifications arising from adoption of MFRS 9 as well as the impact, net of tax, in fair value reserves and retained earnings. There is no impact on other components of equity.

Table A - Impact from adoption of MFRS 9

	Before MFRS 9 adjust- ments	Classifica- tion and Measure- ment	Expected Credit Loss ("ECL") Measure- ment	After MFRS 9 adjust- ments
	RM'000	RM'000	RM'000	RM'000
Assets				
Investments	551,962	-	(882)	551,079
LAR	101,350	(101,350)	-	-
AC	-	101,350	-	101,350
AFS	275,823	(275,823)	-	-
- Shariah-approved equities	27,497	(27,497)	-	-
- Islamic private debt securities	242,949	(242,949)	-	-
- Collective investment schemes	5,377	(5,377)	-	-
FVTPL	174,789	44,727	-	219,516
- Shariah-approved equities	103,646	-	-	103,646
- Islamic private debt securities	68,208	39,350	-	107,558
- Collective investment schemes	2,935	5,377	-	8,312

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations (Continued)

MFRS 9 *Financial Instruments* (Continued)

Transition (Continued)

Table A - Impact from adoption of MFRS 9 (Continued)

	Before MFRS 9 adjust- ments	Classifica- tion and Measure- ment	Expected Credit Loss ("ECL") Measure- ment	After MFRS 9 adjust- ments
	RM'000	RM'000	RM'000	RM'000
Assets (continued)				
FVOCI	-	231,095	(882)	230,213
- Shariah-approved equities	-	27,497	-	27,497
- Islamic private debt securities	-	203,598	(882)	202,716
Takaful receivables	11,082	-	(3)	11,079
Equity				
Accumulated losses	(81,200)	506	-	(80,694)
AFS reserves	408	(408)	-	-
FVOCI reserves	-	27	-	27
Liabilities				
Deferred tax liabilities	1,265	-	(71)	1,194

Other than the effects described above, the adoption of the new standard have no material impact on the financial statements in the period of initial application.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Effective for financial periods beginning on or after 1 January 2019

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

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Long Term Interests in Associates and Joint Ventures*

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Effective for financial periods beginning on or after 1 January 2019 (Continued)

- Amendments to MFRS 3 *Business Combinations* (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Joint Arrangements* (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112 *Income Taxes* (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119 *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs* (Annual Improvements to MFRS Standards 2015-2017 Cycle)

Effective for financial periods beginning on or after 1 January 2020

- Amendments to MFRS 3 *Business Combinations*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Effective for financial periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

Deferred

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

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

MFRS 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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 16 Leases (Continued)

The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. 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.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019 and the Company will apply the standard from its mandatory adoption date. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expense).

As at 31 December 2018, the Company has non-cancellable operating lease commitments of RM2,315,356 (Note 33). Of these commitments, approximately RM35,780 relate to short-term leases and RM92,750 to low-value leases which will both be recognised on a straight-line basis as expense in the Income Statement. For the remaining lease commitments the Company expects to recognise right-of-use assets of approximately RM2,205,056 with a corresponding increase in lease liabilities. There will be no deferred tax impact.

The Company expects that net profit after tax will decrease by approximately RM73,633 for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately RM2,205,056 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

MFRS 17 Insurance Contracts

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical judgements made in application of accounting policies

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

(a) Impairment of FVOCI financial assets (Note 6(a))

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

(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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(c) Impairment of receivables (Note 7 and Note 9)

For retakaful receivables, the Company assesses at each statement of financial position 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.

3.2 Key sources of estimation uncertainty

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

(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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

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

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

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

(b) Deferred tax assets (Note 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 statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

4. MOTOR VEHICLES AND EQUIPMENT

<u>Shareholders' fund/ Company</u>	Motor vehicles RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Capital work-in- progress RM'000	Total RM'000
2018					
Cost					
At 1 January 2018	514	11,209	5,501	2,744	19,968
Additions	-	245	20	5,504	5,769
Disposals	-	-	(23)	-	(23)
Transfer	-	6,849	-	(6,849)	-
At 31 December 2018	<u>514</u>	<u>18,303</u>	<u>5,498</u>	<u>1,399</u>	<u>25,714</u>
Accumulated depreciation					
At 1 January 2018	(429)	(5,866)	(3,646)	-	(9,941)
Charge for the year	(47)	(3,588)	(527)	-	(4,162)
Disposals	-	-	13	-	13
At 31 December 2018	<u>(476)</u>	<u>(9,454)</u>	<u>(4,160)</u>	<u>-</u>	<u>(14,090)</u>
Net book value					
At 31 December 2018	<u>38</u>	<u>8,849</u>	<u>1,338</u>	<u>1,399</u>	<u>11,624</u>
2017					
Cost					
At 1 January 2017	514	8,292	5,435	411	14,652
Additions	-	1,288	61	3,967	5,316
Transfer	-	1,629	5	(1,634)	-
At 31 December 2017	<u>514</u>	<u>11,209</u>	<u>5,501</u>	<u>2,744</u>	<u>19,968</u>
Accumulated depreciation					
At 1 January 2017	(326)	(3,543)	(3,045)	-	(6,914)
Charge for the year	(103)	(2,323)	(601)	-	(3,027)
At 31 December 2017	<u>(429)</u>	<u>(5,866)</u>	<u>(3,646)</u>	<u>-</u>	<u>(9,941)</u>
Net book value					
At 31 December 2017	<u>85</u>	<u>5,343</u>	<u>1,855</u>	<u>2,744</u>	<u>10,027</u>

Included in motor vehicles and equipment are the cost of fully depreciated assets which are still in use amounting to RM6,874,273 (2017: RM2,290,542).

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INTANGIBLE ASSETS

<u>Shareholders' fund/Company</u>	Computer software and licences RM'000	Distribution agreement RM'000	Total RM'000
2018			
Cost			
At 1 January 2018	2,889	13,000	15,889
Additions	241	-	241
At 31 December 2018	<u>3,130</u>	<u>13,000</u>	<u>16,130</u>
Accumulated amortisation			
At 1 January 2018	(1,767)	(6,030)	(7,797)
Charge for the year	(476)	(1,640)	(2,116)
At 31 December 2018	<u>(2,243)</u>	<u>(7,670)</u>	<u>(9,913)</u>
Net book value			
At 31 December 2018	<u>887</u>	<u>5,330</u>	<u>6,217</u>
2017			
Cost			
At 1 January 2017	2,298	6,000	8,298
Additions	591	7,000	7,591
At 31 December 2017	<u>2,889</u>	<u>13,000</u>	<u>15,889</u>
Accumulated amortisation			
At 1 January 2017	(1,334)	(4,600)	(5,934)
Charge for the year	(433)	(1,430)	(1,863)
At 31 December 2017	<u>(1,767)</u>	<u>(6,030)</u>	<u>(7,797)</u>
Net book value			
At 31 December 2017	<u>1,122</u>	<u>6,970</u>	<u>8,092</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS

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

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

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets (Note 6(a))	9,183	295,014	304,197
Financial assets at FVTPL (Note 6(b))	86,739	166,727	248,028
Financial assets at AC (Note 6(c))	3,500	116,880	120,380
	<u>99,422</u>	<u>578,621</u>	<u>672,605</u>

The following investments mature after 12 months:

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2017			
AFS financial assets:			
Quoted Shariah-approved equities	5,192	22,305	27,497
Government investment issues	18,382	54,221	72,603
Unquoted Islamic private debt securities	48,836	121,510	170,346
Units held in investment-linked fund	5,377	-	-
Financial assets at FVTPL:			
Quoted Shariah-approved equities	-	103,646	103,646
Unit trusts - REITS	-	2,935	2,935
Government investment issues	-	28,963	28,963
Unquoted Islamic private debt securities	-	39,245	39,245
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	10,300	91,050	101,350
	<u>88,087</u>	<u>463,875</u>	<u>546,585</u>

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

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets (Note 6(a))	77,787	198,036	270,446
Financial assets at FVTPL (Note 6(b))	-	174,789	174,789
Loans and receivables (Note 6(c))	10,300	91,050	101,350
	<u>88,087</u>	<u>463,875</u>	<u>546,585</u>

The following investments mature after
12 months:

AFS financial assets	67,218	173,522	240,740
Financial assets at FVTPL	-	68,208	68,208
	<u>67,218</u>	<u>241,730</u>	<u>308,948</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONTINUED)

(a) FVOCI/AFS financial assets

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
At cost:			
Quoted Shariah-approved equities	9,781	71,290	81,071
Government investment issues	-	92,332	92,332
Unquoted Islamic private debt securities	-	134,519	134,519
	<u>9,781</u>	<u>298,141</u>	<u>307,922</u>
At fair value:			
Quoted Shariah-approved equities	9,183	67,348	76,531
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
	<u>9,183</u>	<u>295,014</u>	<u>304,197</u>
2017			
At cost:			
Quoted Shariah-approved equities	5,189	22,479	27,668
Government investment issues	18,283	54,248	72,531
Unquoted Islamic private debt securities	48,460	120,610	169,070
Units held in investment-linked fund	3,639	-	-
	<u>75,571</u>	<u>197,337</u>	<u>269,269</u>
At fair value:			
Quoted Shariah-approved equities	5,192	22,305	27,497
Government investment issues	18,382	54,221	72,603
Unquoted Islamic private debt securities	48,836	121,510	170,346
Units held in investment-linked fund	5,377	-	-
	<u>77,787</u>	<u>198,036</u>	<u>270,446</u>

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONTINUED)

(a) FVOCI/AFS financial assets (Continued)

<u>Company</u>	2018 RM'000	2017 RM'000
Movement in impairment allowance accounts:		
Provision for impairment:		
At 1 January	568	438
Charge for the year	-	130
Reversal due to adoption of MFRS 9	(568)	-
At 31 December	<u>-</u>	<u>568</u>

The impairment losses arose on equity securities for which there have been significant or prolonged decline in fair value.

(b) Financial assets at FVTPL

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
At fair value:			
Mandatorily measured:			
Quoted Shariah-approved equities	-	121,683	121,683
Financial instruments with embedded derivatives	-	6	6
Unit trusts - REITS	-	5,297	5,297
Units held in investment-linked fund	5,438	-	-
Government investment issues	-	1,022	1,022
Unquoted Islamic private debt securities	-	38,719	38,719
Designated upon initial recognition:			
Government investment issues	29,213	-	29,213
Unquoted Islamic private debt securities	52,088	-	52,088
	<u>86,739</u>	<u>166,727</u>	<u>248,028</u>
2017			
At fair value:			
Quoted Shariah-approved equities	-	103,646	103,646
Unit trusts - REITS	-	2,935	2,935
Government investment issues	-	28,963	28,963
Unquoted Islamic private debt securities	-	39,245	39,245
	<u>-</u>	<u>174,789</u>	<u>174,789</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONTINUED)

(c) Financial assets at AC/Loans and receivables

2018	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
At amortised cost/fair value:			
Islamic investment accounts with licensed Islamic banks	3,500	116,880	120,380
2017			
At amortised cost/fair value:			
Islamic investment accounts with licensed Islamic banks	10,300	91,050	101,350

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 RM120,380,000 (2017: RM101,350,000), 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

<u>Family takaful fund/Company</u>	2018 RM'000	2017 RM'000
Contributions due from agents, other intermediaries and corporate shareholder	10,445	8,486
Amount due from retakaful operators	984	2,596
	<u>11,429</u>	<u>11,082</u>
Allowance for impairment	(652)	-
	<u>10,777</u>	<u>11,082</u>
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	-	-
Effect of adoption of MFRS 9	(3)	-
At 1 January (restated)	(3)	-
Impairment for the year	(649)	-
At 31 December	<u>(652)</u>	<u>-</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

7. TAKAFUL RECEIVABLES (CONTINUED)

Included in the takaful receivables is an amount of RM7.0 million (2017: RM7.2 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 certificates.

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

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

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
31 December 2018			
Retakaful contributions	(12,230)	-	(12,230)
Commission earned	-	28	28
Claims recoveries	-	13,186	13,186
	<u>(12,230)</u>	<u>13,214</u>	<u>984</u>
31 December 2017			
Retakaful contributions	(5,296)	-	(5,296)
Claims recoveries	-	7,892	7,892
	<u>(5,296)</u>	<u>7,892</u>	<u>2,596</u>

8. RETAKAFUL ASSETS

	2018 RM'000	2017 RM'000
<u>Family takaful fund/Company</u>		
Retakaful of takaful certificates (Note 13)	<u>124,132</u>	<u>98,529</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

9. OTHER RECEIVABLES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Profit due and accrued	988	3,402	4,390
Other receivables and deposits	1,013	408	1,421
Amount due from family takaful fund * (Note 17)	26,018	-	-
	<u>28,019</u>	<u>3,810</u>	<u>5,811</u>
2017			
Profit due and accrued	957	3,557	4,514
Other receivables and deposits	355	1,852	2,207
Amount due from family takaful fund * (Note 17)	29,205	-	-
	<u>30,517</u>	<u>5,409</u>	<u>6,721</u>

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

10. DEFERRED TAX (LIABILITIES)/ASSETS

	2018 RM'000	2017 RM'000
<u>Shareholders' fund</u>		
At beginning of year	(418)	(161)
Recognised in other comprehensive income	119	(16)
Recognised in income statement (Note 25(b))	(53)	(241)
At end of year	<u>(352)</u>	<u>(418)</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

10. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

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

	← (Liability)/Asset →		
	FVOCI reserves RM'000	Unutilised tax losses RM'000	Total RM'000
<u>Shareholders' fund (Continued)</u>			
2018			
At 1 January 2018	(418)	-	(418)
Recognised in other comprehensive income	119	-	119
Recognised in income statement	-	(53)	(53)
At 31 December 2018	<u>(299)</u>	<u>(53)</u>	<u>(352)</u>
2017			
At 1 January 2017	(402)	241	(161)
Recognised in other comprehensive income	(16)	-	(16)
Recognised in income statement	-	(241)	(241)
At 31 December 2017	<u>(418)</u>	<u>-</u>	<u>(418)</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.

	2018 RM'000	2017 RM'000
<u>Family takaful fund</u>		
At beginning of year	(847)	(198)
Effects of adoption of MFRS 9	(71)	-
Recognised in other comprehensive income	347	(56)
Recognised in income statement (Note 25)	1,056	(593)
At end of year	<u>485</u>	<u>(847)</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

10. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

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

	← Asset/(Liability) →		
	FVOCI reserves RM'000	FVTPL financial assets RM'000	Total RM'000
<u>Family takaful fund (Continued)</u>			
2018			
At 1 January 2018	(25)	(822)	(847)
Effects of adoption of MFRS 9	(71)	-	(71)
Recognised in other comprehensive income	347	-	347
Recognised in income statement	-	1,056	1,056
At 31 December 2018	<u>251</u>	<u>234</u>	<u>485</u>
2017			
At 1 January 2017	31	(229)	(198)
Recognised in other comprehensive income	(56)	-	(56)
Recognised in income statement	-	(593)	(593)
At 31 December 2017	<u>(25)</u>	<u>(822)</u>	<u>(847)</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.

	2018 RM'000	2017 RM'000
<u>Company</u>		
At beginning of year	(917)	(45)
Effects of adoption of MFRS 9	(71)	-
Recognised in other comprehensive income	466	(38)
Recognised in income statement	1,003	(834)
At end of year	<u>481</u>	<u>(917)</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

10. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

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

	← (Liability)/Asset →		
	FVOCI reserves RM'000	Unutilised tax losses RM'000	Total RM'000
<u>Company (Continued)</u>			
2018			
At 1 January 2018	(145)	(772)	(917)
Effects of adoption of MFRS 9	(71)	-	(71)
Recognised in other comprehensive income	466	-	466
Recognised in income statement	-	1,003	1,003
At 31 December 2018	<u>250</u>	<u>231</u>	<u>481</u>
2017			
At 1 January 2017	(107)	62	(45)
Recognised in other comprehensive income	(38)	-	(38)
Recognised in income statement	-	(834)	(834)
At 31 December 2017	<u>(145)</u>	<u>(772)</u>	<u>(917)</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

	Number of shares		Amount	
	2018	2017	2018 RM	2017 RM
<u>Shareholders' fund/Company</u>				
Ordinary shares (a)	135,000	135,000	135,000	135,000
Redeemable preference shares (b)	20,000	20,000	20,000	20,000
	<u>155,000</u>	<u>155,000</u>	<u>155,000</u>	<u>155,000</u>
(a) Ordinary shares:				
At 1 January	135,000	100,000	135,000	100,000
Issuance of ordinary shares	-	35,000	-	35,000
At 31 December	<u>135,000</u>	<u>135,000</u>	<u>135,000</u>	<u>135,000</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

11. SHARE CAPITAL (CONTINUED)

	Number of shares		Amount	
	2018	2017	2018 RM	2017 RM
(b) Redeemable preference shares:				
At 1 January/31 December	20,000	20,000	20,000	20,000
At 31 December	155,000	155,000	155,000	155,000

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

12. EXPENSE LIABILITIES

	2018 RM'000	2017 RM'000
<u>Shareholders' fund/Company</u>		
Provision for expense liabilities	22,048	17,093
Provision for expense over-run	4,743	5,541
	<u>26,791</u>	<u>22,634</u>
At beginning of the year	22,634	16,037
Change in expense liabilities	4,955	2,647
Expense over-run reserves	(798)	3,950
	<u>4,157</u>	<u>6,597</u>
	<u>26,791</u>	<u>22,634</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.

13. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
<u>Family takaful fund</u>			
2018			
Provision for outstanding claims reported by certificate holders	32,942	(23,163)	9,779
Actuarial reserves	128,885	(100,969)	27,916
Participants' investment account ("PIA")	253,540	-	253,540
Net asset value attributable to certificate holders	221,827	-	221,827
Accumulated surplus	29,433	-	29,433
	<u>666,627</u>	<u>(124,132)</u>	<u>542,495</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

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

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
<u>Family takaful fund (Continued)</u>			
2018 (continued)			
At 1 January 2018	520,598	(98,529)	422,069
Benefits intimated during the year	120,680	(45,006)	75,674
Benefits paid during the year	(110,599)	38,980	(71,619)
Increase in liabilities due to:			
Portfolio movements	109,310	(12,313)	96,997
Surplus allocated to participants during the year (Note 14(i))	17,314	-	17,314
Change in assumptions and basis	8,126	(7,264)	862
Surplus arising during the year	1,198	-	1,198
At 31 December 2018	<u>666,627</u>	<u>(124,132)</u>	<u>542,495</u>
2017			
Provision for outstanding claims reported by certificate holders	22,861	(17,138)	5,723
Actuarial reserves	101,738	(81,391)	20,347
Participants' investment account ("PIA")	197,142	-	197,142
Net asset value attributable to certificate holders	170,622	-	170,622
Accumulated surplus	28,235	-	28,235
	<u>520,598</u>	<u>(98,529)</u>	<u>422,069</u>

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

At 1 January 2017	426,453	(96,609)	329,844
Benefits intimated during the year	89,839	(39,943)	49,896
Benefits paid during the year	(85,823)	37,422	(48,401)
Increase in liabilities due to:			
Portfolio movements	94,844	(24,212)	70,632
Surplus allocated to participants during the year (Note 14(i))	16,245	-	16,245
Change in assumptions and basis	(23,230)	24,813	1,583
Surplus arising during the year	2,270	-	2,270
At 31 December 2017	<u>520,598</u>	<u>(98,529)</u>	<u>422,069</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

<u>Company</u>	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
2018			
Provision for outstanding claims reported by certificate holders	32,942	(23,163)	9,779
Actuarial reserves	128,885	(100,969)	27,916
Participants' investment account ("PIA")	253,540	-	253,540
Net asset value attributable to certificate holders	218,188	-	218,188
Accumulated surplus	29,433	-	29,433
Unallocated surplus	21,802	-	21,802
FVOCI reserves	(1,944)	-	(1,944)
	<u>682,846</u>	<u>(124,132)</u>	<u>558,714</u>

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

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

2017

Provision for outstanding claims reported by certificate holders	22,861	(17,138)	5,723
Actuarial reserves	101,738	(81,391)	20,347
Participants' investment account ("PIA")	197,142	-	197,142
Net asset value attributable to certificate holders	166,983	-	166,983
Accumulated surplus	28,235	-	28,235
Unallocated surplus	21,126	-	21,126
AFS reserves	674	-	674
	<u>538,759</u>	<u>(98,529)</u>	<u>440,230</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

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

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
<u>Company (Continued)</u>			
2017 (continued)			
At 1 January 2017	443,032	(96,609)	346,423
Benefits intimated during the year	89,839	(39,943)	49,896
Benefits paid during the year	(85,823)	37,422	(48,401)
Increase in liabilities due to:			
Portfolio movements	94,844	(24,212)	70,632
Change in assumptions and basis	(23,230)	24,813	1,583
Surplus arising during the year	2,270		2,270
Surplus distributable to participants	17,382	-	17,382
AFS fair value loss for the year	501	-	501
Deferred tax relating to AFS fair value loss	(56)	-	(56)
At 31 December 2017	<u>538,759</u>	<u>(98,529)</u>	<u>440,230</u>

14. PARTICIPANTS' FUND

	2018 RM'000	2017 RM'000
<u>Family takaful fund</u>		
Unallocated surplus (Note (i))	21,802	21,126
FVOCI/AFS reserves (Note (ii))	(1,944)	674
	<u>19,858</u>	<u>21,800</u>
(i) Unallocated surplus:		
At beginning of the year	21,126	19,989
Surplus distributable to participants	17,990	17,382
Surplus allocated to participants (Note 13)	(17,314)	(16,245)
At end of the year	<u>21,802</u>	<u>21,126</u>
(ii) FVOCI/AFS reserves:		
At beginning of the year	674	229
Net (loss)/gain recognised during the year	(2,618)	445
At end of the year	<u>(1,944)</u>	<u>674</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Due to clients, agents and other intermediaries	10,534	-	10,534
Amount due to retakaful operators	-	11,448	11,448
	<u>10,534</u>	<u>11,448</u>	<u>21,982</u>
2017			
Due to clients, agents and other intermediaries	7,999	-	7,999
Amount due to retakaful operators	-	7,998	7,998
	<u>7,999</u>	<u>7,998</u>	<u>15,997</u>

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

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

16. TAKAFUL PAYABLES (CONTINUED)

2017	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
Retakaful contributions	32,162	-	32,162
Claims recoveries	-	(23,934)	(23,934)
Commissions	-	(230)	(230)
	<u>32,162</u>	<u>(24,164)</u>	<u>7,998</u>

17. OTHER PAYABLES

2018	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Deposit contributions	-	1,195	1,195
Amount due to shareholders' fund* (Note 9)	-	26,018	-
Accruals	9,953	-	9,953
Agents' retirement benefits (Note 17.1)	8,773	-	8,773
Other payables and sundry creditors	14,574	8,299	22,873
	<u>33,300</u>	<u>35,512</u>	<u>42,794</u>
2017			
Deposit contributions	-	2,865	2,865
Amount due to shareholders' fund* (Note 9)	-	29,205	-
Accruals	6,207	-	6,207
Agents' retirement benefits (Note 17.1)	5,644	-	5,644
Other payables and sundry creditors	13,535	4,287	17,822
	<u>25,386</u>	<u>36,357</u>	<u>32,538</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

17. OTHER PAYABLES (CONTINUED)

17.1 Agents' retirement benefits

	2018	2017
	RM'000	RM'000
<u>Shareholders' fund</u>		
At 1 January	5,644	3,389
Provision for the year	3,129	2,255
At 31 December	<u>8,773</u>	<u>5,644</u>
Payable after 12 months	<u>8,773</u>	<u>5,644</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

	2018	2017
	RM'000	RM'000
<u>Shareholders' fund/Company</u>		
Provision for bonus (Note 18.1)	5,905	5,120
Provision for short-term accumulating compensated absences	373	373
	<u>6,278</u>	<u>5,493</u>

18.1 Provision for bonus

	2018	2017
	RM'000	RM'000
<u>Shareholders' fund</u>		
At 1 January	5,120	5,426
Provision for the year	5,904	5,120
Utilised during the year	(4,057)	(4,119)
Overprovision in prior year	(1,062)	(1,307)
At 31 December	<u>5,905</u>	<u>5,120</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

19. WAKALAH FEE INCOME

	2018	2017
	RM'000	RM'000
<u>Shareholders' fund</u>		
Upfront fee	145,867	116,617
Fund management and service charges	9,879	8,072
	<u>155,746</u>	<u>124,689</u>

20. INVESTMENT INCOME

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

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

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

20. INVESTMENT INCOME (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2017			
AFS financial assets:			
Profit income	2,847	7,453	10,300
Dividend income	210	937	1,147
Net accretion/(amortisation)	18	(21)	(3)
Financial assets at FVTPL:			
Profit income	-	2,617	2,617
Dividend income	-	2,464	2,464
Profit income from loans and receivables	345	1,997	2,342
Gross investment income	<u>3,420</u>	<u>15,447</u>	<u>18,867</u>
Less: Investment expenses	<u>(17)</u>	<u>(622)</u>	<u>(639)</u>
	<u>3,403</u>	<u>14,825</u>	<u>18,228</u>

21. REALISED GAINS/(LOSSES)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
FVOCI financial assets:			
Realised gains:			
Government investment issues	-	407	407
Unquoted Islamic private debt securities	-	20	20
Total realised gains for FVOCI financial assets	<u>-</u>	<u>427</u>	<u>427</u>
Financial assets at FVTPL:			
Realised gains/(losses):			
<u>Mandatorily measured:</u>			
Shariah-approved equities			
- quoted in Malaysia	-	(4,338)	(4,338)
Financial instruments with embedded derivatives	8	83	91
Unit trusts - REITS	-	29	29
Government investment issues	-	297	297
Unquoted Islamic private debt securities	-	244	244
	<u>8</u>	<u>(3,685)</u>	<u>(3,677)</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

21. REALISED GAINS/(LOSSES) (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018 (Continued)			
Financial assets at FVTPL: (Continued)			
Realised gains/(losses): (Continued)			
<u>Designated upon initial recognition:</u>			
Government investment issues	36	-	36
Unquoted Islamic private debt securities	61	-	61
	<u>97</u>	<u>-</u>	<u>97</u>
Total realised gains for financial assets at FVTPL	<u>105</u>	<u>(3,685)</u>	<u>(3,580)</u>
	<u>105</u>	<u>(3,258)</u>	<u>(3,153)</u>
2017			
AFS financial assets:			
Realised gains:			
Shariah-approved equities			
- quoted in Malaysia	468	3,263	3,731
Unit trusts - REITS	46	15	61
Government investment issues	94	147	241
Unquoted Islamic private debt securities	320	493	813
Total realised gains for AFS financial assets	<u>928</u>	<u>3,918</u>	<u>4,846</u>
Financial assets at FVTPL:			
Realised gains:			
Shariah-approved equities			
- quoted in Malaysia	-	5,124	5,124
Financial instruments with embedded derivatives	-	26	26
Government investment issues	-	117	117
Unquoted Islamic private debt securities	-	794	794
Total realised gains for financial assets at FVTPL	<u>-</u>	<u>6,061</u>	<u>6,061</u>
	<u>928</u>	<u>9,979</u>	<u>10,907</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

22. FAIR VALUE (LOSSES)/GAINS

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Financial assets at FVTPL	(143)	(12,736)	(12,940)
2017			
Financial assets at FVTPL	-	7,615	7,615

23. WAKALAH FEE EXPENSE

	2018 RM'000	2017 RM'000
<u>Family takaful fund</u>		
Upfront fee	145,867	116,617
Fund management and service charges	9,879	8,072
	<u>155,746</u>	<u>124,689</u>

24. MANAGEMENT EXPENSES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Staff costs:			
Salaries, bonus and other related costs	24,635	-	24,635
Deferred contribution plans	3,555	-	3,555
Social security contribution	170	-	170
Short-term accumulating compensated absences	-	-	-
	28,360	-	28,360
Non-executive directors' remuneration (Note 24(b))	544	-	544
Shariah committee members' remuneration (Note 24(c))	221	-	221
Auditors' remuneration:			
- statutory audit	252	-	252
- regulatory related fees	58	12	70
- non-audit fee	128	-	128
Agency related expenses	18,540	-	18,540
Advertising and marketing expenses	6,812	5	6,817
Rental of properties	1,499	-	1,499

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

24. MANAGEMENT EXPENSES (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2018 (Continued)			
Rental of equipment	159	-	159
Depreciation of motor vehicles and equipment (Note 4)	4,162	-	4,162
Amortisation of intangible assets (Note 5)	2,116	-	2,116
Marketing and communication	1,554	-	1,554
Electronic data processing	436	-	436
Management fees	4,327	-	4,327
Shared services charges	10,853	-	10,853
Other expenses	8,083	2,171	10,254
	<u>88,104</u>	<u>2,188</u>	<u>90,292</u>
2017			
Staff costs:			
Salaries, bonus and other related costs	21,370	-	21,370
Deferred contribution plans	3,146	-	3,146
Social security contribution	151	-	151
Short-term accumulating compensated absences	113	-	113
	24,780	-	24,780
Non-executive directors' remuneration (Note 24(b))	519	-	519
Shariah committee members' remuneration (Note 24(c))	234	-	234
Auditors' remuneration:			
- statutory audit	211	-	211
- regulatory related fees	77	12	89
- non-audit fee	25	-	25
Agency related expenses	13,211	-	13,211
Advertising and marketing expenses	6,580	4	6,584
Rental of properties	1,482	-	1,482
Rental of equipment	114	-	114
Depreciation of motor vehicles and equipment (Note 4)	3,027	-	3,027
Amortisation of intangible assets (Note 5)	1,863	-	1,863
Marketing and communication	692	-	692
Electronic data processing	1,180	-	1,180
Management fees	7,476	-	7,476
Shared services charges	12,029	-	12,029
Other expenses	6,878	3,144	10,022
	<u>80,378</u>	<u>3,160</u>	<u>83,538</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

24. MANAGEMENT EXPENSES (CONTINUED)

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

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

	2018	2017
	RM'000	RM'000
Salaries and bonus	1,048	584
Deferred contribution plans	167	148
Others	19	17
	<u>1,234</u>	<u>749</u>

(b) Non-executive directors' remuneration:

	2018	2017
	RM'000	RM'000

Shareholders' fund/Company

Non-executive directors' remuneration:

Fees:

Current directors:

Datuk Kamaruddin bin Taib (Chairman)	98	99
Mr Norman Ip	65	66
Major General Dato' Zulkiflee bin Mazlan (Rtd)	50	50
Datin Zaharah binti Ali	50	50
Mr Lee Kong Yip	62	62
Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	26	-
	<u>351</u>	<u>327</u>

Allowances:

Current directors:

Datuk Kamaruddin bin Taib (Chairman)	34	43
Mr Norman Ip	36	42
Major General Dato' Zulkiflee bin Mazlan (Rtd)	37	41
Datin Zaharah binti Ali	31	32
Mr Lee Kong Yip	39	34
Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	16	-
	<u>193</u>	<u>192</u>
	<u>544</u>	<u>519</u>

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

24. MANAGEMENT EXPENSES (CONTINUED)

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

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

	2018	2017
<u>Shareholders' fund/Company</u>		
Non-Executive directors		
Below RM50,000	1	-
RM50,001 - RM100,000	2	3
RM100,001 - RM150,000	3	2
	<hr/>	<hr/>

(c) Shariah Committee Members' remuneration:

	2018	2017
	RM'000	RM'000
<u>Shareholders' fund/Company</u>		
<u>Fees:</u>		
Dr. Akhtarzaite binti Abdul Aziz	36	36
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. Suhaimi bin Ab Rahman	30	30
Dr. Mohammad Firdaus bin Mohammad Hatta	30	30
	<hr/>	<hr/>
	186	186
<u>Other emoluments</u>		
Dr. Akhtarzaite binti Abdul Aziz	6	9
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	5	7
Dr. Mohamad Sabri bin Zakaria	6	8
Assoc. Prof. Dr. Siti Salwani binti Razali	6	8
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	6	8
Dr. Mohammad Firdaus bin Mohammad Hatta	6	8
	<hr/>	<hr/>
	35	48
	<hr/>	<hr/>
	221	234
	<hr/>	<hr/>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

25. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION

	2018	2017
	RM'000	RM'000
(a) <u>Family takaful fund</u>		
Malaysian income tax:		
Current year	558	1,452
Under provision in prior year	231	186
	789	1,638
Deferred tax relating to the origination and reversal of temporary differences:		
Current year	(1,056)	593
	(1,056)	593
Tax expense for the year	<u>(267)</u>	<u>2,231</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% (2017: 8%) of the chargeable investment income net of allowable deductions for the year.

	2018	2017
	RM'000	RM'000
(b) <u>Shareholders' fund/Company</u>		
Malaysian income tax:		
Current year	4,496	2,988
Under provision in prior year	1,483	-
	5,979	2,988
Deferred tax relating to the origination and reversal of temporary differences (Note 10):		
Current year	(36)	283
Under/(Over) provision in prior years	89	(42)
	53	241
Tax expense for the year	<u>6,032</u>	<u>3,229</u>

Domestic income tax for the shareholders' fund/Company is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated chargeable income for the year.

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

	2018	2017
	RM'000	RM'000
Loss before zakat and taxation	<u>(3,769)</u>	<u>(11,018)</u>
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(905)	(2,644)
Expenses not deductible for tax purposes	42,740	37,515
Income not subject to tax	(37,375)	(31,600)
Under/(Over) provision in prior years	1,572	(42)
Tax expense for the year	<u>6,032</u>	<u>3,229</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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:

<u>Shareholders' fund/Company</u>	2018	2017
Net loss for the year (RM'000)	(9,801)	(14,086)
Weighted average number/number of ordinary shares in issue ('000)	135,000	122,822
Basic loss per share (sen)	<u>(7.3)</u>	<u>(11.5)</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.

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

27. RELATED PARTY DISCLOSURES (CONTINUED)

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

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

<u>Company</u>	2018 RM'000	2017 RM'000
<u>(Expenses)/income:</u>		
Service charges (vi):		
- Koperasi Angkatan Tentera Malaysia Berhad	(1,164)	(1,081)
Commission expenses/administration fees paid (ii):		
- OCBC Al-Amin Bank Berhad	(724)	(359)
- Koperasi Angkatan Tentera Malaysia Berhad	(4,178)	(4,976)
Custodian fees (ii):		
- OCBC Bank (Malaysia) Berhad	(68)	(59)
Bank charges (ii):		
- OCBC Al-Amin Bank Berhad	(173)	(228)
Credit card charges (ii):		
- OCBC Bank (Malaysia) Berhad	(1,077)	(777)
Rental of properties (v):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,399)	(1,365)
- Koperasi Angkatan Tentera Malaysia Berhad	(41)	(43)
Profit income (iii):		
- OCBC Al-Amin Bank Berhad	1,978	1,337
(Charges)/income for outsourcing services (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(8,932)	(10,539)
- I Great Capital Holdings Sdn Bhd	79	78
Charges for group services (vi):		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,026)	(1,579)
- Great Eastern Life Assurance Co. Ltd.	(4,327)	(7,476)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

27. RELATED PARTY DISCLOSURES (CONTINUED)

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

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

<u>Company</u>	2018 RM'000	2017 RM'000
<u>(Expenses)/income: (Continued)</u>		
Shariah Committee members' fees	(222)	(234)
Disposal of investments (i):		
- Great Eastern Life Assurance (Malaysia) Berhad	-	46,647
Purchase of investments (i):		
- Great Eastern Life Assurance (Malaysia) Berhad	-	(20,493)
	<u> </u>	<u> </u>

(ii) Balances with related parties at year end:

	2018 RM'000	2017 RM'000
Cash and bank balances:		
- OCBC Al-Amin Bank Berhad	16,364	10,318
Islamic investment accounts with licensed Islamic banks:		
- OCBC Al-Amin Bank Berhad	79,630	50,200
Amount due (to)/from related companies:		
- Great Eastern Life Assurance (Malaysia) Berhad	(3,891)	(2,425)
- Great Eastern Life Assurance Co. Ltd.	(5,054)	(2,489)
- I Great Capital Holdings Sdn Bhd	6	14
	<u> </u>	<u> </u>
Takaful receivables:		
- Koperasi Angkatan Tentera Malaysia Berhad	7,042	7,218
	<u> </u>	<u> </u>

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

(i) The sale and purchase of investments to related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees;

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

27. RELATED PARTY DISCLOSURES (CONTINUED)

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

- (ii) Payment of commissions, custodian fees and bank charges to related parties are made according to normal market prices;
- (iii) The profit income arose mainly from investments in fixed deposits and repurchase agreements which are made according to prevailing market rates, terms and conditions;
- (iv) The outsourcing agreements were made at arm's length and approved by the Board;
- (v) Rental of property from related parties are made according to normal market prices, terms and conditions; and
- (vi) Payment of Group function costs based on allocation rates governed by corporate service agreement and in line with Malaysian Transfer Pricing Guidelines and Organisation for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines. Group function services are derived from immediate parent company in Singapore, Great Eastern Life Assurance Co. Ltd.

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

Geographical Location	Type of Services	2018 RM	2017 RM
Singapore	Group service charges for services rendered, which include those in respect of strategic management, finance, actuarial, risk management and compliance, human capital, investment management, operations, information technology and market distribution.	(4,327)	(7,476)
		<u>(4,327)</u>	<u>(7,476)</u>

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

	2018 RM'000	2017 RM'000
Key management personnel's remuneration:		
Non-executive directors	544	519
Salaries and bonus	3,446	3,628
Deferred contribution plans	539	635
Benefits-in-kind	17	79
	<u>4,546</u>	<u>4,861</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

28. REGULATORY CAPITAL REQUIREMENT

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

2018	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Eligible Tier 1 Capital			
Share capital	135,000	-	135,000
Accumulated losses	(89,322)	-	(89,322)
Valuation surplus maintained in the takaful funds	-	14,803	14,803
	<u>45,678</u>	<u>14,803</u>	<u>60,481</u>
Eligible Tier 2 Capital			
Available-for-sale reserves	(455)	(288)	(743)
Redeemable preference shares	20,000	-	20,000
	<u>19,545</u>	<u>(288)</u>	<u>19,257</u>
Deductions			
Intangible assets	(6,217)	-	(6,217)
	<u>(6,217)</u>	<u>-</u>	<u>(6,217)</u>
Capital Available			
	<u>59,006</u>	<u>14,515</u>	<u>73,521</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(6,997)	(6,997)
Total Capital Available	<u>59,006</u>	<u>7,517</u>	<u>66,524</u>
2017			
Eligible Tier 1 Capital			
Share capital	135,000	-	135,000
Accumulated losses	(81,200)	-	(81,200)
Valuation surplus maintained in the takaful funds	-	13,780	13,780
	<u>53,800</u>	<u>13,780</u>	<u>67,580</u>
Eligible Tier 2 Capital			
Available-for-sale reserves	1,798	83	1,881
Redeemable preference shares	20,000	-	20,000
	<u>21,798</u>	<u>83</u>	<u>21,881</u>
Deductions			
Intangible assets	(8,092)	-	(8,092)
	<u>(8,092)</u>	<u>-</u>	<u>(8,092)</u>
Capital Available			
	<u>67,506</u>	<u>13,863</u>	<u>81,369</u>
Less: Adjustment for family takaful fund (limited to 130% of Total Capital Required)	-	(8,655)	(8,655)
Total Capital Available	<u>67,506</u>	<u>5,208</u>	<u>72,714</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

29. FINANCIAL INSTRUMENTS BY CATEGORY

<u>Shareholders' fund</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2018							
Assets							
Motor vehicles and equipment	4	-	-	-	-	11,624	11,624
Intangible assets	5	-	-	-	-	6,217	6,217
Investments	6	9,183	86,739	3,500	99,422	-	99,422
Other receivables	9	-	-	28,019	28,019	-	28,019
Tax recoverable		-	-	-	-	784	784
Cash and bank balances		-	-	5,351	5,351	-	5,351
Total assets		9,183	86,739	36,870	132,792	18,625	151,417
Liabilities							
	Note			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Expense liabilities	12			-	-	26,791	26,791
Deferred tax liabilities	10			-	-	352	352
Amounts due to related companies	15			8,939	8,939	-	8,939
Takaful payables	16			10,534	10,534	-	10,534
Other payables	17			33,300	33,300	-	33,300
Provisions	18			6,278	6,278	-	6,278
Total liabilities				59,051	59,051	27,143	86,194

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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
2017						
Assets						
Motor vehicles and equipment	4	-	-	-	10,027	10,027
Intangible assets	5	-	-	-	8,092	8,092
Investments	6	77,787	10,300	88,087	-	88,087
Other receivables	9	-	30,517	30,517	-	30,517
Tax recoverable		-	-	-	492	492
Cash and bank balances		-	5,213	5,213	-	5,213
Total assets		77,787	46,030	123,817	18,611	142,428
Liabilities						
	Note		Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Expense liabilities	12		-	-	22,634	22,634
Deferred tax liabilities	10		-	-	418	418
Amounts due to related companies	15		4,900	4,900	-	4,900
Takaful payables	16		7,999	7,999	-	7,999
Other payables	17		25,386	25,386	-	25,386
Provisions	18		5,493	5,493	-	5,493
Total liabilities			43,778	43,778	23,052	66,830

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Family takaful fund</u>	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of of MFRS 9 RM'000	Total RM'000
2018							
Assets							
Investments	6	295,014	166,727	116,880	578,621	-	578,621
Takaful receivables	7	-	-	10,777	10,777	-	10,777
Retakaful assets	8	-	-	-	-	124,132	124,132
Other receivables	9	-	-	3,810	3,810	-	3,810
Deferred tax assets	10	-	-	-	-	485	485
Cash and bank balances		-	-	16,021	16,021	-	16,021
Total assets		<u>295,014</u>	<u>166,727</u>	<u>147,488</u>	<u>609,229</u>	<u>124,617</u>	<u>733,846</u>
	Note			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities and participants' fund							
Provision for taxation				-	-	401	401
Takaful certificate liabilities	13			-	-	666,627	666,627
Participants' fund	14			-	-	19,858	19,858
Takaful payables	16			11,448	11,448	-	11,448
Other payables	17			35,512	35,512	-	35,512
Total liabilities and participants' fund				<u>46,960</u>	<u>46,960</u>	<u>686,886</u>	<u>733,846</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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
2017							
Assets							
Investments	6	198,036	174,789	91,050	463,875	-	463,875
Takaful receivables	7	-	-	11,082	11,082	-	11,082
Retakaful assets	8	-	-	-	-	98,529	98,529
Other receivables	9	-	-	5,409	5,409	-	5,409
Cash and bank balances		-	-	9,684	9,684	-	9,684
Total assets		198,036	174,789	117,225	490,050	98,529	588,579
Liabilities and participants' fund							
	Note			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Provision for taxation				-	-	979	979
Takaful certificate liabilities	13			-	-	520,598	520,598
Participants' fund	14			-	-	21,800	21,800
Deferred tax liabilities	10			-	-	847	847
Takaful payables	16			7,998	7,998	-	7,998
Other payables	17			36,357	36,357	-	36,357
Total liabilities and participants' fund				44,355	44,355	544,224	588,579

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<u>Company (Continued)</u>		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
2017							
Assets							
Motor vehicles and equipment	4	-	-	-	-	10,027	10,027
Intangible assets	5	-	-	-	-	8,092	8,092
Investments	6	270,446	174,789	101,350	546,585	-	546,585
Takaful receivables	7	-	-	11,082	11,082	-	11,082
Retakaful assets	8	-	-	-	-	98,529	98,529
Other receivables	9	-	-	6,721	6,721	-	6,721
Cash and bank balances		-	-	14,897	14,897	-	14,897
Total assets		<u>270,446</u>	<u>174,789</u>	<u>134,050</u>	<u>579,285</u>	<u>116,648</u>	<u>695,933</u>
Liabilities							
Provision for taxation				-	-	487	487
Expense liabilities	12			-	-	22,634	22,634
Takaful certificate liabilities	13			-	-	538,759	538,759
Deferred tax liabilities	10			-	-	917	917
Amounts due to related companies	15			4,900	4,900	-	4,900
Takaful payables	16			15,997	15,997	-	15,997
Other payables	17			32,538	32,538	-	32,538
Provisions	18			5,493	5,493	-	5,493
Total liabilities				<u>58,928</u>	<u>58,928</u>	<u>562,797</u>	<u>621,725</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES

Governance framework

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

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

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

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

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

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

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

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

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

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

On 3 August 2016, Bank Negara Malaysia ("BNM") issued a policy document 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 in full compliance with the policy document.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Regulatory framework

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

The Life Insurance and Family Takaful Framework issued by Bank Negara Malaysia on 23 November 2015 aims to promote innovation and a more competitive market supported by higher levels of professionalism and transparency in the provision of takaful products and services. These objectives are met through gradual removal of limits on operational costs to promote product innovation while preserving certificate value, diversified distribution channels to widen outreach, and strengthened market conduct to enhance consumer protection. The regulator has issued policy documents and standards to give effect to each initiative over the course of the Framework’s development plan, beginning 1 December 2015.

Capital management framework

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

Under the Risk-Based Capital Framework for Takaful Operators (“RBCT”), the operator has to maintain a capital adequacy level that commensurate with its risk profiles. The Capital Adequacy Ratio of the Company remained well at above the minimum capital requirement of 130% under the RBCT Framework as prescribed by BNM.

The Internal Capital Adequacy Assessment Process (“ICAAP”) Framework came into effect on 1 January 2017. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review of capital position. Capital management and contingencies policies 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 the key risks faced by the Company and the objectives, policies and processes for the management of these risks. There has been no major change to the Company's exposure to these key risks or the manner in which it manages and measures these risks.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Takaful risk

The principal activity of the Company is managing family takaful business including investment-linked business.

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of takaful coverage benefits. This is largely achieved through diversification of certificate holders across industry sectors and geography, the use of medical screening in order to ensure that product pricing takes into account the current health conditions and family medical history, regular review of the actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual certificates, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Takaful risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of takaful contracts. The risks arise when the actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Assumptions that may cause takaful risks to be underestimated include assumptions on certificate lapses, mortality, morbidity and expenses.

The Company utilises retakaful arrangements to manage the mortality and morbidity risks. The Company's retakaful management strategy and policy are reviewed annually by the SMT, BRMC, and the Board as appropriate. Retakaful structures are set based on the type of risk. Catastrophe retakaful is procured to limit catastrophic losses.

Only retakaful operators meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, are considered when deciding on which retakaful operator to cede out the Company's risk to. The combined paid-up capital and surplus of a retakaful operator should not be 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 risks to different retakaful operators or to a panel of retakaful operators.

The SMT reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that the policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

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 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, mortality/morbidity patterns and lapse rates.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Takaful risk (Continued)

Concentration analysis

Table 30(A): The table below shows the concentration of expense liabilities of the shareholders' fund actuarial liabilities and unit reserves of the family takaful fund as at the reporting date by type of takaful certificates issued:

<u>Shareholders' fund - expense liabilities</u>	Gross RM'000	Retakaful RM'000	Net RM'000
2018			
Ordinary family takaful plans	8,791	-	8,791
Investment-linked takaful plans	13,669	-	13,669
Group credit takaful plans	4,331	-	4,331
	<u>26,791</u>	<u>-</u>	<u>26,791</u>
2017			
Ordinary family takaful plans	6,497	-	6,497
Investment-linked takaful plans	14,459	-	14,459
Group credit takaful plans	1,678	-	1,678
	<u>22,634</u>	<u>-</u>	<u>22,634</u>
Family takaful fund - actuarial reserves, PIA and net asset value attributable to certificate holders			
	Gross RM'000	Retakaful RM'000	Net RM'000
2018			
Ordinary family takaful plans	113,485	(79,813)	33,672
Investment-linked takaful plans	257,699	(14,935)	242,764
Group credit takaful plans	233,068	(6,221)	226,847
	<u>604,252</u>	<u>(100,969)</u>	<u>503,283</u>
2017			
Ordinary family takaful plans	94,923	(70,704)	24,219
Investment-linked takaful plans	192,686	(7,031)	185,655
Group credit takaful plans	181,893	(3,656)	178,237
	<u>469,502</u>	<u>(81,391)</u>	<u>388,111</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Takaful risk (Continued)

Sensitivity analysis

The sensitivity analysis below shows the impact of change in key parameters on the carrying value of takaful certificate liabilities, and hence on the income statement and shareholders' equity.

Sensitivity analyses produced are based on parameters set out as follows:

	Change in Assumptions
(a) Scenario 1 - Mortality and major illness	+ 25% for all future years
(b) Scenario 2 - Mortality and major illness	- 25% for all future years
(c) Scenario 3 - Health and disability	+ 25% for all future years
(d) Scenario 4 - Health and disability	- 25% for all future years
(e) Scenario 5 - Lapse and surrender rates	+ 25% for all future years
(f) Scenario 6 - Lapse and surrender rates	- 25% for all future years
(g) Scenario 7 - Expenses	+25% for all future years

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Takaful risk (Continued)

Sensitivity analysis (Continued)

Table 30(B): The table below shows the sensitivity analysis by applying possible shocks to each key variable, with all other assumptions held constant, showing the impact on gross and net liabilities, surplus of risk funds, loss before taxation, shareholders' equity and participants' fund. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

<u>Shareholders' fund - expense liabilities</u>	Change in assumptions %	Impact	Impact	Impact on	Impact on
		on gross liabilities RM'000	on net liabilities RM'000	loss before taxation RM'000	equity* RM'000
2018		← Increase/(decrease) →		← Increase/(decrease) →	
Scenario 1 - Mortality and major illness	+25%	581	581	581	(441)
Scenario 2 - Mortality and major illness	-25%	(559)	(559)	(559)	425
Scenario 3 - Health and disability	+25%	4,337	4,337	4,337	(3,296)
Scenario 4 - Health and disability	-25%	(1,942)	(1,942)	(1,942)	1,476
Scenario 5 - Lapse and surrender rates	+25%	(1,164)	(1,164)	(1,164)	885
Scenario 6 - Lapse and surrender rates	-25%	1,385	1,385	1,385	(1,053)
Scenario 7 - Expenses	+25%	9,042	9,042	9,042	(6,872)
Scenario 8 - Expenses	-25%	(6,413)	(6,413)	(6,413)	4,874

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Takaful risk (Continued)

Sensitivity analysis (Continued)

<u>Shareholders' fund - expense liabilities</u> <u>(Continued)</u>	Change in assumptions %	Impact on gross liabilities RM'000 ← Increase/(decrease)→	Impact on net liabilities RM'000 ← Increase/(decrease)→	Impact on loss before taxation RM'000 ← Increase/(decrease)→	Impact on equity* RM'000
2017					
Scenario 1 - Mortality and major illness	+25%	518	518	518	(394)
Scenario 2 - Mortality and major illness	-25%	(249)	(249)	(249)	189
Scenario 3 - Health and disability	+25%	5,667	5,667	5,667	(4,307)
Scenario 4 - Health and disability	-25%	(1,879)	(1,879)	(1,879)	1,428
Scenario 5 - Lapse and surrender rates	+25%	(1,138)	(1,138)	(1,138)	865
Scenario 6 - Lapse and surrender rates	-25%	1,387	1,387	1,387	(1,054)
Scenario 7 - Expenses	+25%	8,791	8,791	8,791	(6,681)
Scenario 8 - Expenses	-25%	(5,396)	(5,396)	(5,396)	4,101

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Takaful risk (Continued)

Sensitivity analysis (Continued)

<u>Family takaful fund - takaful certificate liabilities</u>	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on surplus	Impact on loss before taxation	Impact on participants' fund
	%	RM'000	RM'000	RM'000	RM'000	RM'000
		← Increase/(decrease) →		← (Decrease)/increase →		
2018						
Scenario 1 - Mortality and major illness	+25%	58,309	6,144	(6,144)	(1,900)	(2,401)
Scenario 2 - Mortality and major illness	-25%	(45,309)	(1,408)	1,408	462	524
Scenario 3 - Health and disability	+25%	20,435	15,338	(15,338)	(3,326)	(7,411)
Scenario 4 - Health and disability	-25%	(1,812)	(611)	611	142	285
Scenario 5 - Lapse and surrender rates	+25%	(4,320)	(243)	243	59	112
Scenario 6 - Lapse and surrender rates	-25%	5,099	328	(328)	(72)	(157)
2017						
Scenario 1 - Mortality and major illness	+25%	45,759	4,994	(4,994)	1,382	(2,113)
Scenario 2 - Mortality and major illness	-25%	(34,079)	(830)	830	(230)	352
Scenario 3 - Health and disability	+25%	14,906	9,863	(9,863)	1,180	(5,724)
Scenario 4 - Health and disability	-25%	(1,536)	(470)	470	(91)	238
Scenario 5 - Lapse and surrender rates	+25%	(4,218)	(212)	212	(47)	101
Scenario 6 - Lapse and surrender rates	-25%	4,870	265	(265)	55	(131)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Takaful risk (Continued)

Sensitivity analysis (Continued)

<u>Company - expense liabilities and takaful certificate liabilities</u>	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on loss before taxation RM'000	Impact on equity* RM'000
		← Increase/(decrease)→		← Increase/(decrease)→	
2018					
Scenario 1 - Mortality and major illness	+25%	58,890	6,725	(1,319)	1,003
Scenario 2 - Mortality and major illness	-25%	(45,868)	(1,967)	(97)	74
Scenario 3 - Health and disability	+25%	24,773	19,675	1,011	(769)
Scenario 4 - Health and disability	-25%	(3,755)	(2,553)	(1,800)	1,368
Scenario 5 - Lapse and surrender rates	+25%	(5,484)	(1,406)	(1,105)	840
Scenario 6 - Lapse and surrender rates	-25%	6,484	1,713	1,313	(998)
Scenario 7 - Expenses	+25%	9,042	9,042	9,042	(6,872)
Scenario 8 - Expenses	-25%	(6,413)	(6,413)	(6,413)	4,874
2017					
Scenario 1 - Mortality and major illness	+25%	46,277	5,512	1,900	(1,444)
Scenario 2 - Mortality and major illness	-25%	(34,328)	(1,079)	(479)	364
Scenario 3 - Health and disability	+25%	20,573	15,530	6,847	(5,203)
Scenario 4 - Health and disability	-25%	(3,415)	(2,349)	(1,970)	1,497
Scenario 5 - Lapse and surrender rates	+25%	(5,356)	(1,350)	(1,186)	901
Scenario 6 - Lapse and surrender rates	-25%	6,257	1,652	1,442	(1,096)
Scenario 7 - Expenses	+25%	8,791	8,791	8,791	(6,681)
Scenario 8 - Expenses	-25%	(5,396)	(5,396)	(5,396)	4,101

* The impact on equity is stated net of taxation of 24% (2017: 24%).

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk

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

The Company is exposed to market risk in the shareholders' fund as well as market mismatch risk between the assets and the liabilities of the takaful funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement. In the case of the investment linked funds, investment risks are borne by the certificate holders. Nevertheless, the revenues of the takaful operations are linked to the value of the underlying funds since this has an impact on the level of fees earned.

Investment limits are monitored at various levels to ensure that all investment activities are conducted within the Company's risk appetite and in line with the Company's risk management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by the Company in managing the various types of risk, including profit rate risk, foreign exchange risk, equity price risk, credit spread risk, liquidity risk, credit risk and concentration risk, is briefly described as follows:

(a) Profit rate risk

The Company is exposed to profit rate risk through (i) investments in fixed income instruments and money market instruments and (ii) expense liabilities in the shareholders' fund. Since the Company discounts its investments in fixed income instruments for valuation, it will incur an economic loss when profit rates rise or vice versa. This effect is offset by expense liabilities in the shareholders' fund which behave in the contrary. This results in a net profit rate risk which is managed and monitored by the ALC.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

The following tables set out the carrying amount, by maturity, of the Company's financial instruments that are exposed to profit rate risk.

<u>Shareholders' fund</u>	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2018				
Government investment issues	-	19,189	10,024	29,213
Unquoted Islamic private debt securities	-	39,178	12,910	52,088
Islamic investment accounts with licensed Islamic banks	3,500	-	-	3,500
	<u>3,500</u>	<u>58,367</u>	<u>22,934</u>	<u>84,801</u>
2017				
Government investment issues	-	18,382	-	18,382
Unquoted Islamic private debt securities	-	29,033	19,803	48,836
Islamic investment accounts with licensed Islamic banks	10,300	-	-	10,300
	<u>10,300</u>	<u>47,415</u>	<u>19,803</u>	<u>77,518</u>
<u>Family takaful fund</u>				
2018				
Government investment issues	-	52,008	41,670	93,678
Unquoted Islamic private debt securities	8,528	87,803	77,398	173,729
Islamic investment accounts with licensed Islamic banks	116,880	-	-	116,880
	<u>125,408</u>	<u>139,811</u>	<u>119,068</u>	<u>384,287</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<u>Family takaful fund</u>				
2017				
Government investment issues	-	48,564	34,620	83,184
Unquoted Islamic private debt securities	2,209	63,165	95,381	160,755
Islamic investment accounts with licensed Islamic banks	91,050	-	-	91,050
	<u>93,259</u>	<u>111,729</u>	<u>130,001</u>	<u>334,989</u>
<u>Company</u>				
2018				
Government investment issues	-	71,197	51,694	122,891
Unquoted Islamic private debt securities	8,528	126,981	90,308	225,817
Islamic investment accounts with licensed Islamic banks	120,380	-	-	120,380
	<u>128,908</u>	<u>198,178</u>	<u>142,002</u>	<u>469,088</u>
2017				
Government investment issues	-	66,946	34,620	101,566
Unquoted Islamic private debt securities	2,209	92,198	115,184	209,591
Islamic investment accounts with licensed Islamic banks	101,350	-	-	101,350
	<u>103,559</u>	<u>159,144</u>	<u>149,804</u>	<u>412,507</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

The sensitivity analysis below shows the impact by applying possible shocks to each key variable, with all other variables held constant. While the co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets, to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net loss after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of takaful certificate liabilities. The impact on equity represents the impact on net loss after taxation and the effect on changes in fair value reserves of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI").

Change in profit rate	← 2018 →				
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on loss before taxation RM'000	Impact on equity/participants' fund* RM'000
	← Increase/(Decrease) →				
Shareholders' fund					
+100 basis points	(876)	(876)	-	876	666
-100 basis points	1,062	1,062	-	(1,062)	(807)
Family takaful fund					
+100 basis points	(730)	(730)	730	212	161
-100 basis points	853	853	(853)	(249)	(189)
Company					
+100 basis points	(1,607)	(1,607)	730	1,088	827
-100 basis points	1,916	1,916	(853)	(1,311)	(996)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

Change in profit rate	←—————2017—————→			Impact on loss before taxation RM'000	Impact on equity/ participants' fund* RM'000
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000		
	←————— Increase/(Decrease) —————→				
Shareholders' fund					
+100 basis points	(788)	(788)	-	(788)	599
-100 basis points	1,015	1,015	-	1,015	(771)
Family takaful fund					
+100 basis points	(468)	(468)	468	(125)	115
-100 basis points	565	565	(565)	151	(139)
Company					
+100 basis points	(1,256)	(1,256)	468	(913)	714
-100 basis points	1,580	1,580	(565)	1,166	(910)

* Impact on equity is after taxation of 24% (2017: 24%) and the impact on participants' fund is after tax of 8% (2017: 8%).

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(b) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. (Refer to Table 30(C)).

Table 30(C): The table below shows the foreign exchange position of the shareholders' fund, family takaful fund and the Company's assets/liabilities by major currencies.

<u>Shareholders' fund</u>	RM RM'000	SGD RM'000	Total RM'000
2018			
Assets			
Motor vehicles and equipment	11,624	-	11,624
Intangible assets	6,217	-	6,217
Investments:			
FVOCI financial assets	9,183	-	9,183
Financial assets at FVTPL	86,739	-	86,739
Financial assets at AC	3,500	-	3,500
Other receivables	28,019	-	28,019
Tax recoverable	784	-	784
Cash and bank balances	5,351	-	5,351
Total assets	151,417	-	151,417
Liabilities			
Expense liabilities	26,791	-	26,791
Deferred tax liabilities	352	-	352
Amounts due to related companies	3,885	5,054	8,939
Takaful payables	10,534	-	10,534
Other payables	33,300	-	33,300
Provisions	6,278	-	6,278
Total liabilities	81,140	5,054	86,194

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

<u>Shareholders' fund (Continued)</u>	RM RM'000	SGD RM'000	Total RM'000
2017			
Assets			
Motor vehicles and equipment	10,027	-	10,027
Intangible assets	8,092	-	8,092
Investments:			
AFS financial assets	77,787	-	77,787
Loans and receivables	10,300	-	10,300
Other receivables	30,517	-	30,517
Tax recoverable	492	-	492
Cash and bank balances	5,213	-	5,213
Total assets	142,428	-	142,428
Liabilities			
Provision for zakat	-	-	-
Expense liabilities	22,634	-	22,634
Deferred tax liabilities	418	-	418
Amounts due to related companies	2,411	2,489	4,900
Takaful payables	7,999	-	7,999
Other payables	25,386	-	25,386
Provisions	5,493	-	5,493
Total liabilities	64,341	2,489	66,830
<u>Family takaful fund</u>			
2018			
Assets			
Investments:			
FVOCI financial assets	295,014	-	295,014
Financial assets at FVTPL	166,727	-	166,727
Financial assets at AC	116,880	-	116,880
Takaful receivables	10,777	-	10,777
Retakaful assets	124,132	-	124,132
Other receivables	3,810	-	3,810
Deferred tax assets	485	-	485
Cash and bank balances	16,019	2	16,021
Total assets	733,844	2	733,846

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

<u>Family takaful fund (Continued)</u>	RM RM'000	SGD RM'000	Total RM'000
2018 (Continued)			
Liabilities and participants' fund			
Provision for taxation	401	-	401
Takaful certificate liabilities	666,627	-	666,627
Participants' fund	19,858	-	19,858
Takaful payables	11,448	-	11,448
Other payables	35,512	-	35,512
Total liabilities and participants' fund	<u>733,846</u>	<u>-</u>	<u>733,846</u>
2017			
Assets			
Investments:			
AFS financial assets	198,036	-	198,036
Financial assets at FVTPL	174,789	-	174,789
Loans and receivables	91,050	-	91,050
Takaful receivables	11,082	-	11,082
Retakaful assets	98,529	-	98,529
Other receivables	5,409	-	5,409
Tax recoverable	-	-	-
Cash and bank balances	9,682	2	9,684
Total assets	<u>588,577</u>	<u>2</u>	<u>588,579</u>
Liabilities and participants' fund			
Provision for taxation	979	-	979
Takaful certificate liabilities	520,598	-	520,598
Participants' fund	21,800	-	21,800
Deferred tax liabilities	847	-	847
Takaful payables	7,998	-	7,998
Other payables	36,357	-	36,357
Total liabilities and participants' fund	<u>588,579</u>	<u>-</u>	<u>588,579</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

<u>Company</u>	RM RM'000	SGD RM'000	Total RM'000
2018			
Assets			
Motor vehicles and equipment	11,624	-	11,624
Intangible assets	6,217	-	6,217
Investments:			
FVOCI financial assets	304,197	-	304,197
Financial assets at FVTPL	248,028	-	248,028
Financial assets at AC	120,380	-	120,380
Takaful receivables	10,777	-	10,777
Retakaful assets	124,132	-	124,132
Other receivables	5,811	-	5,811
Deferred tax assets	481	-	481
Tax recoverable	383	-	383
Cash and bank balances	21,370	2	21,372
Total assets	853,400	2	853,402
Liabilities			
Expense liabilities	26,791	-	26,791
Takaful certificate liabilities	682,846	-	682,846
Amounts due to related companies	3,885	5,054	8,939
Takaful payables	21,982	-	21,982
Other payables	42,794	-	42,794
Provisions	6,278	-	6,278
Total liabilities	784,576	5,054	789,630
2017			
Assets			
Motor vehicles and equipment	10,027	-	10,027
Intangible assets	8,092	-	8,092
Investments:			
AFS financial assets	270,446	-	270,446
Financial assets at FVTPL	174,789	-	174,789
Loans and receivables	101,350	-	101,350
Takaful receivables	11,082	-	11,082
Retakaful assets	98,529	-	98,529
Other receivables	6,721	-	6,721
Tax recoverable	-	-	-
Cash and bank balances	14,895	2	14,897
Total assets	695,931	2	695,933

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

<u>Company (Continued)</u>	RM RM'000	SGD RM'000	Total RM'000
2017 (Continued)			
Liabilities			
Provision for taxation	487	-	487
Provision for zakat	-	-	-
Expense liabilities	22,634	-	22,634
Takaful certificate liabilities	538,759	-	538,759
Deferred tax liabilities	917	-	917
Amounts due to related companies	2,411	2,489	4,900
Takaful payables	15,997	-	15,997
Other payables	32,538	-	32,538
Provisions	5,493	-	5,493
Total liabilities	<u>619,236</u>	<u>2,489</u>	<u>621,725</u>

The following table shows the sensitivity analysis for foreign currency:

	2018		2017	
	Impact on loss before taxation RM'000	Impact on equity RM'000	Impact on loss before taxation RM'000	Impact on equity RM'000
<u>Foreign Currency</u>				
+/-5%	+/- 253	+/- 253	+/- 124	+/- 124

(c) Equity price risk

Exposure to equity price risk exists in assets. Asset exposure exists through equity investment, where the Company through its investments, bears the volatility in returns and investment performance risk.

A robust monitoring process is in place to manage equity risk by having appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Certain investment limits are set as a percentage of equity holdings.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(c) Equity price risk (Continued)

Change in variables	← 2018 →		← 2017 →	
	Impact on surplus arising RM'000	Impact on equity/ participants' fund* RM'000	Impact on surplus arising RM'000	Impact on equity/ participants' fund* RM'000
	← Increase/(decrease) →	← Increase/(decrease) →	← Increase/(decrease) →	← Increase/(decrease) →
Shareholders' fund				
+ 20%	-	1,396	-	789
- 20%	-	(1,396)	-	(789)
Family takaful fund				
+ 20%	25,397	35,757	21,316	23,715
- 20%	(25,397)	(35,757)	(21,316)	(23,715)
Company				
+ 20%	-	1,396	-	789
- 20%	-	(1,396)	-	(789)

* Impact on equity is after taxation of 24% (2017: 24%) and the impact on participants' fund is after tax of 8% (2017: 8%).

(d) Credit spread risk

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

(e) Liquidity risk

Liquidity risk arises when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough to meet its financial obligations. For a takaful company, the greatest liquidity needs typically arise from its takaful liabilities. Demands for funds can usually be met through ongoing normal operations, contributions received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated certificate claims, or other unexpected cash demands from participants.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

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, investment diversification limits, investment strategies and systematic monitoring (Refer to Table 30(D1) and (D2)).

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows.

For takaful certificate liabilities and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities.

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<u>Shareholders' fund</u>							
2018							
FVOCI financial assets:							
Quoted Shariah-approved equities	9,183	-	-	-	-	9,183	9,183
Financial assets at FVTPL:							
Government investment issues	29,213	346	586	23,640	10,337	-	34,909
Unquoted Islamic private debt securities	52,088	526	1,272	47,158	14,748	-	63,704
Units held in investment-linked fund	5,438	-	-	-	-	5,438	5,438
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	3,500	3,502	-	-	-	-	3,502
Other receivables	28,019	28,019	-	-	-	-	28,019
Cash and bank balances	5,351	5,351	-	-	-	-	5,351
Total financial assets	<u>132,792</u>	<u>37,744</u>	<u>1,858</u>	<u>70,798</u>	<u>25,085</u>	<u>14,621</u>	<u>150,106</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Shareholders' fund (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2018 (Continued)							
Expense liabilities	26,791	2,995	1,270	3,073	19,453	-	26,791
Amounts due to related companies	8,939	8,939	-	-	-	-	8,939
Takaful payables	10,534	10,534	-	-	-	-	10,534
Other payables	33,300	33,300	-	-	-	-	33,300
Provisions	6,278	6,278	-	-	-	-	6,278
Total financial and takaful liabilities	<u>85,842</u>	<u>62,046</u>	<u>1,270</u>	<u>3,073</u>	<u>19,453</u>	<u>-</u>	<u>85,842</u>
Total liquidity surplus/(gap)	<u>46,950</u>	<u>(24,302)</u>	<u>588</u>	<u>67,725</u>	<u>5,632</u>	<u>14,621</u>	<u>64,264</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Shareholders' fund (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2017							
AFS financial assets:							
Quoted Shariah-approved equities	5,192	-	-	-	-	5,192	5,192
Government investment issues	18,382	83	367	20,981	-	-	21,431
Unquoted Islamic private debt securities	48,836	501	1,170	36,419	22,087	-	60,177
Units held in investment-linked fund	5,377	-	-	-	-	5,377	5,377
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	10,300	10,304	-	-	-	-	10,304
Other receivables	30,517	30,517	-	-	-	-	30,517
Cash and bank balances	5,213	5,213	-	-	-	-	5,213
Total financial assets	123,817	46,618	1,537	57,400	22,087	10,569	138,211

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Shareholders' fund (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2017 (Continued)							
Expense liabilities	22,634	3,787	2,529	996	15,322	-	22,634
Amounts due to related companies	4,900	4,900	-	-	-	-	4,900
Takaful payables	7,999	7,999	-	-	-	-	7,999
Other payables	25,386	25,386	-	-	-	-	25,386
Provisions	5,493	5,493	-	-	-	-	5,493
Total financial and takaful liabilities	<u>66,412</u>	<u>47,565</u>	<u>2,529</u>	<u>996</u>	<u>15,322</u>	<u>-</u>	<u>66,412</u>
Total liquidity surplus/(gap)	<u>57,405</u>	<u>(947)</u>	<u>(992)</u>	<u>56,404</u>	<u>6,765</u>	<u>10,569</u>	<u>71,799</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Family takaful fund							
2018							
FVOCI financial assets:							
Quoted Shariah-approved equities	67,348	-	-	-	-	67,348	67,348
Government investment issues	92,656	1,253	1,960	65,406	61,826	-	130,445
Unquoted Islamic private debt securities	135,010	3,480	8,240	86,607	88,058	-	186,385
Financial assets at FVTPL:							
Quoted Shariah-approved equities	121,683	-	-	-	-	121,683	121,683
Financial instruments with embedded derivatives	6	-	-	-	-	6	6
Unit trusts - REITS	5,297	-	-	-	-	5,297	5,297
Government investment issues	1,022	1	22	1,220	-	-	1,243
Unquoted Islamic private debt securities	38,719	1,931	935	26,940	20,405	-	50,211
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	116,880	116,966	-	-	-	-	116,966
Takaful receivables	10,777	10,777	-	-	-	-	10,777
Retakaful assets	124,132	56,720	433	66,261	718	-	124,132
Other receivables	3,810	3,810	-	-	-	-	3,810
Cash and bank balances	16,021	16,021	-	-	-	-	16,021
Total financial/takaful assets	733,361	210,959	11,590	246,434	171,007	194,334	834,324

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<u>Family takaful fund (Continued)</u>							
2018 (Continued)							
Takaful certificate liabilities	666,627	106,068	1,281	77,471	481,807	-	666,627
Participants' fund	19,858	19,858	-	-	-	-	19,858
Takaful payables	11,448	11,448	-	-	-	-	11,448
Other payables	35,512	35,512	-	-	-	-	35,512
Total financial/takaful liabilities	<u>733,445</u>	<u>172,886</u>	<u>1,281</u>	<u>77,471</u>	<u>481,807</u>	<u>-</u>	<u>733,445</u>
Total liquidity (gap)/surplus	<u>(84)</u>	<u>38,073</u>	<u>10,309</u>	<u>168,963</u>	<u>(310,800)</u>	<u>194,334</u>	<u>100,879</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Family takaful fund (Continued)							
2017							
AFS financial assets:							
Quoted Shariah-approved equities	22,305	-	-	-	-	22,305	22,305
Government investment issues	54,221	452	1,135	38,112	33,260	-	72,959
Unquoted Islamic private debt securities	121,510	1,260	2,918	71,356	94,953	-	170,487
Financial assets at FVTPL:							
Quoted Shariah-approved equities	103,646	-	-	-	-	103,646	103,646
Unit trusts - REITS	2,935	-	-	-	-	2,935	2,935
Government investment issues	28,963	284	603	23,125	14,790	-	38,802
Unquoted Islamic private debt securities	39,245	478	960	19,283	39,407	-	60,128
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	91,050	91,095	-	-	-	-	91,095
Takaful receivables	11,082	11,082	-	-	-	-	11,082
Retakaful assets	98,529	14,264	33,905	1,860	48,500	-	98,529
Other receivables	5,409	5,409	-	-	-	-	5,409
Cash and bank balances	9,684	9,684	-	-	-	-	9,684
Total financial/takaful assets	588,579	134,008	39,521	153,736	230,910	128,886	687,061

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Family takaful fund (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2017 (Continued)							
Takaful certificate liabilities	520,598	57,455	36,660	6,451	420,032	-	520,598
Participants' fund	21,800	21,800	-	-	-	-	21,800
Takaful payables	7,998	7,998	-	-	-	-	7,998
Other payables	36,357	36,357	-	-	-	-	36,357
Total financial/takaful liabilities	<u>586,753</u>	<u>123,610</u>	<u>36,660</u>	<u>6,451</u>	<u>420,032</u>	<u>-</u>	<u>586,753</u>
Total liquidity surplus/(gap)	<u>1,826</u>	<u>10,398</u>	<u>2,861</u>	<u>147,285</u>	<u>(189,122)</u>	<u>128,886</u>	<u>100,308</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Company</u>	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2018							
FVOCI financial assets:							
Quoted Shariah-approved equities	76,531	-	-	-	-	76,531	76,531
Government investment issues	92,656	1,253	1,960	65,406	61,826	-	130,445
Unquoted Islamic private debt securities	135,010	3,480	8,240	86,607	88,058	-	186,385
Financial assets at FVTPL:							
Quoted Shariah-approved equities	121,683	-	-	-	-	121,683	121,683
Financial instruments with embedded derivatives	6	-	-	-	-	6	6
Unit trusts - REITS	5,297	-	-	-	-	5,297	5,297
Government investment issues	30,235	347	608	24,860	10,337	-	36,152
Unquoted Islamic private debt securities	90,807	2,457	2,207	74,098	35,153	-	113,915
Financial assets at AC:							
Islamic investment accounts with licensed Islamic banks	120,380	120,468	-	-	-	-	120,468
Takaful receivables	10,777	10,777	-	-	-	-	10,777
Retakaful assets	124,132	56,720	433	66,261	718	-	124,132
Other receivables	5,811	5,811	-	-	-	-	5,811
Cash and bank balances	21,372	21,372	-	-	-	-	21,372
Total financial/takaful assets	834,697	222,685	13,448	317,232	196,092	203,517	952,974

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Company (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2018 (Continued)							
Expense liabilities	26,791	2,995	1,270	3,073	19,453	-	26,791
Takaful certificate liabilities	682,846	122,287	1,281	77,471	481,807	-	682,846
Amounts due to related companies	8,939	8,939	-	-	-	-	8,939
Takaful payables	21,982	21,982	-	-	-	-	21,982
Other payables	42,794	42,794	-	-	-	-	42,794
Provisions	6,278	6,278	-	-	-	-	6,278
Total financial/takaful liabilities	<u>789,630</u>	<u>205,275</u>	<u>2,551</u>	<u>80,544</u>	<u>501,260</u>	<u>-</u>	<u>789,630</u>
Total liquidity surplus/(gap)	<u>45,067</u>	<u>17,410</u>	<u>10,897</u>	<u>236,688</u>	<u>(305,168)</u>	<u>203,517</u>	<u>163,344</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Company (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2017							
AFS financial assets:							
Quoted Shariah-approved equities	27,497	-	-	-	-	27,497	27,497
Government investment issues	72,603	535	1,502	59,093	33,260	-	94,390
Unquoted Islamic private debt securities	170,346	1,761	4,088	107,775	117,040	-	230,664
Financial assets at FVTPL:							
Quoted Shariah-approved equities	103,646	-	-	-	-	103,646	103,646
Unit trusts - REITS	2,935	-	-	-	-	2,935	2,935
Government investment issues	28,963	284	603	23,125	14,790	-	38,802
Unquoted Islamic private debt securities	39,245	478	960	19,283	39,407	-	60,128
Loans and receivables:							
Islamic investment accounts with licensed Islamic banks	101,350	101,399	-	-	-	-	101,399
Takaful receivables	11,082	11,082	-	-	-	-	11,082
Retakaful assets	98,529	14,264	33,905	1,860	48,500	-	98,529
Other receivables	6,721	6,721	-	-	-	-	6,721
Cash and bank balances	14,897	14,897	-	-	-	-	14,897
Total financial/takaful assets	677,814	151,421	41,058	211,136	252,997	134,078	790,690

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 30(D1): The following table shows the maturity profile of the Company's financial/takaful liabilities and the expected recovery or settlement of financial/takaful assets based on remaining undiscounted contractual cash flows. (Continued)

<u>Company (Continued)</u>	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2017 (Continued)							
Expense liabilities	22,634	3,787	2,529	996	15,322	-	22,634
Takaful certificate liabilities	538,759	75,616	36,660	6,451	420,032	-	538,759
Amounts due to related companies	4,900	4,900	-	-	-	-	4,900
Takaful payables	15,997	15,997	-	-	-	-	15,997
Other payables	32,538	32,538	-	-	-	-	32,538
Provisions	5,493	5,493	-	-	-	-	5,493
Total financial/takaful liabilities	<u>620,321</u>	<u>138,331</u>	<u>39,189</u>	<u>7,447</u>	<u>435,354</u>	<u>-</u>	<u>620,321</u>
Total liquidity surplus/(gap)	<u>57,493</u>	<u>13,090</u>	<u>1,869</u>	<u>203,689</u>	<u>(182,357)</u>	<u>134,078</u>	<u>170,369</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases

Table 30(D2): The following table shows the current/non-current classification of assets and liabilities of the Company.

<u>Shareholders' fund</u>	Current* RM'000	Non-current RM'000	Total RM'000
2018			
Assets			
Motor vehicles and equipment	-	11,624	11,624
Intangible assets	-	6,217	6,217
Investments:			
FVOCI financial assets	-	9,183	9,183
Financial assets at FVTPL	5,438	81,301	86,739
Financial assets at AC	3,500	-	3,500
Other receivables	28,019	-	28,019
Tax recoverable	784	-	784
Cash and bank balances	5,351	-	5,351
Total assets	<u>43,092</u>	<u>108,325</u>	<u>151,417</u>
Liabilities and participants' fund			
Expense liabilities	4,265	22,526	26,791
Deferred tax liabilities	352	-	352
Amounts due to related companies	8,939	-	8,939
Takaful payables	10,534	-	10,534
Other payables	33,300	-	33,300
Provisions	6,278	-	6,278
Total liabilities and participants' fund	<u>63,668</u>	<u>22,526</u>	<u>86,194</u>

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 30(D2): The following table shows the current/non-current classification of assets and liabilities of the Company. (Continued)

<u>Shareholders' fund (Continued)</u>	Current* RM'000	Non-current RM'000	Total RM'000
2017			
Assets			
Motor vehicles and equipment	-	10,027	10,027
Intangible assets	-	8,092	8,092
Investments:			
AFS financial assets	5,377	72,410	77,787
Loans and receivables	10,300	-	10,300
Other receivables	30,517	-	30,517
Tax recoverable	492	-	492
Cash and bank balances	5,213	-	5,213
Total assets	51,899	90,529	142,428
Liabilities and participants' fund			
Expense liabilities	6,316	16,318	22,634
Deferred tax liabilities	418	-	418
Amounts due to related companies	4,900	-	4,900
Takaful payables	7,999	-	7,999
Other payables	25,386	-	25,386
Provisions	5,493	-	5,493
Total liabilities and participants' fund	50,512	16,318	66,830

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 30(D2): The following table shows the current/non-current classification of assets and liabilities of the Company. (Continued)

<u>Family takaful fund</u>	Current* RM'000	Non-current RM'000	Total RM'000
2018			
Assets			
Investments:			
FVOCI financial assets	7,025	287,989	295,014
Financial assets at FVTPL	128,490	38,237	166,727
Financial assets at AC	116,880	-	116,880
Takaful receivables	10,777	-	10,777
Retakaful assets	57,153	66,979	124,132
Other receivables	3,810	-	3,810
Deferred tax assets	485	-	485
Cash and bank balances	16,021	-	16,021
Total assets	340,641	393,205	733,846
Liabilities and participants' fund			
Provision for taxation	401	-	401
Takaful certificate liabilities	107,349	559,278	666,627
Participants' fund	19,858	-	19,858
Takaful payables	11,448	-	11,448
Other payables	35,512	-	35,512
Total liabilities and participants' fund	174,568	559,278	733,846

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 30(D2): The following table shows the current/non-current classification of assets and liabilities of the Company. (Continued)

<u>Family takaful fund (Continued)</u>	Current* RM'000	Non-current RM'000	Total RM'000
2017			
Assets			
Investments:			
AFS financial assets	2,209	195,827	198,036
Financial assets at FVTPL	106,581	68,208	174,789
Loans and receivables	91,050	-	91,050
Takaful receivables	11,082	-	11,082
Retakaful assets	48,169	50,360	98,529
Other receivables	5,409	-	5,409
Tax recoverable	-	-	-
Cash and bank balances	9,684	-	9,684
Total assets	<u>274,184</u>	<u>314,395</u>	<u>588,579</u>
Liabilities and participants' fund			
Provision for taxation	979	-	979
Takaful certificate liabilities	94,115	426,483	520,598
Participants' fund	21,800	-	21,800
Deferred tax liabilities	847	-	847
Takaful payables	7,998	-	7,998
Other payables	36,357	-	36,357
Total liabilities and participants' fund	<u>162,096</u>	<u>426,483</u>	<u>588,579</u>

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 30(D2): The following table shows the current/non-current classification of assets and liabilities of the Company. (Continued)

<u>Company</u>	Current* RM'000	Non-current RM'000	Total RM'000
2018			
Assets			
Motor vehicles and equipment	-	11,624	11,624
Intangible assets	-	6,217	6,217
Investments:			
FVOCI financial assets	7,025	297,172	304,197
Financial assets at FVTPL	128,490	119,538	248,028
Financial assets at AC	120,380	-	120,380
Takaful receivables	10,777	-	10,777
Retakaful assets	57,153	66,979	124,132
Other receivables	5,811	-	5,811
Deferred tax assets	481	-	481
Tax recoverable	383	-	383
Cash and bank balances	21,372	-	21,372
Total assets	351,872	501,530	853,402
Liabilities and participants' fund			
Expense liabilities	4,265	22,526	26,791
Takaful certificate liabilities	123,568	559,278	682,846
Amounts due to related companies	8,939	-	8,939
Takaful payables	21,982	-	21,982
Other payables	42,794	-	42,794
Provisions	6,278	-	6,278
Total liabilities and participants' fund	207,826	581,804	789,630

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 30(D2): The following table shows the current/non-current classification of assets and liabilities of the Company. (Continued)

<u>Company (Continued)</u>	Current* RM'000	Non-current RM'000	Total RM'000
2017			
Assets			
Motor vehicles and equipment	-	10,027	10,027
Intangible assets	-	8,092	8,092
Investments:			
AFS Financial assets	2,209	268,237	270,446
Financial assets at FVTPL	106,581	68,208	174,789
Loans and receivables	101,350	-	101,350
Takaful receivables	11,082	-	11,082
Retakaful assets	48,169	50,360	98,529
Other receivables	6,721	-	6,721
Cash and bank balances	14,897	-	14,897
Total assets	291,009	404,924	695,933
Liabilities and participants' fund			
Provision for taxation	487	-	487
Expense liabilities	6,316	16,318	22,634
Takaful certificate liabilities	112,276	426,483	538,759
Deferred tax liabilities	917	-	917
Amounts due to related companies	4,900	-	4,900
Takaful payables	15,997	-	15,997
Other payables	32,538	-	32,538
Provisions	5,493	-	5,493
Total liabilities and participants' fund	178,924	442,801	621,725

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(f) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk mainly through (i) cash and bank balances (ii) investments in government investment issues and unquoted Islamic debt securities (iii) exposure to retakaful certificates and (iv) non-payment of contributions. For the four types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in government investment issues and unquoted Islamic debt securities, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring of credit risk arising from financial instruments is undertaken by ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of retakaful operators, issuers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Retakaful arrangement is placed with counterparties that have good credit rating and the Company limits its risk to any retakaful operator by ceding to different retakaful operators.

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(f) Credit risk (Continued)

Table 30(E1): The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

2018	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets:			
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
Financial assets at FVTPL:			
Government investment issues	29,213	1,022	30,235
Unquoted Islamic private debt securities	52,088	38,719	90,807
Financial assets at AC:			
Islamic investment accounts with licensed Islamic banks	3,500	116,880	120,380
Takaful receivables	-	10,777	10,777
Retakaful assets	-	124,132	124,132
Other receivables	28,019	3,810	5,811
Cash and bank balances	5,351	16,021	21,372
	<u>118,171</u>	<u>539,027</u>	<u>631,180</u>
2017			
AFS financial assets:			
Government investment issues	18,382	54,221	72,603
Unquoted Islamic private debt securities	48,836	121,510	170,346
Financial assets at FVTPL:			
Government investment issues	-	28,963	28,963
Unquoted Islamic private debt securities	-	39,245	39,245
Loans and receivables:			
Islamic investment accounts with licensed Islamic banks	10,300	91,050	101,350
Takaful receivables	-	11,082	11,082
Retakaful assets	-	98,529	98,529
Other receivables	30,517	5,409	6,721
Cash and bank balances	5,213	9,684	14,897
	<u>113,248</u>	<u>459,693</u>	<u>543,736</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 30(E2): The following table sets out information about the credit quality of financial assets and debt securities at FVOCI (2017: AFS).

For explanation of the terms '12 month ECL', 'Lifetime ECL' and 'credit impaired', refer to Note 2.2(g).

<u>Family takaful fund/Company</u>	2018 (Based on MFRS 9)		Total RM'000	2017
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000		(Based on MFRS 139) Total RM'000
Debt securities at FVOCI (2017: AFS)				
Government investment issues	25	-	25	15
Investment Grade* (BBB to AAA)	145	761	906	867
	<u>170</u>	<u>761</u>	<u>931</u>	<u>882</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 30(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost:

<u>Shareholders' fund</u>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2018						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	9,183	-	9,183
Financial assets at FVTPL:						
Government investment issues	29,213	-	-	-	-	29,213
Unquoted Islamic private debt securities	-	45,007	7,081	-	-	52,088
Units held in investment-linked fund	-	-	-	5,438	-	5,438
Financial assets at AC:						
Islamic investment accounts with licensed Islamic banks	-	3,500	-	-	-	3,500
Other receivables	-	-	28,019	-	-	28,019
Cash and bank balances	-	5,351	-	-	-	5,351
	<u>29,213</u>	<u>53,858</u>	<u>35,100</u>	<u>14,621</u>	<u>-</u>	<u>132,792</u>

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 30(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost:

<u>Shareholders' fund (Continued)</u>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2017						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	5,192	-	5,192
Government investment issues	18,382	-	-	-	-	18,382
Unquoted Islamic private debt securities	-	38,760	10,076	-	-	48,836
Units held in investment-linked fund	-	-	-	5,377	-	5,377
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	-	10,300	-	-	-	10,300
Other receivables	-	-	30,517	-	-	30,517
Cash and bank balances	-	5,213	-	-	-	5,213
	18,382	54,273	40,593	10,569	-	123,817

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 30(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

Family takaful fund	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2018						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	67,348	-	67,348
Government investment issues	92,656	-	-	-	-	92,656
Unquoted Islamic private debt securities	-	96,402	38,608	-	-	135,010
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	121,683	-	121,683
Financial instruments with embedded derivatives	-	-	-	6	-	6
Unit trusts - REITS	-	-	-	5,297	-	5,297
Government investment issues	1,022	-	-	-	-	1,022
Unquoted Islamic private debt securities	-	38,719	-	-	-	38,719
Financial assets at AC:						
Islamic investment accounts with licensed						
Islamic banks	-	116,880	-	-	-	116,880
Takaful receivables	-	984	9,793	-	-	10,777
Retakaful assets	-	124,132	-	-	-	124,132
Other receivables	-	-	3,810	-	-	3,810
Cash and bank balances	-	16,021	-	-	-	16,021
	93,678	393,138	52,211	194,334	-	733,361

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 30(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

<u>Family takaful fund (Continued)</u>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2017						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	22,305	-	22,305
Government investment issues	54,221	-	-	-	-	54,221
Unquoted Islamic private debt securities	-	82,342	39,168	-	-	121,510
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	103,646	-	103,646
Unit trusts - REITS	-	-	-	2,935	-	2,935
Government investment issues	28,963	-	-	-	-	28,963
Unquoted Islamic private debt securities	-	28,179	11,066	-	-	39,245
Loans and receivables:						
Islamic investment accounts with licensed						
Islamic banks	-	91,050	-	-	-	91,050
Takaful receivables	-	2,596	8,486	-	-	11,082
Retakaful assets	-	98,529	-	-	-	98,529
Other receivables	-	-	5,409	-	-	5,409
Cash and bank balances	-	9,684	-	-	-	9,684
	83,184	312,380	64,129	128,886	-	588,579

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 30(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

<u>Company</u>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2018						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	76,531	-	76,531
Government investment issues	92,656	-	-	-	-	92,656
Unquoted Islamic private debt securities	-	96,402	38,608	-	-	135,010
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	121,683	-	121,683
Financial instruments with embedded derivatives	-	-	-	6	-	6
Unit trusts - REITS	-	-	-	5,297	-	5,297
Government investment issues	30,235	-	-	-	-	30,235
Unquoted Islamic private debt securities	-	83,726	7,081	-	-	90,807
Financial assets at AC:						
Islamic investment accounts with licensed						
Islamic banks	-	120,380	-	-	-	120,380
Takaful receivables	-	984	9,793	-	-	10,777
Retakaful assets	-	124,132	-	-	-	124,132
Other receivables	-	-	5,811	-	-	5,811
Cash and bank balances	-	21,372	-	-	-	21,372
	122,891	446,996	61,293	203,517	-	834,697

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 30(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

<u>Company (Continued)</u>	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2017						
AFS financial assets:						
Quoted Shariah-approved equities	-	-	-	27,497	-	27,497
Government investment issues	72,603	-	-	-	-	72,603
Unquoted Islamic private debt securities	-	121,102	49,244	-	-	170,346
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	103,646	-	103,646
Unit trusts - REITS	-	-	-	2,935	-	2,935
Government investment issues	28,963	-	-	-	-	28,963
Unquoted Islamic private debt securities	-	28,179	11,066	-	-	39,245
Loans and receivables:						
Islamic investment accounts with licensed Islamic banks	-	101,350	-	-	-	101,350
Takaful receivables	-	2,596	8,486	-	-	11,082
Retakaful assets	-	98,529	-	-	-	98,529
Other receivables	-	-	6,721	-	-	6,721
Cash and bank balances	-	14,897	-	-	-	14,897
	101,566	366,653	75,517	134,078	-	677,814

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(f) Credit risk (Continued)

This disclosure below relates to MFRS 9 which came into effect in 2018.

Amounts arising from Expected Credit Loss ("ECL")

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

These parameters are derived from the statistical models which are internally developed by the Company based on the historical data. They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation at the time of default, either over the next 12 months (12M PD), or over the remaining lifetime ('Lifetime PD') of the obligation. They are estimates at a certain date, which are calculated based on the statistical rating models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors.

If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. The ECL considers the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability of collateral, geographical location and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on the statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty, including amortisation schedules. The EAD of a financial asset is its gross carrying amount.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques (Continued)

The trade and lease receivables are in scope for ECL impairment provisions using the simplified assumption of lifetime ECL.

Significant increase in credit risk

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative model, the 12M PD is determined to have increased by more than 100% since origination. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

Using its experienced credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Company uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

The Company considers "low credit risk" to be an investment grade credit rating using a combination of internal and external credit rating models.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

Quantitative criteria

For takaful receivables, the counterparty fails to make contractual payments within 12 months when they fall due, which are derived based on the Company's historical information. For sukuks and financing, the instrument is in overdue status and there are non-payments on another debt obligation of the same issuer to the Company.

Qualitative criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption, restructuring with expected principal haircut or a breach in material financing covenant that is not rectified within a given timeframe.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's expected loss calculations.

Incorporating of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Incorporating of forward-looking information (Continued)

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Experienced judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, after which, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company for the year ended 31 December 2018.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Loss allowance - Provision for ECL

Table 30(E4): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent the allowance amount for credit losses and reflect measurement basis under MFRS 139.

<u>Family takaful fund/Company</u>	12-month ECL RM'000	2018 Lifetime ECL not credit impaired RM'000	Total RM'000	2017 Total RM'000
Debt investment securities at FVOCI				
Opening balance	65	817	882	-
- Transfer to 12-month ECL	-	-	-	-
- Transfer to lifetime ECL not credit-impaired	(8)	8	-	-
Additional loss allowance due to transfer	-	123	123	-
Net remeasurement of loss allowance	2	(210)	(208)	-
New financial assets purchased	119	21	140	-
Financial assets that have been derecognised	(27)	-	(27)	-
Changes in models/risk parameters	19	2	21	-
Closing balance	<u>170</u>	<u>761</u>	<u>931</u>	<u>-</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

(g) Concentration risk

An important element of managing both market and credit risk is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its asset mix to ensure that there is no significant concentration of credit risk.

Operational, Market Conduct and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Market conduct is a combination of both ethics and compliance. Market conduct refers to how the Company and its intermediaries conduct themselves in accordance with the ethical standards and in compliance with the relevant laws and regulations governing takaful and investment product for pre-distribution, during distribution and after distribution process. Market conduct is synonymous with professional behaviour and customer's protection. There are four areas in which the Company continuously strengthens:

- Fit and Proper
- Sales Advisory Process
- Training and Competency
- Business Conduct

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, as a result of its failure to comply with the applicable laws, regulations and standards. The applicable key compliance areas include:

- Laws, regulations and rules governing family takaful business and financial activities undertaken by the Company
- Codes of practice promoted by industry associations
- Anti-money laundering; and
- Counter financing of terrorism.

The day-to-day management of operational, market conduct and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors these issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Board Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from, amongst others, operational, market conduct and compliance risks.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Technology Risk

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, or failure arising from the use of or reliance on computer hardware, software, electronic devices, and networks.

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.

31. 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 which are carried at fair values 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.

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

31. 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:

<u>Shareholders' fund</u>	Level 1 RM'000	Level 2 RM'000	Total RM'000
2018			
FVOCI financial assets:			
Quoted Shariah-approved equities	9,183	-	9,183
Financial assets at FVTPL:			
Government investment issues	-	29,213	29,213
Unquoted Islamic private debt securities	-	52,088	52,088
Units held in investment-linked fund	5,438	-	5,438
	<u>14,621</u>	<u>81,301</u>	<u>95,922</u>
2017			
AFS financial assets:			
Quoted Shariah-approved equities	5,192	-	5,192
Unit trusts - REITS	-	-	-
Government investment issues	-	18,382	18,382
Unquoted Islamic private debt securities	-	48,836	48,836
Units held in investment-linked fund	5,377	-	5,377
	<u>10,569</u>	<u>67,218</u>	<u>77,787</u>
Family takaful fund			
2018			
FVOCI financial assets:			
Quoted Shariah-approved equities	67,348	-	67,348
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
Financial assets at FVTPL:			
Quoted Shariah-approved equities	121,683	-	121,683
Financial instruments with embedded derivatives	6	-	6
Unit trusts - REITS	5,297	-	5,297
Government investment issues	-	1,022	1,022
Unquoted Islamic private debt securities	-	38,719	38,719
	<u>194,334</u>	<u>267,407</u>	<u>461,741</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

<u>Family takaful fund (Continued)</u>	Level 1 RM'000	Level 2 RM'000	Total RM'000
2017			
AFS financial assets:			
Quoted Shariah-approved equities	22,305	-	22,305
Unit trusts - REITS	-	-	-
Government investment issues	-	54,221	54,221
Unquoted Islamic private debt securities	-	121,510	121,510
Financial assets at FVTPL:			
Quoted Shariah-approved equities	103,646	-	103,646
Financial instruments with embedded derivatives	-	-	-
Unit trusts - REITS	2,935	-	2,935
Government investment issues	-	28,963	28,963
Unquoted Islamic private debt securities	-	39,245	39,245
	<u>128,886</u>	<u>243,939</u>	<u>372,825</u>
Company			
2018			
FVOCI financial assets:			
Quoted Shariah-approved equities	76,531	-	76,531
Government investment issues	-	92,656	92,656
Unquoted Islamic private debt securities	-	135,010	135,010
Financial assets at FVTPL:			
Quoted Shariah-approved equities	121,683	-	121,683
Financial instruments with embedded derivatives	6	-	6
Unit trusts - REITS	5,297	-	5,297
Government investment issues	-	30,235	30,235
Unquoted Islamic private debt securities	-	90,807	90,807
	<u>203,517</u>	<u>348,708</u>	<u>552,225</u>
2017			
AFS financial assets:			
Quoted Shariah-approved equities	27,497	-	27,497
Unit trusts - REITS	-	-	-
Government investment issues	-	72,603	72,603
Unquoted Islamic private debt securities	-	170,346	170,346
Financial assets at FVTPL:			
Quoted Shariah-approved equities	103,646	-	103,646
Financial instruments with embedded derivatives	-	-	-
Unit trusts - REITS	2,935	-	2,935
Government investment issues	-	28,963	28,963
Unquoted Islamic private debt securities	-	39,245	39,245
	<u>134,078</u>	<u>311,157</u>	<u>445,235</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

There were no financial instruments whose fair values were determined based on Level 3 of the fair value hierarchy during the financial years ended 31 December 2018 and 31 December 2017 nor were there any significant transfers between different levels of the fair value hierarchy during the said financial years.

32. SHARIAH NON-COMPLIANCE RISK

Shariah non-compliance risk refers to possible failure to meet the obligation of Shariah principles and values. When controls fail to perform, Shariah non-compliance risk can cause reputational and operational damage, have regulatory implications or can even lead to financial loss and ultimately impediment from Allah's barakah and blessing.

The Company has in place a robust Shariah control framework to mitigate such risks by constantly monitoring the complete end-to-end processes and operations of the Company in all aspects. Controls include effective oversight of the Shariah Committee, supported by internal Shariah Compliance Department, Shariah risk management process and Shariah audit. Other relevant controls include staff awareness training programmes and internal operating Shariah Compliance Standards.

33. 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 one to five 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:

	2018	2017
<u>Shareholders' fund/Company</u>	<u>RM'000</u>	<u>RM'000</u>
Not later than 1 year	1,520	1,362
Later than 1 year but not later than 5 years	795	1,851
	<u>2,315</u>	<u>3,213</u>

34. INVESTMENT-LINKED TAKAFUL FUNDS

(a) Statement of income and expenditure

	2018	2017
	RM'000	RM'000
Investment income	6,016	4,302
Realised gains and losses	(3,698)	6,000
Fair value gains and losses	(12,736)	7,408
	<u>(10,418)</u>	<u>17,710</u>

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

34. INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)

(a) Statement of income and expenditure (Continued)

	2018	2017
	RM'000	RM'000
Asset management charges	(2,234)	(1,642)
Net other operating expenses	(2,760)	(4,154)
(Loss)/profit before taxation	<u>(15,412)</u>	<u>11,914</u>
Taxation	1,162	(1,135)
Net (loss)/profit for the year	<u>(14,250)</u>	<u>10,779</u>
Undistributed income brought forward	16,613	5,834
Undistributed income carried forward	<u>2,363</u>	<u>16,613</u>

(b) Statement of financial position

	2018	2017
	RM'000	RM'000
ASSETS		
Financial assets at FVTPL:		
Quoted Shariah-approved equities	121,683	103,646
Financial instruments with embedded derivatives	6	-
Unit trusts - REITS	5,297	2,935
Government investment issues	1,022	8,160
Unquoted Islamic private debt securities	38,719	32,180
Profit receivables	880	930
Financial assets at AC/Loans and receivables:		
Islamic investment accounts with licensed Islamic banks	58,500	26,800
Other receivables	1,610	142
Tax recoverable	285	-
Deferred tax asset	197	-
Cash and bank balances	913	612
Total assets	<u>229,112</u>	<u>175,405</u>
LIABILITIES		
Other payables	7,284	3,467
Tax payable	-	494
Deferred tax liabilities	-	822
Total liabilities	<u>7,284</u>	<u>4,783</u>
Represented by:		
Net asset value of funds	<u>221,828</u>	<u>170,622</u>
Value of units	219,465	154,009
Undistributed income carried forward	2,363	16,613
Net asset value of funds	<u>221,828</u>	<u>170,622</u>

916257 - H

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

FURTHER INFORMATION ON DIRECTORS
(As at 31 December 2018)

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

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1. GHL Systems Berhad*	Chairman
2. Great Eastern Life Assurance (Malaysia) Berhad	Director
3. FIDE FORUM	Director
4. I Great Capital Holdings Sdn Bhd	Director
5. Great Eastern General Insurance (Malaysia) Berhad	Director
6. Maksud Sdn Bhd	Director
7. Harta Maksud Sdn Bhd	Director
8. BFC Exchange Malaysia Sdn Bhd	Director
9. DNV GL Malaysia Sdn Bhd	Director
10. Malaysian Oil & Gas Services Council	Trustee
11. HSBC Amanah Malaysia Berhad	Chairman
12. Fraser & Neave Holdings Berhad*	Director
13. Malaysia Smelting Corporation Berhad*	Director

* Listed Companies

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

Chairman, Governance Committee

916257 - H

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

FURTHER INFORMATION ON DIRECTORS (CONTINUED)
(As at 31 December 2018)

MR NORMAN KA CHEUNG IP

- Independent Non-Executive Director

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1. Far Island Bay Sdn Bhd	Chairman
2. Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3. Great Eastern Holdings Limited*	Chairman
4. I Great Capital Holdings Sdn Bhd	Chairman
5. Overseas Assurance Corporation (Holdings) Berhad	Chairman
6. Great Eastern General Insurance (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. Great Eastern General Insurance Limited	Director
13. United Engineers Limited*	Senior Advisor
14. Building and Construction Authority	Deputy Chairman
15. Securities Industry Council	Member

* Listed Companies

Academic and Professional Qualifications

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

Fellow of the Institute Chartered Accountants in England and Wales

Fellow of the Institute of Certified Public Accountants of Singapore

Board Committees Served on

Chairman, Board Risk Management Committee

Chairman, Board Nominations and Remuneration Committee

916257 - H

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

FURTHER INFORMATION ON DIRECTORS (CONTINUED)
(As at 31 December 2018)

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

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

916257 - H

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

FURTHER INFORMATION ON DIRECTORS (CONTINUED)
(As at 31 December 2018)

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

REAR ADMIRAL DATO' ANUWAR BIN MAD SAID

- Non-Independent Non-Executive Director

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1. Wiramaju Sdn Bhd

Director

Academic and Professional Qualifications

Master of Arts Degree (Defense Studies), The National University of Malaysia

Diploma in Strategic and Defense Studies, University of Malaya

Board Committees Served on

Nil

916257 - H

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

FURTHER INFORMATION ON DIRECTORS (CONTINUED)
(As at 31 December 2018)

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. Great Eastern General Insurance (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