Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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Contents

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the annual audited financial statements of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is engaged principally in managing Family Takaful business including investment-linked Takaful business.

There has been no significant change in the principal activity during the financial year.

RESULTS

	RM'000
Net profit for the financial year	15,251

DIVIDEND

No dividend was paid or declared by the Company since the date of incorporation and the Directors do not recommend any dividend for the current financial year.

RESERVE AND PROVISIONS

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 13 August 2019, the Directors have approved the disposal of 45% and 25% ordinary shares of the Company by Orange Policy Sdn. Bhd. and AIA General Berhad respectively to AIA Bhd. with a total consideration of RM135,000,000 and RM75,000,000 respectively (“Disposal”) following AIA Malaysia’s corporate restructuring exercise to simplify its existing group structure. Orange Policy Sdn. Bhd., AIA General Berhad and AIA Bhd. had signed the Sale and Purchase Agreement in relation to the Disposal on 12 December 2019 and the sale consideration for the Disposal was satisfied in cash. Following the completion of this exercise, AIA Bhd. became the Company’s immediate holding company.

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

In the beginning of 2020, the rapid spread of COVID-19 has resulted in pandemic being declared. Globally, increasing measures are being taken to contain it and these have led to a significant volatility in the financial markets and resulting in an adverse impact on the global business and economic activity. Significant disruptions have been observed in the Company’s new business sales, and decelerating in values of investments have started to kick in by the first quarter-end of the year. As the situation is rapidly evolving, it is not practical to quantify the financial impact of the outbreak to the Company. The Company is closely monitoring the developing situation and the potential impact of COVID-19 on its operations and financial position to ensure vigilant steps and appropriate actions could be taken on a timely manner.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Thomas Mun Lung Lee (Chairman)
Dato' Chang Kat Kiam
Dato' Mohammed Najeeb bin Abdullah
Mohd Daruis bin Zainuddin
Datuk Husni Zai bin Yaacob
Abu Hassan Assari bin Ibrahim (resigned on 11 February 2020)
Anusha a/p Thavarajah (resigned on 20 June 2019)
Ng Kee Heng (appointed on 13 November 2019)
Associate Professor Datin Dr. Rusnah binti Muhamad (appointed on 11 February 2020)

DIRECTORS' BENEFITS

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangement whose object was to enable the Directors to acquire benefits by mean of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the 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.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares			
	As at 1 January 2019/ Date of appointment	**Acquired**	**Disposed**	**As at 31 December 2019**
AIA Group Limited				
Direct Interest				
Ng Kee Heng	218,954	119	-	219,073

	Number of matching restricted stock purchase unit over ordinary shares under Employee Share Purchase Plan			
	As at 1 January 2019/ Date of appointment	**Granted**	**Vested**	**As at 31 December 2019**
AIA Group Limited				
Ng Kee Heng	1,928	60	-	1,988

DIRECTORS' INTERESTS (CONTINUED)

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year except as follows: (continued)

	Number of restricted share units over ordinary shares			
	As at 1 January 2019/ Date of appointment	**Granted**	**Vested**	**As at 31 December 2019**
AIA Group Limited				
Ng Kee Heng	190,157	-	-	190,157

	Number of share options over ordinary shares			
	As at 1 January 2019/ Date of appointment	**Granted**	**Exercised**	**As at 31 December 2019**
AIA Group Limited				
Ng Kee Heng	54,285	-	-	54,285

Matching restricted stock purchase units and restricted share units and share options are granted to certain employees, directors and officers of the Company under the Employee Share Purchase Plan, Restricted Share Unit Scheme and Share Option Scheme of AIA Group Limited respectively.

DIRECTORS' REMUNERATION

	RM'000
Directors' fees	499
Directors' other emoluments	122
	621

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard AIA Bhd., a company incorporated in Malaysia and AIA Group Limited ("AIA GL"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited, as its immediate holding company and ultimate holding company respectively as a result of the significant event that took place during the year.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) is satisfied that the Company has complied with all the prescriptive requirements of, and adopts the Corporate Governance Policy Document, issued by Bank Negara Malaysia (“BNM”).

(A) BOARD OF DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are, as follows:

1. Dato’ Thomas Mun Lung Lee (Chairman)
Independent Non-Executive Director

Dato' Thomas is a Barrister at Law (England) and holds a Master of Arts (MA) and Master of Laws (LLM) from Cambridge University, UK. Dato’ Thomas has been in legal practice as an Advocate and Solicitor for more than 50 years. Dato’ Thomas is an arbitrator with the Court of Arbitration for Sport, Lausanne, Switzerland and is currently the Senior Partner of Lee Hishammuddin Allen & Gledhill. He has over 40 years of experience in Banking, Finance and Corporate Law.

2. Dato’ Chang Kat Kiam
Non-Independent Non-Executive Director

Dato’ Chang holds a Master's degree in Business Administration from the University of Hull, United Kingdom. Dato’ Chang has over 43 years of experience in the banking and finance industry. Dato’ Chang is currently the Deputy Chief Executive Officer of Public Bank Berhad. He sits on the Board of several companies in the Public Bank Group including, Public Bank (Hong Kong), Public Bank Vietnam, Cambodian Public Bank Plc and Campu Lonpac Insurance Plc in Cambodia.

3. Abu Hassan Assari bin Ibrahim (resigned on 11 February 2020)
Non-Independent Non-Executive Director

En. Abu Hassan Assari holds a Bachelor of Arts (Hons.) degree from the University of Malaya. He was the Chief Executive Officer of Public Islamic Bank Berhad and has more than 35 years’ experience in the banking industry. En. Abu joined the Public Bank Group in 1989 and has held several managerial positions at the Head Office in Credit Operations and Retail Banking with his last position being the Director of Credit Operations. He was transferred to Public Islamic Bank in 2010 as General Manager and was subsequently appointed as the Chief Executive Officer in early 2011.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

4. Dato' Mohammed Najeeb bin Abdullah
Independent Non-Executive Director

Dato' Mohammed Najeeb holds a Master's Degree in Business Administration (Accounting and Finance) from the Charles Darwin University, Australia and also graduated from the Chartered Institute of Marketing (UK). He started his career in banking for over 27 years and has more than 35 years' experience in both conventional and Islamic banking. He was appointed as the General Manager of Public Islamic Bank in November 2008. He relinquished his position in Public Islamic Bank when he was appointed as a Senator of the Parliament of Malaysia in April 2010 for a 3-year term. He is an Independent Non-Executive Director of Public Islamic Bank Bhd, Cambodian Public Bank Plc, Campu Lonpac Insurance Plc and PB Trustee Services Bhd.

5. Mohd Daruis bin Zainuddin
Independent Non-Executive Director

En. Mohd Daruis is a Fellow of the Association of Chartered Certified Accountants as well as a Member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. He is the Sole Practitioner in an audit firm MDZ & Co. En. Daruis was with PricewaterhouseCoopers Malaysia between 1974 and 2004, when he held the position of Senior Partner. He was also a Member of the ACCA Malaysian Advisory Committee and Dewan Perniagaan Islam Malaysia Negeri Johor.

6. Datuk Husni Zai bin Yaacob
Independent Non-Executive Director

Datuk Husni holds a Bachelor of Science (Hons.) Resource Economics from University Putra Malaysia. Datuk Husni had served at Malaysian missions in the Philippines, Pakistan and United Kingdom and was an Ambassador of Malaysia to Kuwait and Ambassador of Malaysia to Thailand. Datuk Husni was appointed as the High Commissioner of Malaysia to Singapore on 23 August 2013 before his retirement from government service in 2016. Datuk Husni has over 34 years of experience and expertise in managing international relations as a diplomat and Senior Management team of the Malaysian Ministry of Foreign Affairs.

7. Anusha a/p Thavarajah (Resigned on 20 June 2019)
Executive Director

Ms Anusha was CEO of AIA Bhd. from June 2015 until 12 June 2019. She joined AIA in 2002 as Vice President of Actuarial and later took on the role of Appointed Actuary & Head of Product Development in ING Insurance Berhad, where she went on to become Deputy CEO. Anusha returned to AIA in 2011 as Deputy General Manager of Operations, Finance & Actuarial. Prior to becoming AIA Bhd.'s CEO, Ms Anusha was the Regional Business Development Director of AIA Group Limited. She holds a First-Class Honours in Mathematics & Statistics from the UK's University of Birmingham and is also a Fellow of the Institute of Actuaries, UK.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

8. Ng Kee Heng (Appointed on 13 November 2019)
Executive Director

Mr. Ng is a Fellow of the Society of Actuaries and Fellow of the Casualty Actuarial Society in the United States. He holds a bachelor’s degree in Business Administration with highest distinctions from the University of Nebraska-Lincoln, United States. Mr. Ng has more than 25 years of experience in the insurance industry. He joined AIA in 2011 and was appointed as CEO of AIA Bhd. on 15 August 2019. Prior to his current appointment, he was the President Director and CEO of AIA Indonesia since June 2014. Mr. Ng also served as CEO of AIA Group’s Corporate Solutions business and Regional Business Development Director and Interim CEO for AIA Taiwan. Mr. Ng has held an extensive range of leadership roles across both business and finance functions including Chief Financial Officer, Chief Operating Officer and Chief Marketing Officer.

9. Associate Professor Datin Dr Rusnah binti Muhamad (Appointed on 11 February 2020)
Independent Non-Executive Director

Associate Prof. Datin Dr. Rusnah Muhamad is currently an Associate Professor in Faculty of Business and Accountancy, University of Malaya (UM). She obtained her first degree in Accounting from UM and obtained her Master of Science in Accounting and Finance from University of Stirling, Scotland. She then received her Ph.D in Accounting from UM. She had recently completed her Executive Diploma in Syariah at Universiti Malaya Centre of Continuing Education and received the Best Student Award.

She is a registered member of CPA Australia and becomes a Campus Liaison Officer of CPA Australia. She is appointed as a Chief Editor for Journal Accounting Perspective published by Department of Financial Accounting and Auditing, UM.

She has been actively producing various research papers in Financial Accounting, Islamic Accounting and Religiosity and Ethics. Her academic paper titled “Religiosity and Work Stress Coping Behaviour Among Muslim Employees” won the Best Paper Award at the International Conference on Management from Islamic Perspective in 2007.She is also a Shariah Committee member for Public Islamic Bank Berhad.

In promoting independent oversight by the Board, the tenure limit for Independent Directors is nine (9) years from the date of the Director’s initial appointment. The Board is also discouraged from having more than seven (7) Directors. However, a maximum of ten (10) Directors may be allowed provided the additional Directors are Independent Directors.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

During the financial year, a total number of twenty nine (29) Board and Board Committee Meetings were held, as follows:

	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board
Number of meetings	9	5	5	1	9

The Directors' attendance to the Board and Board Committee Meetings during the financial year was as follows:

	Audit Committee Member	Risk Management Committee Member	Nominating Committee Member	Remuneration Committee Member	Board Member
Dato' Thomas Mun Lung Lee[1]	N/A	N/A	3/3	N/A	9/9
Datuk Husni Zai bin Yaacob	N/A	5/5	5/5	1/1	9/9
Mohd Daruis bin Zainuddin	9/9	5/5	5/5	1/1	9/9
Anusha a/p Thavarajah (Resigned on 20 June 2019)	N/A	N/A	1/2	N/A	5/5
Dato' Chang Kat Kiam	8/9	5/5	5/5	1/1	8/9
Dato' Mohammed Najeeb bin Abdullah	9/9	N/A	5/5	N/A	9/9
Abu Hassan Assari bin Ibrahim (Resigned on 11 February 2020)	N/A	N/A	N/A	N/A	8/9
Ng Kee Heng (Appointed on 13 November 2019)	N/A	N/A	1/1	N/A	1/1

** N/A – Not Applicable (Not a Member)*

[1] Appointed as Member of Nominating Committee effective 22 August 2019.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The Directors had attended briefings, conferences, seminars and trainings during the financial year, which include the following:

No.	Description
1.	Anti-Money Laundering/Counter Financing of Terrorism and IFRS 17 & IFRS9 Briefing
2.	LEAP : How to Thrive in a World Where Everything Can Be Copied
3.	Financial Industry Conference (FIC)
4.	AIA Projects Overview & IFRS Training
5.	Cyber Threat Awareness - What Boards Need to Know
6.	FIDE Elective Programme: Anti Money Laundering/Counter Financing of Terrorism - Banking Sector
7.	MIA Common Offences by Directors under the Companies Act 2016
8.	Phishing Awareness Training
9.	Bank Negara Malaysia Regional Conference on Climate Change
10.	MIA Conference 2019
11.	Enhancing Shariah Governance Training
12.	2020 Budget Seminar

The Directors were also regularly updated on the issuance of new related Acts and regulations as well as the requirements to be observed both by the Company and Directors.

The Company provides an in-house orientation to newly appointed Directors and the Directors may request trainings on specific subjects in facilitating the Directors to discharge their duties effectively. On an annual basis, the Nominating Committee (“NC”) will conduct annual review of trainings attended by the Directors during each financial year.

The Board is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Islamic Financial Services Act, 2013 (“the Act”) and Corporate Governance Policy Document issued by BNM and other directives, in addition to adopting other best practices on corporate governance.

The Board has an overall responsibility to lead the Company, including setting the strategic future direction, review viability of the corporate objective and overseeing the conduct and performance of business.

As an Islamic financial institution, the Board also has an oversight accountability for Shariah governance implementation and the Company’s overall compliance with Shariah. This responsibility is discharged through compliance with the Act, Shariah Governance Policy Document and other related regulations and directives issued by BNM, as well as the Company’s internal policies and procedures. In discharging this responsibility, the Board must have due regard to any decisions or advice of the Shariah Committee.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

As at the date of the report, the Board comprises four (4) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Executive Director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board met nine (9) times during the financial year. All Directors in office at the end of the financial year complied with the 75% minimum attendance requirement at such meeting.

To support sound corporate governance and processes, the Board formed various Board Committees namely the Nominating Committee, the Remuneration Committee, the Risk Management Committee and the Audit Committee ("the Committees") in accordance with the requirements of BNM's Corporate Governance Policy Document.

The roles and members of the Committees are as provided below.

Nominating Committee

The Nominating Committee ("NC") comprises five (5) members, as follows;

Datuk Husni Zai bin Yaacob	Chairman (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Dato' Mohammed Najeeb bin Abdullah	Member (Independent Non-Executive)
Anusha a/p Thavarajah (resigned on 20 June 2019)	Member (Executive Director)
Ng Kee Heng (appointed on 13 November 2019)	Member (Executive Director)

The objective of the NC is to establish a documented, formal and transparent procedure for the appointment of Directors, Chief Executive Officer ("CEO"), senior management and Shariah Committee members and to assess the effectiveness of individual Directors, the Board as a whole (including various committees of the Board), CEO, senior management and Shariah Committee members on an on-going basis.

The principal duties and responsibilities of NC are:

(a) establishing the minimum requirements of the directors, Shariah Committee, senior management and company secretary at the time of his appointment and on a continuing basis;

(b) ensuring that each Board Committee comprises directors who have the necessary skill, knowledge and experience relevant to the responsibilities of the Board Committee;

(c) establishing and regularly reviewing succession plans for directors, Shariah Committee, senior management and company secretary to promote Board renewal and address any vacancies;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Nominating Committee (continued)

The principal duties and responsibilities of NC are (continued):

(d) establishing a rigorous process for the appointment and removal of directors, Shariah Committee, senior management and company secretary. The process must involve the assessment of candidates against the minimum requirement as set out in the Corporate Governance Policy Documents. To maintain the engagement between a candidate and the NC to ascertain the suitability of each candidate for the Board;

(e) assessing against the minimum requirements for each senior management, director and Shariah Committee on an annual basis, and as and when the Board becomes aware of information that may materially compromise the individual/director's fitness and propriety, or any circumstance that suggests that the director is ineffective, errant or otherwise unsuited to carry out his responsibilities;

(f) recommending and assessing the appointment and reappointment of directors, Shariah Committee and senior management as per the minimum requirement as set out in the Corporate Governance Policy Documents before an application for approval is submitted to BNM;

(g) assessing the Board and the Board Committees in terms of the appropriate size that promotes effective deliberation and encourages the active participation of all directors and allows the work of the various Board Committees to be discharged without giving rise to an over-extension of directors that are required to serve on multiple Board Committees;

(h) assessing the performance and effectiveness of the Board, Board Committees, individual directors and Shariah Committee. This is important to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Company;

(i) ensuring effective communication in addressing any queries made by the BNM for the application process of appointment and reappointment of directors and CEO of the Company; and

(j) overseeing the effective implementation of the transfer of knowledge of expatriates to local employees.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Remuneration Committee

The Remuneration Committee (“RC”) comprises three (3) members as follows:

Datuk Husni Zai bin Yaacob	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)

The objective of the RC is to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO, senior management and Shariah Committee members and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The principal duties and responsibilities of RC are:

(a) recommending a framework for the remuneration of Directors, the CEO, senior management and Shariah Committee members. The remuneration policy should:

- be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
- reflect the experience and level of responsibility borne by individual Directors, the CEO, senior management and Shariah Committee members;
- be sufficient to attract and retain Directors, CEO, senior management and Shariah Committee members of calibre needed to manage the Company successfully; and
- be balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages and should not create incentives for irresponsible behaviour or insider excesses.

(b) recommending specific remuneration packages for Directors, CEO, senior management and Shariah Committee members. The remuneration packages should:

- be based on objective considerations and approved by the full Board;
- take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Directors, CEO, senior management or Shariah Committee members concerned;
- not be decided by the exercise of sole discretion by any one individual or restricted group of individuals; and
- be competitive and consistent with the Company's culture, objectives and strategy.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee

The Risk Management Committee ("RMC") comprises four (4) members as follows:

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Datuk Husni Zai bin Yaacob	Member (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Associate Professor Datin Dr. Rusnah binti Muhamad (appointed on 11 February 2020)	Member (Independent Non-Executive)

The objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively.

The principal duties and responsibilities of RMC are:

(a) reviewing and recommending risk management strategies, policies and risk tolerance levels for the Board's approval;

(b) reviewing and assessing the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(c) ensuring that adequate infrastructure, resources and systems are in place for effective risk management; e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities;

(d) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and

(e) establishing and approving the technology risk appetite and risk tolerance, overseeing the adequacy of the Company's IT and cybersecurity strategic plans covering a period of no less than three (3) years, overseeing the effective implementation of a sound and robust technology risk management framework and cyber resilience framework and discussing cyber risks and related issues, including the strategic and reputational risks associated with a cyber-incident.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee

The Audit Committee (“AC”) comprises four (4) members as follows:

Dato' Mohammed Najeeb bin Abdullah	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Associate Professor Datin Dr. Rusnah binti Muhamad (appointed on 11 February 2020)	Member (Independent Non-Executive)

The primary objective of the AC is to ensure the integrity and transparency of the financial reporting process.

The principal duties and responsibilities of AC are:

(a) ensuring that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;

(b) reviewing and concurring the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;

(c) ensuring that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;

(d) reviewing various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgment or independence in respect of the Company;

(e) reviewing with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter for the audits;

(f) reviewing with the external auditors the financial statements, audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;

(g) ensuring that management's remediation efforts with respect to all findings and recommendations are resolved effectively and in a timely manner;

(h) approving the provision of non-audit services by the external auditors and ensuring that the level of provision of non-audit services is compatible with maintaining auditor independence;

(i) reviewing the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

The principal duties and responsibilities of AC are: (continued)

(j) reviewing any related party transactions and conflicts of interest situations that may arise including any transaction, procedure or conduct that raises questions of management integrity; and

(k) ensuring that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes.

The AC has the authority to investigate any matter within its terms of reference and has unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Company.

During the financial year, the AC members have met twice with the external auditors without the presence of the management.

(B) SHARIAH COMMITTEE

Establishment of a Shariah Committee is a requirement under the Act and BNM’s Shariah Governance Framework for Islamic Financial Institutions (“Shariah Governance Framework”).

Functionally, the Shariah Committee reports to the Board. The principal duties and responsibilities of the Shariah Committee are to advise the Board and provide input to the Company on Shariah matters in order for the Company to comply with Shariah principles at all times. The Shariah Committee is also expected to perform an oversight role on Shariah matters related to Company’s business operations and activities.

Majority of the Shariah Committee members are scholars who have the qualification, expertise and experience in the Islamic jurisprudence *(usul al-fiqh)* and Islamic commercial laws *(fiqh al-mu’amalat)*, supported by an expert in the area of accounting and finance.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED

(B) SHARIAH COMMITTEE (CONTINUED)

The Shariah Committee Members who served office since the date of the last report and at the date of this report as well as the number of meetings attended by each Shariah Committee member during the financial year are as follows:

Name of Shariah Committee Members		No. of attendance
Emeritus Prof. Dato' Paduka Dr. Mahmood Zuhdi Haji Ab. Majid	Chairman	8/9
Associate Prof. Dr. Abdul Bari Awang (term ended on 22 March 2020)	Member	9/9
Assistant Prof. Dr. Mohd Afandi Awang Hamat (resigned on 22 March 2020)	Member	9/9
Associate Prof. Datin Dr. Rusnah Muhamad	Member	9/9
Associate Prof. Dr. Mohamad Asmadi Abdullah (term ended on 1 April 2020)	Member	9/9
Ir. Dr. Muhamad Fuad Abdullah (appointed on 22 March 2020)	Member	0/0
Ustaz Engku Ahmad Fadzil Engku Ali (appointed on 22 March 2020)	Member	0/0
Dr. Ab Mumin Ab Ghani (appointed on 1 April 2020)	Member	0/0

(C) MANAGEMENT ACCOUNTABILITY

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing policy on executive remuneration. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Section 67 of the Act.

The Management meets all prescriptive requirements under this section and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the area of communication.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) CORPORATE INDEPENDENCE

All material related party transactions are conducted on agreed terms as specified under BNM's Guidelines on Related-Party Transactions for Takaful Operators. Related parties transactions and balances have been disclosed in the financial statements in compliance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

(E) INTERNAL CONTROL FRAMEWORK

The Board is responsible for the overall direction and management of the Company and the formulation of the policies to be applied to the Company and the business. Enterprise Risk Management, Compliance and Internal Audit functions, among others, provide assessment, reporting and assurance on the effectiveness of the Company’s policies and operations as well as its compliance with legal and regulatory obligations.

Such processes are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The criteria applied by the Directors in judging the effectiveness of these controls are that they allow the maximisation of shareholder value by exploiting business opportunities whilst ensuring that risks are properly identified and managed. The controls are regularly reviewed to ensure that they enable the proper management of business risks without so restricting efficiency and entrepreneurial nature that they inhibit proper running of the business.

The Company has a management structure with clear lines of responsibility and accountability, staffed by appropriate personnel. The Board is responsible for setting the overall strategy and reviewing the performance of the Company.

The day to day running of Company’s operations is managed by the senior management, chaired by the CEO. This team is also responsible for the recommendation to the Board of the Company’s strategy and its subsequent implementation, for ensuring that appropriate internal controls are in place to manage and assess risk and that they are fully complied with.

The fundamental elements of the Company’s internal control and risk management framework are described below:

1. <u>Structure and reporting</u>

A clear organisational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Action plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Company can meet its future management requirements.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The fundamental elements of the Company's internal control and risk management framework are described below (continued):

2. Approval procedures

The Company has delegated authority structures that ensure that decisions are taken at an appropriate level, with an appropriate level of input by internal and external expert advisers. The delegated authority structure prescribes financial limits of approval at each level and requires decisions with significant financial, legal or reputational impact for the Company to be approved by the Board.

3. Operating Philosophy

The Company has identified and adopted the following Operating Philosophy as being about "Doing the Right Thing, in the Right Way, with the Right People…and the results will come". Underlying this Operating Philosophy are 12 Operating Principles that help guide and shape our employees' actions and behaviours, informing how we interact with one another and how we behave externally with our customers, shareholders and other stakeholders, including the community at large.

4. Corporate policies, values and compliance

There are various policies and procedures in place as internal control to govern the operations of the Company. The following AIA Group policies have been adopted by the Company:

(a) AIA Code of Conduct: This policy lays the foundation for good business decisions and guides staff and agents in conducting business honourably, ethically and with utmost professionalism. AIA Code of Conduct specifies the standards of behaviour to which every AIA employee and stakeholder is expected to adhere. AIA Code of Conduct guides us on compliance, ethics and risk issues and allows us to contribute positively to the societies where we operate.

(b) Whistleblower Protection Policy: This policy aims to establish corporate values and culture that support ethical behaviour and to assure confidentiality and non-retaliation to whistleblowers. Every employee has the obligation to report unethical behaviour or suspected violations of law or company policy connected with AIA Group business activities.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The fundamental elements of the Company’s internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

There are various policies and procedures in place as internal control to govern the operations of the Company. The following AIA Group policies have been adopted by the Company: (continued)

(c) Anti-Fraud Policy: The Company is committed to conducting all of its business with the highest level of ethics and integrity. To uphold this commitment and in particular, a zero-tolerance approach to fraud, the Company requires adherence to this Anti-Fraud Policy. The Anti-Fraud Policy is intended to reinforce management procedures designed to aid in the prevention, detection and investigation of fraud, thereby safeguarding the Company’s assets and providing protection from the legal and reputational consequences of fraudulent activities.

(d) Anti-Corruption Policy: The Company is committed to conducting all of its business in an honest and ethical manner. Bribery or any improper payment to gain an advantage in any situation is never acceptable and may have serious legal, reputation and regulatory implications for the Company. The policy also makes good business sense. These controls that are embedded in the Company as a result of the adoption of the policies are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. For our certificate holders, it provides the security of knowing that we will always be there for them; for our investors, it is key to protecting and enhancing the long-term value of their investment. Also for our regulators, it is supportive of industry growth and the public’s trust in the industry.

While effective risk management is vital to any organization, it goes to the core of a Family Takaful business where it is a main driver of value. The Company’s Risk Management Framework (“RMF”) does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to support the creation of long-term value.

The RMF is built around developing an appropriate and mindful risk culture at every level of the organization in support of our strategic objectives. The RMF provides the Company with appropriate tools, processes and capabilities for the identification, assessment and where required, upward referral of identified material risks for further evaluation.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

The RMF consists of the following components:

1. Risk Culture

The RMF recognises the importance of Risk Culture in the effective management of risks. Risk Culture defines the Company's attitude to risks and ensures its remuneration structure promotes the right behaviour. The Board and senior management is committed to fostering a corporate culture which promotes proactive risk management.

a. Accountability

A key component of the risk culture is accountability. The respective business functions in the Company are owners of all risks arising from within their areas and is responsible for managing risks. The Chief Risk Officer ("CRO") of AIA Bhd. has overall accountability for the Enterprise Risk Management function, with primary reporting lines to the Board Risk Management Committee and to Group CRO. This structure ensures independence of the Enterprise Risk Management and Compliance functions and allows the CRO full access to business discussions so as to provide risk management perspectives and insights.

b. Remuneration

The Company's executive remuneration structure ensures appropriate consideration of the RMF within a strong performance-oriented culture. This is supported by a performance management system where all staff are measured on 'how' as well as 'what' they deliver. This structure places significant emphasis on conduct as well as achievement, and is consistent with our fundamental Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People…. And the results will come'.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

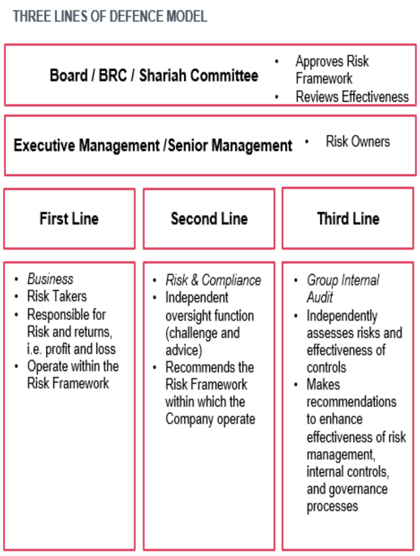
The RMF consists of the following components: (continued)

2. Risk Management Process

In order to encourage good management and to embed a culture of iterative process of continuous improvement, all business functions must incorporate the four (4) key risk management process in their activities to identify, quantify, manage and monitor the risk exposures. This ensures that risk reviews undertaken by the Company are appropriate and contributing to optimise business decisions.

3. Risk Governance

The Company's Risk Governance framework is built on the "Three Lines of Defence" model. With regard to risk management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances, to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risk between the Executive Management ("First Line"), Enterprise Risk Management & Compliance ("Second Line") and Internal Audit ("Third Line") functions. While each line of defence is independent from the others, they work closely to ensure effective oversight.



STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

The RMF consists of the following components: (continued)

3. Risk Governance (continued)

The First Line is made up of the business decision-takers who are responsible for ensuring that effective and appropriate processes, limits and controls are in place at all times to effectively identify, assess and manage risk in a manner consistent with the RMF. In particular, the amount of risk taken at each level of the organisation must be consistent with the Risk Appetite and in accordance with approved risk policies and procedures.

The Second Line consists of the Enterprise Risk Management and Compliance functions. These functions are independent of the First Line and is responsible for overseeing First Line activities and ensuring that the Company adheres to its own high standards. The Second Line works consultatively with the First Line to support the business in achieving its objectives whilst operating within the risk appetite limits.

The Third Line is the Internal Audit ("IA"), which is independent of the Executive Management and reports to the Board Audit Committee and Shariah Committee. IA is responsible for providing independent assurance over the adherence of policies and processes and Shariah compliance requirements at all levels in both First and Second Line; and on the effectiveness of key internal controls and makes recommendations based on audit findings, including areas of potential improvement for further considerations.

The Three Lines of Defence converge at the Board, which retains overall responsibility for the Company's RMF.

4. Risk Appetite Framework

The Company's Risk Appetite Framework is the foundation of its risk management practices. It establishes the risk boundaries within which the business will operate and sets stakeholder expectations in regard to the risk being run in the Company.

5. Risk Landscape

The Company maintains a detailed risk taxonomy to ensure all risks are identified and systematically managed. Under the Company's RMF, the Company adopts a common language in the description of risks to proactively manage a wide spectrum of financial and non-financial risks.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(F) REMUNERATION

The AIA Group's Remuneration Guidelines, Philosophy and Standards applies to the Company and guide the design, operation and management of remuneration programmes. The elements of the remuneration policy applied are compensation (fixed and variable), benefits, performance and recognition.

There are Key Senior Officers (KSOs), Key Responsible Person (KRP) and Senior Management Team (SMT) which forms the Senior Management of the Company, the roles include:

i. Chief Executive Officer;
ii. Appointed Actuary;
iii. Head of Finance;
iv. Associate Director, Compliance;
v. Associate Director, Business Governance;
vi. Associate Director, Product Marketing; and
vii. Senior Manager, Shariah, Legal & Secretarial.

The Company conducts yearly Overall Salary Increment (SI), Overall Short-Term Incentive (STI) Payout, Long-Term Incentive (LTI) Cash Scheme Grant and Nominations and Total Compensation Review (TCR) for the Chief Executive Officer and senior management. The yearly exercise was recommended by the Chief Executive Officer (excluding that of the Chief Executive Officer) and reviewed and approved by the Chief Executive Officer of AIA Malaysia and the Regional Chief Executive of AIA. The proposal is then tabled to the Remuneration Committee and the Board for approval.

The remuneration programmes should be market competitive, transparent and within prudent risk limits to attract and retain best talents in financial services industry. The compensation comprises of fixed pay and variable pay. Variable pay refers to discretionary pay or pay-at-risk which is cash based and does not consist of shares or non-cash instrument. Market competitiveness ensures remuneration is aligned with the relevance of the market movement and the overall target market position of the Company will be at market median.

Remunerations are determined based on individual performance as well as the Company's performance. The Performance Development Dialogue platform used by the Company in assessing the employees' performance include both "What" and "How". "What" refers to results an employee achieved, aligned with strategic priorities which help achieve the Company's business goal. On the other hand, "How" refers to behaviours an employee demonstrated to achieve the results, guided by the AIA Operating Philosophy of "Doing the Right Thing, In the Right Way, With the Right People and the Results Will Come". Both "What" and "How" are equally important and taken into consideration in determining the employees' remuneration for the financial year.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(F) REMUNERATION (CONTINUED)

The Directors' remuneration for the financial year is required to be tabled to the Remuneration Committee, Board and Members of the Company for approval. Set out below is the breakdown of the total amount of remuneration for the following Directors during the financial year:

Name of Director	Fixed Remuneration (RM)	Variable Remuneration (RM)	Total Remuneration (RM)
Dato' Thomas Mun Lung Lee	104,750	23,000	127,750
Datuk Husni Zai bin Yaacob	136,000	32,000	168,000
Mohd Daruis bin Zainuddin	136,000	36,000	172,000
Dato' Mohammed Najeeb bin Abdullah	122,000	31,000	153,000
TOTAL	**498,750**	**122,000**	**620,750**

The Directors and Officers Liability coverage is taken and borne by AIA Bhd. covering all Directors and Officers of the Company and its related companies incorporated in Malaysia, collectively.

The senior management's remuneration for the financial year was tabled to the Remuneration Committee and the Board for approval. The breakdown of the total amount of remuneration for the senior management during the financial year are as follows:

Total value of remuneration awards for the financial year	Unrestricted (MYR)	Deferred (MYR)
Fixed remuneration		
• Cash-based	2,248,089	-
• Shares and share-linked instruments	-	-
• Other	-	-
Variable remuneration		
• Cash-based	1,329,058	588,532
• Shares and share-linked instruments	-	-
• Other	-	-

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(F) REMUNERATION (CONTINUED)

Set out below the breakdown of other details in relation to the remuneration:

Category of Remuneration	No. of Senior Management	Amount (RM)
Guaranteed bonus	-	-
Sign-on award	-	-
Severance payment	-	-
Deferred remuneration	7	588,532
Outstanding deferred	-	-

(G) PUBLIC ACCOUNTABILITY

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company meets all prescriptive and best practice requirements under this section relating to unfair practices.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were prepared, 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONTINUED)

(c) At the date of this report:

(i) there are no charges on the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) there are no contingent liabilities in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Company has become enforceable or is likely to become enforceable within twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet their obligations when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) 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; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

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

AUDITORS

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

This report was approved by the Board of Directors on 20 May 2020. Signed on behalf of the Board of Directors:

DATO' MOHAMMED NAJEEB BIN ABDULLAH DIRECTOR	NG KEE HENG DIRECTOR

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

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

We, Dato' Mohammed Najeeb bin Abdullah and Ng Kee Heng, two of the Directors of AIA PUBLIC Takaful Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 35 to 136 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and financial performance of the Company for the financial year ended 31 December 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 20 May 2020.

DATO' MOHAMMED NAJEEB BIN ABDULLAH
DIRECTOR

NG KEE HENG
DIRECTOR

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

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

I, Sze Yuet Ping, the officer primarily responsible for the financial management of AIA PUBLIC Takaful Bhd., do solemnly and sincerely declare that, the financial statements set out on pages 35 to 136 are, to the best of my knowledge and belief, 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.

SZE YUET PING
(MIA No. 15110)

Subscribed and solemnly declared by the abovenamed Sze Yuet Ping at Kuala Lumpur in the Federal Territory on 20 May 2020.

Before me,

COMMISSIONER FOR OATHS

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Most Beneficent, the Most Merciful

Praises be to Allah, the Lord of the Worlds and peace and blessings be upon our Prophet Muhammad, and on his family and companions.

In compliance with the letter of appointment, we are required to report as follows:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 31 December 2019. We have also conducted our review to form an opinion as to whether the Company has complied with the Shariah principles, Shariah rulings issued by Shariah Advisory Council of BNM, Shariah related policy documents issued by BNM pursuant to Section 29 of the Act, related Shariah rulings issued by the Shariah Advisory Council of Securities Commission Malaysia, as well as decisions made by us.

The Management of the Company is responsible for ensuring that the Company 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 the Company, and to report to you.

We have assessed the work carried out on Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Company.

We planned and performed our review so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the Shariah principles.

To ensure smoothness and timely execution of the Company’s business operation, we empower the Shariah unit of the Company to review and approve non-substantial variation to the relevant documents, and such matters are duly tabled to us for ratification.

In our opinion:

1. The products’ structure and contracts offered, the transactions and dealings entered into by the Company, the business initiatives and the relevant enhanced processes and policies introduced by the Company during the financial year ended 31 December 2019 that we have reviewed are in compliance with the Shariah rules and principles;

2. The allocation of profit and/or charging of losses relating to various funds conform to the basis that had been approved by us in accordance with the Shariah principles;

3. The distribution of surplus arising from the Participants’ Risk Fund (i.e. *Tabarru’* fund) conforms with the respective internal policies that had been approved by us;

4. The provision of loan from the Shareholders’ Fund to certain Participants’ Risk Fund to cover the deficit is in accordance with the principle of *qard* (interest free loan);

SHARIAH COMMITTEE'S REPORT (CONTINUED)

In our opinion: (continued)

5. No Shariah non-compliance income recorded during the financial year;

6. Based on the periodical disclosure made by the Management and our perusal on the incidents that were identified and reported during this financial year, there is no Shariah non-compliant event noted; and

7. The computation in determining the amount of business zakat is referred to the relevant authority and we are satisfied that the calculation is in compliance with the Shariah principles.

We, the members of the Shariah Committee of AIA PUBLIC Takaful Bhd. do hereby confirm, to the best of our knowledge, that nothing has come to the Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of the Company for the financial year ended 31 December 2019 involve any material Shariah non-compliances.

"He knows what is in the heavens and earth; He knows what you conceal and what you reveal; God knows very well the secrets of every heart." (Surah *At-Taghabun*, chapter 64, verse 4).

Allah knows best.

Signed for and on behalf of the Shariah Committee,

EMERITUS PROF. DATO' PADUKA DR. MAHMOOD ZUHDI HAJI AB. MAJID
Chairman, Shariah Committee

ASSOCIATE PROFESSOR DATIN DR. RUSNAH BINTI MUHAMAD
Member, Shariah Committee

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)
Registration No. 201101007816 (935955-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2019, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 136.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201101007816 (935955-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201101007816 (935955-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201101007816 (935955-M)

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.

PRICEWATERHOUSECOOPERS PLT	SHIRLEY GOH
LLP0014401-LCA & AF 1146	01778/08/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
20 May 2020

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	12 months year ended 31.12.2019			13 months period ended 31.12.2018		
		Shareholders' fund	Family Takaful fund	Company	Shareholders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contributions	3(a)	-	965,117	965,117	-	842,580	842,580
Contributions ceded to retakaful	3(b)	-	(30,401)	(30,401)	-	(19,745)	(19,745)
Net earned contributions		-	934,716	934,716	-	822,835	822,835
Investment income	4	8,084	41,104	49,188	5,658	37,477	43,135
Fees and commission income	5	329,019	-	-	292,661	32	32
Surplus sharing from Family Takaful funds		17,155	-	-	16,687	-	-
Fair value gains/(losses)	6	4,117	58,305	62,422	(167)	(40,410)	(40,577)
Other operating income		4,871	1	4,872	3,400	52	3,452
Total revenue		363,246	1,034,126	1,051,198	318,239	819,986	828,877
Gross benefits and claims paid		-	(345,640)	(345,640)	-	(314,031)	(314,031)
Claims ceded to retakaful operator		-	22,229	22,229	-	12,153	12,153
Gross change to certificate liabilities		-	(372,078)	(372,078)	-	(233,765)	(233,765)
Change in Takaful contract liabilities ceded to retakaful operator		-	3,694	3,694	-	4,471	4,471
Net benefits and claims		-	(691,795)	(691,795)	-	(531,172)	(531,172)

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

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

	Note	12 months year ended 31.12.2019 Shareholders' fund RM'000	12 months year ended 31.12.2019 Family Takaful fund RM'000	12 months year ended 31.12.2019 Company RM'000	13 months period ended 31.12.2018 Shareholders' fund RM'000	13 months period ended 31.12.2018 Family Takaful fund RM'000	13 months period ended 31.12.2018 Company RM'000
Fees and commission expenses	5	(202,792)	(329,019)	(202,792)	(199,961)	(292,661)	(199,961)
Surplus attributable to Takaful operator		-	(17,155)	-	-	(16,687)	-
Management expenses	7	(124,907)	(1,962)	(126,869)	(111,982)	(2,297)	(114,279)
Other operating expenses		(55)	(4,753)	(4,808)	(150)	(3,271)	(3,421)
Change to expense liability		(1,506)	-	(1,506)	2,927	-	2,927
Qard impairment		(14,000)	-	-	-	-	-
Bad and doubtful debts		(1,759)	(431)	(2,190)	(921)	(631)	(1,552)
Other expenses		(345,019)	(353,320)	(338,165)	(310,087)	(315,547)	(316,286)
Profit/(Loss) before zakat and taxation		18,227	(10,989)	21,238	8,152	(26,733)	(18,581)
Tax expense attributable to participants		-	(6,084)	(6,084)	-	1,470	1,470
Profit/(Loss) before zakat and taxation attributable to shareholders		18,227	(17,073)	15,154	8,152	(25,263)	(17,111)
Zakat		(382)	-	(382)	-	-	-
Taxation	8	479	(6,084)	(5,605)	(3,979)	1,470	(2,509)
Tax expense attributable to participants		-	6,084	6,084	-	(1,470)	(1,470)
Tax expense attributable to shareholders	8	479	-	479	(3,979)	-	(3,979)
Net profit/(Loss) for the year/period		18,324	(17,073)	15,251	4,173	(25,263)	(21,090)
Profit/(Loss) per share (sen): Basic and diluted	22			5.08			(10.47)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

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

		12 months year ended 31.12.2019			13 months period ended 31.12.2018		
	Note	Shareholders' fund	Family Takaful fund	Company	Shareholders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial year/period		18,324	(17,073)	15,251	4,173	(25,263)	(21,090)
Other comprehensive income:							
Items that may be subsequently reclassified to profit or loss							
Fair value change of available-for-sale financial assets		5,806	-	5,806	395	-	395
Deferred Tax		(1,393)	(9)	(1,402)	(72)	4	(68)
Change in Takaful contract liabilities arising from unrealised fair value changes	17	-	117	117	-	44	44
Other comprehensive income for the financial year/period		4,413	108	4,521	323	48	371
Total comprehensive income/(loss) for the financial year/period		22,737	(16,965)	19,772	4,496	(25,215)	(20,719)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

				31.12.2019			31.12.2018
	Note	Shareholders' fund	Family Takaful fund	Company	Shareholders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Property and equipment	9	627	-	627	617	-	617
Intangible assets	10	4,163	-	4,163	2,169	-	2,169
Right-of-use-assets	11	1,979	-	1,979	-	-	-
Financial assets - available-for-sale	12	133,651	3,799	137,450	106,756	5,303	112,059
Financial assets - fair value through profit or loss	12	8,035	1,073,692	1,081,727	7,861	756,606	764,467
Loan and receivables	13	-	43,883	43,883	1,265	64,961	66,226
Qard receivable	14	58,126	-	-	55,053	-	-
Other receivables	15	74,608	3,034	13,008	43,499	4,917	15,381
Retakaful assets	17	-	13,355	13,355	-	9,661	9,661
Takaful certificates receivables	16	-	6,285	6,285	-	11,121	11,121
Tax recoverables		9,723	(1,147)	8,576	-	-	-
Deferred tax assets	19	-	-	-	(155)	1,937	1,782
Cash and cash equivalents		74,732	270,422	345,154	112,420	173,914	286,334
Total assets		365,644	1,413,323	1,656,207	329,485	1,028,420	1,269,817
EQUITY							
Share capital	21	300,000	-	300,000	300,000	-	300,000
General reserves	33	(33,333)	-	(33,333)	(33,333)	-	(33,333)
Accumulated losses		(14,772)	(72,126)	(72,898)	(33,096)	(55,053)	(88,149)
Available-for-sale fair value reserves		4,641	56	4,697	228	(52)	176
Total equity		256,536	(72,070)	198,466	233,799	(55,105)	178,694

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AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)

		31.12.2019			31.12.2018		
	Note	Shareholders' fund	Family Takaful fund	Company	Shareholders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES							
Expense liabilities		9,089	-	9,089	7,583	-	7,583
Takaful contract liabilities	17	-	1,283,307	1,283,307	-	919,787	919,787
Takaful certificates payables	18	-	27,047	27,047	-	29,400	29,400
Deferred tax liabilities	19	1,411	4,022	5,433	-	-	-
Qard payable		-	72,126	-	-	55,053	-
Lease liabilities	11	2,013	-	2,013	-	-	-
Other payables	20	96,595	98,891	130,852	89,115	77,854	133,934
Taxation		-	-	-	(1,012)	1,431	419
Total liabilities		109,108	1,485,393	1,457,741	95,686	1,083,525	1,091,123
Total equity and liabilities		365,644	1,413,323	1,656,207	329,485	1,028,420	1,269,817

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

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

	Share capital RM'000	General reserves RM'000	Non-distributable available-for-sale fair value reserves RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2019	300,000	(33,333)	176	(88,149)	178,694
Total comprehensive income for the financial year	-	-	4,521	15,251	19,772
At 31 December 2019	300,000	(33,333)	4,697	(72,898)	198,466
At 1 December 2017	200,000	(33,333)	(195)	(67,059)	99,413
Issuance of shares during the financial period	100,000	-	-	-	100,000
Total comprehensive income/(loss) for the financial period	-	-	371	(21,090)	(20,719)
At 31 December 2018	300,000	(33,333)	176	(88,149)	178,694

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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AIA PUBLIC TAKAFUL BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Profit/(Loss) before zakat and taxation for the financial year/period		21,238	(18,581)
Adjustments for:			
Bad and doubtful debts		(6,130)	1,552
Bad debt written off		8,679	-
Property and equipment written off		6	-
Intangible assets written off		4	-
Depreciation of property and equipment		187	274
Amortisation of intangible assets		1,736	1,571
Net amortisation of premium on investments		856	632
Depreciation of right of use assets		623	-
Finance cost of leases		88	-
Profit income		(41,688)	(34,797)
Dividend income		(8,356)	(8,970)
Fair value (gains)/loss on FVTPL financial assets	6	(73,026)	26,955
Operating loss before working capital changes		(95,783)	(31,364)
Decrease/(Increase) in loans and receivables		22,640	(3,100)
Decrease/(Increase) in other receivables		368	(4,623)
Increase in Retakaful assets		(3,694)	(4,471)
Decrease in Takaful certificates receivables		4,292	527
Increase in net Takaful contract liabilities		363,520	223,238
(Decrease)/Increase in Takaful certificates payables		(2,353)	7,679
(Decrease)/Increase in other payables		(3,464)	30,077
Increase/(Decrease) in expenses liabilities		1,506	(2,927)
Increase in financial assets		(262,447)	(226,845)
Cash generated from/(used in) operating activities		24,585	(11,809)
Income tax paid		(8,787)	(4,463)
Finance cost of leases paid		(88)	-
Profit income received		39,313	34,401
Dividend received		8,323	8,344
Net cash generated from operating activities		63,346	26,473
Cash flows from investing activities			
Purchase of property and equipment		(203)	(98)
Purchase of intangible assets		(3,734)	(1,438)
Net cash used in investing activities		(3,937)	(1,536)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

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

	Note	2019 RM'000	2018 RM'000
Cash flow from financing activity			
Proceeds from issue of share capital		-	100,000
Repayment of lease liabilities		(589)	-
Net cash (used in)/generated from financing activity		(589)	100,000
Net increase in cash and cash equivalents		58,820	124,937
Cash and cash equivalents at the beginning of year/period		286,334	161,397
Cash and cash equivalents at the end of year/period		345,154	286,334
Cash and cash equivalents comprise:			
Cash and bank balances		79,576	158,212
Fixed deposit with licensed Islamic bank		265,578	128,122
		345,154	286,334

Reconciliation of liabilities arising from financing activities:

	Balances as at beginning of the financial year RM'000	Net cash flow from operating activities RM'000	Net cash flow from financing activities RM'000	Additions to lease liability RM'000	Finance cost of leases RM'000	Balances as at year end of the financial year RM'000
2019						
Lease liabilities	2,602*	88	(589)	-	(88)	2,013

* Effect of adoption of MFRS 16 (refer to Note 2.1(a) to the financial statements)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1 CORPORATE INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of principal place of business and registered office of the Company are as follows:

Principal place of business
Level 14, Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur

Registered office
Level 29, Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur

The immediate holding company and ultimate holding company of the Company are AIA Bhd., a company incorporated in Malaysia and AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited, respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 May 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company’s accounting policies. Although these estimates and judgment are based on the Directors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.4 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The Company has adopted all MFRS, Amendments to MFRS and Issues Committee ("IC") Interpretations which have become mandatory since the beginning of the financial year, except for those which have been issued but are not yet effective as disclosed below.

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2019.

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial year beginning on 1 January 2019:

- MFRS 15 "Revenue from contracts with customers"
- MFRS 16 "Leases"
- MFRS 9 "Financial Instruments" replaces MFRS 139 "Financial Instruments: Recognition and Measurement"
- Amendment to MFRS 4 Insurance Contracts - Applying MFRS 9 "Financial Instruments" with MFRS 4 "Insurance Contracts"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The adoption of the above accounting standards, amendments and interpretations does not have any significant impact to the financial statements, except for disclosed below:

- MFRS 9 "Financial Instruments" replaces MFRS 139 "Financial Instruments: Recognition and Measurement"

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and profit income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2019. (continued)

The adoption of the above accounting standards, amendments and interpretations does not have any significant impact to the financial statements, except for disclosed below: (continued)

- MFRS 9 "Financial Instruments" replaces MFRS 139 "Financial Instruments: Recognition and Measurement" (continued)

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

  - For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to income statement; and

  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in income statement.

  MFRS 9 introduces an expected credit loss model on impairment for certain financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The Company has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 "Insurance Contracts" which enable eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. Hence the Company has not adopted MFRS 9 for the financial year beginning on or after 1 January 2019.

- Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 ("Insurance Contracts")

  The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 "Financial Instruments" before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS "Insurance Contracts", the related liabilities from insurance contracts are often measured on amortised cost basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2019. (continued)

- Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 ("Insurance Contracts") (continued)

  The amendments provide 2 different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

  The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

  An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2019. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

  The Company's business activity is predominantly Family Takaful business as the liabilities connected with the Company's Family Takaful business made up of more than 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and intends to defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2021. On 17 March 2020, the International Accounting Standards Board ("IASB") has decided to defer the effective date of IFRS 17 and the temporary exemption of the adoption of IFRS 9 for insurers to annual reporting periods beginning on or after 1 January 2023. The Board expects to issue the amendments to IFRS 17 in the second
  quarter of 2020.

  Additional disclosures as required under Amendments to MFRS 4 are included in the financial statements of the Company as stated in Note 35.

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations

  The Company has adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in accounting policies (see Note 2.3(w)). The Company has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2019. (continued)

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations (continued)

  Under the simplified retrospective transition method, the Company has elected to apply MFRS 16 to its leases retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Therefore, the comparative information has not been restated and continues to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Int. 4 "Determining whether an Arrangement Contains a Lease".

  Furthermore, as permitted by the standard the Company has elected to initially measure the right-of-use asset in relation to each lease at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. This approach results in no adjustment to the opening balance of retained earnings on 1 January 2019.

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

  In applying MFRS 16 for the first time, the Company has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2019. (continued)

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations (continued)

  The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	2019 **RM'000**
Operating lease commitments disclosed as at 31 December 2018	707
Discounted using the lessee's incremental borrowing rate at the date of initial application	(154)
Adjustments of the treatment of extension and termination options upon adoption of MFRS 16	2,049
Lease liability recognised as at 1 January 2019	2,602
Of which are:	
Current lease liabilities	589
Non-current lease liabilities	2,013
	2,602

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.

The Company will apply the new standards, amendments to standards and interpretations in the following period:

<u>Financial year beginning on/after 1 January 2021</u>

<u>MFRS 17 "Insurance Contracts"</u>

MFRS 17 "Insurance Contracts" which replaces MFRS 4 "Insurance Contracts" applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue". An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the certificate holder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective. (continued)

Financial year beginning on/after 1 January 2021 (continued)

MFRS 17 "Insurance Contracts" (continued)

MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in the income statement or in the statement of comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less; and
b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the certificate holder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgments and risks arising from insurance contracts.

The Company is in the midst of conducting a detailed assessment of the new standard. The standard is currently mandatorily effective for financial year beginning on or after 1 January 2021. On 17 March 2020, the International Accounting Standards Board ("IASB") has decided to defer the effective date of IFRS 17 and the temporary exemption of the adoption of IFRS 9 for insurers to annual reporting periods beginning on or after 1 January 2023. The Board expects to issue the amendments to IFRS 17 in the second quarter of 2020.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Shareholder fund and its Family Takaful fund

The Company's financial statements which reflects the financial position and results of the Shareholder's fund ("SHF") and Family Takaful fund are presented as a single economic entity for the respective financial year/period disclosed. Interfund balances, *qard* and related transactions are eliminated in arriving at the Company's financial statements.

The inclusion of separate financial information of the Family Takaful fund and the SHF together with the financial information of the Company as a whole in the statement of financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of Bank Negara Malaysia ("BNM") BNM/RH/PD 032-13: Financial Reporting policy document to separate assets, liabilities, income and expenses of the Family Takaful fund from its own. The accounting policies adopted for the SHF and Family Takaful funds are uniform for like transactions and events in similar circumstances.

2.3 Summary of significant accounting policies

(a) Property and equipment and depreciation

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in income statement during the financial period in which they are incurred. The cost of major renovations is included in work in progress and will be transferred to property and equipment once it is complete when it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the Company.

The residual values, useful life and depreciation method are reviewed and adjusted, if applicable, at each date of the statement of financial position. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(a) Property and equipment and depreciation (continued)

The gain and loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in income statement of the respective funds and presented within other operating income/(expense).

Property and equipment are depreciated on the straight-line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Furniture, fittings and office equipment	20%
Motor vehicles	25%
Computer equipment	25%
Renovation	20%

(b) Impairment of Non-Financial Assets

Property and equipment, intangible assets and other non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset’s or cash generating unit’s fair value less costs of disposal and its value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to income statement. Subsequent increase 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. The reversal is recognised in income statement of the respective funds immediately.

(c) Financial Assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), loans and receivables (“LAR”) and available-for-sale (“AFS”). The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its investments at initial recognition.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(c) Financial Assets (continued)

The significant accounting policies by the categories above are as follow:

<u>FVTPL</u>

The Company classifies financial assets at FVTPL if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

The Company designates financial assets at FVTPL if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back Investment-linked contracts and Family Takaful fund; and
- other financial assets managed on a fair value basis; consisting of the Company's equity portfolio and investments held by the Company's Investment-linked funds.

Financial assets at FVTPL are initially recorded at fair value. Subsequent to initial recognition, financial assets at FVTPL are re-measured at fair value. Fair value adjustments and realised gain and losses on de-recognition are recognised in income statements of the respective funds and presented within fair value gains/(losses). Transaction costs in respect of financial assets at FVTPL are expensed as they are incurred.

Dividend income from equity instruments designated at FVTPL is recognised as investment income in the income statements of the respective funds, generally when the security becomes ex-dividend or the right to receive payment is established. Profit income is recognised as investment income in the income statements using effective profit method.

<u>LAR</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one (1) year or less they are classified as current assets. If not, they are presented as non-current assets. LAR are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective profit rate method less any impairment losses.

Profit income from LAR is recognised in income statements of the respective funds using the effective profit rate method. Gains and losses are recognised in income statements of respective funds when the investments are derecognised or impaired, as well as through the amortisation process.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(c) Financial Assets (continued)

The significant accounting policies by the categories above are as follow: (continued)

AFS

Financial assets, other than those at FVTPL and LAR are classified as AFS.

AFS category is used where the relevant investments backing shareholders' equity are not managed on a fair value basis. These principally consist of the Company's debt securities (other than those backing Family Takaful funds and Investment-linked contracts) and seed money in Investment-linked funds. AFS financial assets are initially recognised at fair value plus attributable transaction costs. For AFS debt securities, the difference between their cost and par value is amortised. AFS financial assets are subsequently measured at fair value.

Profit income from debt securities classified as AFS is recognised as investment income in the income statements of the respective funds using the effective profit method.

Unrealised gains and losses on securities classified as AFS are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on monetary AFS investments, such as debt securities, and impairment of AFS financial assets are recognised under 'other operating income/(expense)' in the income statements of the respective funds.

Changes in the fair value of securities classified as AFS, except for impairment losses and relevant foreign exchange gains and losses, are recorded in a separate fair value reserve within equity.

On derecognition, the cumulative fair value gains and losses previously reported in equity are transferred to income statements of the respective funds and presented within the net realised gains/(losses).

(d) Financial Liabilities

All financial liabilities are initially recorded at fair value. Subsequent to initial recognition, financial liabilities are carried at amortised cost using effective profit rate method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(e) Fair value of Financial Instruments

The fair value of a financial instrument is the amount 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, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Company has access. The fair values of financial instruments traded in active markets (such as financial instruments at FVTPL and AFS) are based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Company is the current bid price. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions at the date of each statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the statement of financial position.

The fair value of investments in unit and real estate investment trusts is determined by reference to published bid prices.

For financial assets where an active market may not exist, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another asset which is substantially the same, discounted cash flow analysis and / or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar asset. Certain financial assets are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and / or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit / placement and accrued profit.

If the fair value of a financial asset cannot be measured reliably, the asset is measured 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 financial investments.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(f) Impairment of Financial Assets

General

Financial assets are assessed for impairment on a regular basis. A financial asset is impaired if its carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to the financial asset. The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor; or
- a breach of contract, such as a default or delinquency in payments; or
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data, including market prices, indicating that there is a potential decrease in the estimated future cash flows since the initial recognition of those assets, including:
    - adverse changes in the payment status of issuers; and
    - national or local economic conditions that correlate with increased default risk.

The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(f) Impairment of Financial Assets (continued)

Financial Assets Carried at Amortised Cost

For assets carried at amortised cost, impairment is considered to have taken place if it is probable that the Company will not be able to collect principal and/or profit due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to the income statements of the respective funds. The carrying amount of receivables is reduced through the use of an allowance account, and the amount of any allowance is recognised as an impairment loss in the income statements of the respective fund.

If in a subsequent period, the amount of the 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. Any subsequent reversal of an impairment loss is recognised in income statement of the respective funds, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognised in the shareholders’ equity and there is objective evidence that the financial asset is impaired, the cumulative loss already recognised directly in the shareholders' equity is recognised in the current financial period of the income statement. The Company generally considers an AFS debt security for evidence of impairment when it is identified as credit impaired. In the absence of any other evidence of credit impairment, a debt security would be assessed for impairment when there is a significant decline in fair value.

If the fair value of a debt instrument classified as AFS increases in a subsequent period, 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 through the income statement of the SHF.

Where, following the recognition of an impairment loss in respect of an AFS debt security, the financial asset suffers further falls in value, such further falls are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

(g) Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(h) Equity Instruments

Ordinary Share Capital

Issued capital represents the nominal value of shares issued plus any share contribution received from the issue of share capital, if any. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends on Ordinary Share Capital

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the date of statement of financial position. A dividend proposed or declared after the date of statement of financial position, but before the financial statements are authorised for issue, is not recognised as a liability at the date of statement of financial position. Upon the dividend becoming payable, it will be accounted for as a liability.

(i) Product Classification

Takaful contracts are those contracts that transfer significant Takaful risk. These contracts may also transfer financial risk. Significant Takaful risk is defined as the possibility of paying significantly more in a scenario where the Takaful event occurs than in a scenario in which it does not. Scenarios considered are those with commercial substance.

Investment contracts are those contracts without significant Takaful risk.

Once a contract has been classified as a Takaful or investment contract, no reclassification is subsequently performed, unless the terms of the agreement are later amended.

Certain Takaful contracts have features which are distinct from other Takaful and investment contracts as the Company has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of participants. Participants may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or surplus sharing:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the Income Statement of the Company, fund or other entity that issues the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(i) Product Classification (continued)

Surpluses are distributable to participants and the Company in accordance with the relevant terms under the Takaful contracts. The Company has the discretion over the amount and timing of the distribution of these surpluses to participants, subject to the advice of the Company's Appointed Actuary. All Takaful liabilities, at the end of the reporting period are held within Takaful contract liabilities.

(j) Family Takaful contracts

The Family Takaful fund is maintained in accordance with the requirements of Islamic Financial Services Act, 2013 (“IFSA”) and includes the amount attributable to participants which represents the participants' share of the returns on the investments of the Family Takaful fund in accordance with the terms and conditions prescribed in the contracts and approved by the Shariah Committee of the Company.

Surplus distributable to the Company and participants is determined after retakaful, benefits paid and payable, expenses, provision, reserves and withholding tax. The surplus is distributed to the Company and participants in accordance with the terms and conditions prescribed in the contracts.

Any actuarial deficit in the Family Takaful risk fund will be made good by the SHF via a *qard* (interest free loan). Actuarial deficit arising during the financial year is reported as loss in the separate financial statements of Family Takaful fund and the Company.

Gross contribution

Contribution is recognised as soon as the amount of the contribution can be reliably measured in accordance with the principles of Shariah as advised by the Shariah Committee.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

Contribution income of the Investment-linked Takaful business is in respect of the net creation of units which represents contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Management Expenses, Commission Expenses and Wakalah Fees

Acquisition costs, commissions and management expenses are borne by the Family Takaful fund in income statement of the Family Takaful fund at an agreed percentage of the gross contribution, in accordance with the principles of wakalah as approved by the Company's Shariah Committee and agreed between the participants and the Company. These expenses are allocated to the SHF via wakalah fee and recognised as income by the SHF upon issuance of certificates.

At each reporting date, the Company estimates its net future expense cash flow required on the maintenance of the Family Takaful fund in accordance with the Guidelines on Valuation Basis for Liability of Family Takaful issued by BNM. If the estimate shows that there is deficiency in the net future expense cash flow, the deficiency is immediately charged to income statement of the SHF with a corresponding credit to a provision of expense liabilities.

Benefits and Claims

Benefit and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the Takaful Operator is notified.

Benefits and claims arising on Family Takaful contracts, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under Family Takaful contracts are recognised as follows:

(i) maturity or other certificate benefits payments due on specified dates are treated as claims payable on the due dates;

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;

(iii) benefit payable under Investment-linked business include net cancellation of units are recognised as surrender; and

(iv) share of surplus on Family Takaful risk upon its declaration.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful Contracts Liabilities

Family Takaful contract liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) net asset value attributable to participants, (iv) AFS fair value adjustment and (v) unallocated surplus.

(i) Claims liabilities

Claims liabilities represent the amounts payable under a Family Takaful contract in respect of claims including settlement costs, are accounted for using the case-by-case method as set out above under benefits and claims.

(ii) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and contributions are charged.

Actuarial liabilities as determined by the annual actuarial valuation are based on the Guidelines on Valuation Basis for Liabilities of Family Takaful Business issued by BNM pursuant to the IFSA.

Actuarial liabilities are valued, where appropriate by using a prospective actuarial valuation based on the sum of the present value of future gross benefits, less the present value of future gross tabarru arising from the certificate discounted at the appropriate risk discount rate plus unearned tabarru.

The expected future cash flows are determined using best estimate assumptions after taking into account of all future contractual cash flows. An appropriate allowance for provision of risk margin adverse deviation from expected experience is provided for in the valuation.

The principal uncertainty in the SHF Takaful contract liabilities arises from the technical provisions which includes the unearned wakalah fees reserve and expenses liabilities of Family Takaful fund.

The cash flow reserves for SHF were set up using a discounted cash flow method to ensure the present value of expected future expenses payable from SHF in managing the Family Takaful fund for the full contractual obligation of the Family Takaful contract can be covered by present value of expected future income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful Contracts Liabilities (continued)

(ii) Actuarial liabilities (continued)

The expense liabilities for Family Takaful business are estimated assuming that the block of in-force contracts are to be maintained on a going concern basis. Under a going concern scenario, the contracts so valued are taken as a particular sub-block of contracts and the cashflows are valued to the point the last certificate goes off the books.

The maintenance expenses related to such contracts include the cost of functions that would normally be associated with operation of the business on a going concern basis.

The expense liabilities are calculated using adjusted parameters to provide sufficiency at the appropriate percentile of statistical variation that is higher than the best estimate values.

The expense liabilities are the present value of future maintenance expenses on the current in-force Family Takaful contracts and are further reduced by the present value of future SHF income realisable with reasonable certainty relating to those in-force Family Takaful contracts.

The present value of the future Shareholders' Fund income relates to future renewal wakalah fees, certificate fee and fund management charges of Investment-Linked Participant's Account (PA).

The actuarial liabilities are derecognised when the Takaful contract expires, is discharged or is cancelled.

Adjustment to the actuarial liabilities at each reporting date are recorded in income statement of Takaful fund.

The liability adequacy test has been in-built in the valuation of actuarial liabilities and hence no separate assessment is to be carried out.

(iii) Net asset value attributable to participants

Net asset value represents contribution received and investment surplus credited to the certificate less deduction for mortality and mobility cost and expenses charges. The net asset value attributable to participants of Investment-linked certificate is equal to the net asset value of the Investment-linked funds.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful Contracts Liabilities (continued)

(iv) AFS fair value adjustment

Where unrealised gain or losses arise on AFS financial assets of the Family Takaful fund, the adjustment to the Takaful contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have on those liabilities is recognised directly in the statement of comprehensive income.

(v) Unallocated surplus

Unallocated surplus represents undistributable underwriting surplus set aside in accordance with the terms of the contract while accumulated deficits represent underwriting loss which will be made good by SHF via *qard*.

(k) Retakaful contracts

The Company cedes Takaful risk in the normal course of business, with retentions varying by line of business. The cost of retakaful is accounted for over the life of the underlying retakaful contracts, using assumptions consistent with those used to account for such contracts.

Contributions ceded and claims recovered are recognised in the same accounting period as the original contract which the retakaful relates, and are presented on a gross basis in income statement of the Family Takaful fund.

Fee income derived from retakaful operators in the course of retakaful are credited to income statement of Family Takaful fund in the financial period in which they are earned.

Retakaful assets consist of amounts receivable in respect of ceded Takaful liabilities. Amounts recoverable from retakaful operators are estimated in a manner consistent with the Takaful contract or investment contract liabilities or benefits paid and in accordance with the relevant retakaful contract.

To the extent that retakaful contracts principally carry financial risk (as opposed to Takaful risk), they are accounted for directly through the statements of financial position and are not included in retakaful assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified contributions or fees to be retained by the Takaful operator.

If a retakaful asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in income statement of the Family Takaful Fund. A retakaful asset is impaired if 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 all amounts due to it under the terms of the contract, and the impact on the amounts that the Company will receive from the retakaful can be reliably measured.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(l) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, Takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the Takaful receivable is impaired, the Company reduces the carrying amount of the Takaful receivable accordingly and recognises that impairment loss in the income statement of the Family Takaful fund. The Company gathers the objective evidence that a Takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. These processes are described in Note 2.3(e) to the income statement.

(m) Other financial liabilities and Takaful payables

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

(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 economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of statement of financial position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks 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) Cash and cash equivalents

Cash and cash equivalents consist of cash in hands, deposits held at call with financial institutions with original maturities of three (3) months or less. It excludes deposits which are held for investment purpose. The Company classifies the cash flows for the purchase and disposal of investment in financial asset in its operating cash flows as the purchases are funded from the cash flows associated with the origination of Takaful contracts, net of the cash flows for payments of Takaful benefits and claims benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(p) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Post-retirement benefit obligations

Defined Contribution Plans

As required by law, the Company make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement of the SHF as incurred. Once the contributions have been paid, the Company has no further payment obligations.

(q) Foreign currency

(i) Functional and presentation currency

Items included in the Company’s financial statements are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The financial statements are presented in thousands of Ringgit Malaysia (“RM”), which is the Company’s functional and presentation currency.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of respective funds.

Translation differences on non-monetary items carried at fair value are translated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(r) Taxation

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

In addition to paying tax on SHF's profit, Family Takaful business pay tax on certificate holders' investment returns at a tax rate of 8%.

Deferred tax is provided for, using the liability method, on temporary differences at the date of statement of financial position 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, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of statement of financial position. Deferred tax is recognised in the income statement of the respective funds comprises of unrealised fair value gains/losses, amortisation, capital allowances and losses, except when it arises from a transaction which is recognised directly in equity in which case the deferred tax is also credited or charged in statement of comprehensive income of which comprises of AFS.

(s) Other revenue recognition

Gains and losses on disposal of investments are determined by comparing the sales proceeds and the carrying amounts of the investments and the resulting difference is credited or charged to the income statements of the respective funds. Cost is determined by specific identification.

(t) Measurement and impairment of *qard*

Any deficit in the Family Takaful risk fund will be made good via a *qard* (interest free loan), granted by the SHF to the Family Takaful risk fund. *Qard* shall be repaid from future surplus of the Family Takaful risk fund.

Qard is accounted for as receivable and payable in the financial information of the SHF and Family Takaful fund respectively. *Qard* receivable is stated at cost and as of date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable in the near term. An impairment is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.3(b) to the financial statements. Impairment losses are subsequently reversed in the income statement if there is objective evidence that the *Qard* is no longer impaired.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(u) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in the income statement.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each date of the statement of financial position.

Amortisation is charged to the income statement.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the assets and is recognised in the income statement and presented within other operating income/(expense) when the asset is derecognised.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the indefinite useful lives assessment continues to be supportable.

(i) Software development in progress

Software development in progress are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, the asset is reclassified to computer software and amortisation of the asset begins. It is amortised over the period of expected future use. During the period in which the asset is not yet in use, it is tested for impairment annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(u) Intangible assets

Amortisation is charged to the income statement.(continued)

(ii) Computer software and licences

The useful lives of computer software and licenses are considered to be finite because computer software and licenses are susceptible to technological obsolescence.

The acquired computer software and licenses are amortised using the straight line method over their estimated useful lives not exceeding four (4) years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at the end of each date of the statement of financial position.

(v) Balances with related company

Balances with related companies are stated at the amounts which these balances are due and expected to be settled.

(w) Leases

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e., the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(w) Leases (continued)

<u>Accounting policies applied from 1 January 2019</u> (continued)

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

(ii) ROU Assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset’s useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(w) Leases (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in income statement in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in income statement.

(iii) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(w) Leases (continued)

(iv) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line bases as an expense in income statement.

<u>Accounting policies on lessee accounting applied until 31 December 2018</u>

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

(x) Zakat

This represents an obligatory amount payable by the Company to comply with the principles of Shariah. As approved by the Shariah Committee, the method to calculate *zakat* for the Company is based on the Company's profit before tax.

(y) Business combination under common control

Business combinations under common control are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, the income statements include the results of the acquired business from the date of combinations. The assets and liabilities of the acquired business are accounted for at the date of combination, based on the carrying amounts of the acquiree adjusted for alignment of accounting policies, if any. The cost of acquisition as of the date of the combination is taken to equity.

2.4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the reporting date. 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 the future.

(a) Judgments made in applying accounting policies

Judgments made by management in the process of applying the Company's accounting policies are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

(b) Key source of estimation uncertainty

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the followings notes:-

Uncertainty in accounting estimates for Actuarial liabilities of Family Takaful contracts and Shareholders' Fund expense liabilities

There are several sources of uncertainty in the estimation of these liabilities, including future mortality and morbidity, withdrawals, expenses and discount rates. In developing the operating assumptions, management has utilised the Company's actual historical experience wherever available. For certain products where experience is limited, experience for similar products or pricing assumptions has been used. Prescribed risk-free discount rates are used for discounting of cash flows to value these liabilities.

The key assumptions used and the sensitivity analysis on the key assumptions as at 31 December 2019, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 30 to the financial statements.

3 NET EARNED CONTRIBUTIONS

	12 months year ended 31.12.2019 RM'000	13 months period ended 31.12.2018 RM'000
Family Takaful fund		
(a) Gross contributions:		
Takaful contracts	965,117	842,580
(b) Contributions ceded:		
Takaful contracts	(30,401)	(19,745)
Net earned contributions	934,716	822,835

4 INVESTMENT INCOME

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
12 months year ended 31.12.2019			
Financial assets - available-for-sale ("AFS"):			
Profit income	6,713	182	6,895
Net amortisation of premiums on investments	(203)	(5)	(208)
Financial assets - fair value through profit or loss ("FVTPL"):			
Profit income	-	26,887	26,887
Net amortisation of premiums on investments	-	(648)	(648)
Dividend income	430	7,926	8,356
Loans and receivables:			
Profit income	1,144	6,762	7,906
	8,084	41,104	49,188
13 months period ended 31.12.2018			
Financial assets - available-for-sale ("AFS"):			
Profit income	4,481	256	4,737
Net amortisation of premiums on investments	(120)	(13)	(133)
Financial assets - fair value through profit or loss ("FVTPL"):			
Profit income	2	23,602	23,604
Net amortisation of premiums on investments	-	(499)	(499)
Dividend income	650	8,320	8,970
Loans and receivables:			
Profit income	645	5,811	6,456
	5,658	37,477	43,135

5 FEES AND COMMISSION INCOME/(EXPENSES)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
12 months year ended 31.12.2019			
Fees and commission income:			
Wakalah fees income	315,475	-	-
Certificate fees	13,544	-	-
Commission earned on retakaful contract	-	-	-
	329,019	-	-
Fees and commission expense:			
Commission paid to agents	(202,792)	-	(202,792)
Wakalah fees expense	-	(315,475)	-
Certificate fees	-	(13,544)	-
	(202,792)	(329,019)	(202,792)
13 months period ended 31.12.2018			
Fees and commission income:			
Wakalah fees income	282,786	-	-
Certificate fees	9,875	-	-
Commission earned on retakaful contract	-	32	32
	292,661	32	32
Fees and commission expense:			
Commission paid to agents	(199,961)	-	(199,961)
Wakalah fees expense	-	(282,786)	-
Certificate fees	-	(9,875)	-
	(199,961)	(292,661)	(199,961)

6 FAIR VALUE GAINS/(LOSSES)

	Shareholders' fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000
12 months year ended 31.12.2019			
Financial assets at FVTPL – designated upon initial recognition			
- realised	3,943	(14,547)	(10,604)
- unrealised	174	72,852	73,026
	4,117	58,305	62,422
13 months period ended 31.12.2018			
Financial assets at FVTPL – designated upon initial recognition			
- realised	(4)	(13,618)	(13,622)
- unrealised	(163)	(26,792)	(26,955)
	(167)	(40,410)	(40,577)

7 MANAGEMENT EXPENSES

	12 months year ended 31.12.2019	13 months period ended 31.12.2018
	RM'000	RM'000
Shareholders' fund		
Employee benefits expense (Note 7(a))	14,185	15,099
Directors' remuneration (Note 7(b))	621	647
Shariah Committee remuneration		
- fees	186	174
- other allowances	72	46
Auditors' remuneration statutory audit:		
- current financial year/period	395	377
- under provision in prior financial year	-	40
Non-audit services	53	67
Audit related services	6	43
Management fees (Note 27 (a))	53,751	49,537
Office rental	144	895
Depreciation of property and equipment	187	274
Depreciation of right-of-use assets	623	-
Amortisation of intangible assets	1,736	1,571
Travelling expenses	282	308
Advertisement and promotion	3,384	1,722
Professional and legal fees	1,168	1,616
Market training expenses	169	98
Printing and stationeries	771	389

7 MANAGEMENT EXPENSES (CONTINUED)

	12 months year ended 31.12.2019 RM'000	13 months period ended 31.12.2018 RM'000
Shareholders' fund (continued)		
Repair and maintenance	49	39
Marketing expenses	31,717	24,433
Medical fees	729	413
IT, communication and postage expenses	3,628	3,202
Other expenses	11,051	10,991
	124,907	111,982
Family Takaful fund		
Management fees (Note 27 (a))	1,962	2,297

(a) Employee benefits expense

Salaries, bonus and other related costs	12,317	13,120
Pension costs – EPF	1,868	1,979
	14,185	15,099

(b) Directors' remuneration

The details of remuneration receivable by non-executive directors during the financial year/period are as follows:

	12 months year ended 31.12.2019 RM'000	13 months period ended 31.12.2018 RM'000
Fees	499	525
Allowances	122	122
	621	647

7 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

The number of directors whose total remuneration during the financial year/period fall within the following band is analysed below:

	12 months year ended 31.12.2019	13 months period ended 31.12.2018
Number of directors		
Non-executive directors		
RM0	4	3
RM1 – RM20,000	-	-
RM20,001 - RM100,000	-	-
RM100,001 – RM200,000	4	4

(c) Chief executive officer's remuneration

	12 months year ended 31.12.2019 RM'000	13 months period ended 31.12.2018 RM'000
Salaries, bonus and other related costs	1,369	1,340
Pension costs - EPF	210	207
	1,579	1,547

8 TAXATION

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
12 months year ended 31.12.2019			
Tax expense:			
- current	(342)	134	(208)
- deferred (Note 19)	(137)	5,950	5,813
	(479)	6,084	5,605
Current tax			
Current financial year	4,246	772	5,018
Over provision in prior financial period	(4,588)	(638)	(5,226)
	(342)	134	(208)
Deferred tax			
Origination and reversal of temporary differences	(178)	5,939	5,761
Under provision in prior financial period	41	11	52
	(137)	5,950	5,813
13 months period ended 31.12.2018			
Tax expense:			
- current	3,916	1,022	4,938
- deferred (Note 19)	63	(2,492)	(2,429)
	3,979	(1,470)	2,509
Current tax			
Current financial period	4,448	759	5,207
(Over)/Under provision in prior financial year	(532)	263	(269)
	3,916	1,022	4,938
Deferred tax			
Origination and reversal of temporary differences	83	(2,037)	(1,954)
Over provision in prior financial year	(20)	(455)	(475)
	63	(2,492)	(2,429)

8 TAXATION (CONTINUED)

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

	12 months year ended 31.12.2019 RM'000	13 months period ended 31.12.2018 RM'000
Company		
Profit/(Loss) before zakat and taxation	21,238	(18,581)
Taxation at Malaysian statutory tax rate of 24%	5,097	(4,459)
Expenses not deductible for tax purposes	245,961	203,390
Income not subject to tax	(227,173)	(196,309)
Over provision of tax expense in prior financial years	(5,174)	(735)
Temporary difference not recognised previously	(523)	(253)
Tax impact on investment income attributable to certificate holders	(12,583)	875
Tax expense for the financial year/period	5,605	2,509

9 PROPERTY AND EQUIPMENT

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Shareholders' fund/Company					
Cost					
At 1 January 2019	1,761	860	140	1,139	3,900
Additions	127	51	-	25	203
Write off	(6)	-	-	-	(6)
At 31 December 2019	1,882	911	140	1,164	4,097
Accumulated depreciation					
At 1 January 2019	1,600	767	140	776	3,283
Depreciation charge for the financial year	71	64	-	52	187
Write off	-	-	-	-	-
At 31 December 2019	1,671	831	140	828	3,470
Net carrying amount					
At 31 December 2019	211	80	-	336	627

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Shareholders' fund/Company					
Cost					
At 1 December 2017	1,675	848	140	1,139	3,802
Additions	86	12	-	-	98
At 31 December 2018	1,761	860	140	1,139	3,900
Accumulated depreciation					
At 1 December 2017	1,470	680	140	719	3,009
Depreciation charge for the financial period	130	87	-	57	274
At 31 December 2018	1,600	767	140	776	3,283
Net carrying amount					
At 31 December 2018	161	93	-	363	617

10 INTANGIBLE ASSETS

	Computer software and licenses RM'000	Work in-progress RM'000	Total RM'000
Shareholders' fund/Company			
Cost			
At 1 January 2019	13,539	-	13,539
Additions	2,746	988	3,734
Write off	(16)	-	(16)
At 31 December 2019	16,269	988	17,257
Accumulated amortisation			
At 1 January 2019	11,370	-	11,370
Amortisation charge for the financial year	1,736	-	1,736
Write off	(12)	-	(12)
At 31 December 2019	13,094	-	13,094
Net carrying amount			
At 31 December 2019	3,175	988	4,163
Cost			
At 1 December 2017	12,101	-	12,101
Additions	1,438	-	1,438
At 31 December 2018	13,539	-	13,539
Accumulated amortisation			
At 1 December 2017	9,799	-	9,799
Amortisation charge for the financial year	1,571	-	1,571
At 31 December 2018	11,370	-	11,370
Net carrying amount			
At 31 December 2018	2,169	-	2,169

11 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31.12.2019 RM'000	31.12.2018 RM'000
Rights-of-use assets		
Buildings	1,952	-
Office equipments	27	-
	1,979	-
Lease liabilities		
Current	612	-
Non-current	1,401	-
	2,013	-

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	31.12.2019 RM'000	31.12.2018 RM'000
Depreciation charge of right-of-use assets		
Buildings	614	-
Office equipments	9	-
	623	-
Finance cost of leases	88	-

The total cash outflow for leases for 2019 was RM 677,388 for Company.

On adoption of MFRS 16, the Company recognised lease liabilities in relation to lease which had previously been classified as operating leases under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.87%.

12 FINANCIAL ASSETS

(a) The Company's financial assets are as follows:

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
Financial assets - available-for-sale (AFS):			
Government investment issues	27,475	1,547	29,022
Unquoted corporate sukuks	104,496	2,222	106,718
Income due and accrued	1,680	30	1,710
	133,651	3,799	137,450
Financial assets at FVTPL:			
Government investment issues	-	165,971	165,971
Unquoted corporate sukuks	-	517,306	517,306
Quoted shariah approved shares	-	337,726	337,726
Unquoted shariah approved equities	8,035	27,308	35,343
Shariah approved unit trusts	-	10,096	10,096
REITs	-	6,927	6,927
Income due and accrued	-	8,358	8,358
	8,035	1,073,692	1,081,727
31.12.2018			
Financial assets - available-for-sale (AFS):			
Government investment issues	46,180	2,457	48,637
Unquoted corporate sukuks	59,381	2,802	62,183
Income due and accrued	1,195	44	1,239
	106,756	5,303	112,059
Financial assets at FVTPL:			
Government investment issues	-	135,973	135,973
Unquoted corporate sukuks	-	373,140	373,140
Quoted shariah approved shares	-	221,064	221,064
Unquoted shariah approved equities	7,861	10,932	18,793
Shariah approved unit trusts	-	8,779	8,779
Income due and accrued	-	6,718	6,718
	7,861	756,606	764,467

12 FINANCIAL ASSETS (CONTINUED)

(a) The Company's financial assets are as follows: (continued)

As at 31 December 2019, the Company is holding reclassified shares in quoted Shariah approved shares with a carrying value of RM590,200, which is still below the investment cost. The shares were reclassified as Shariah non-compliant securities pursuant to the List of Shariah-Compliant Securities by the Shariah Advisory Council of the Securities Commission Malaysia effective on 29 November 2019. In accordance with the advice of the Shariah Advisory Council of the Securities Commission Malaysia and as endorsed by the Company's Shariah Committee, it is allowed to hold the shares if the market price of the said shares are below the investment cost. There is no income derived from these shares during the financial year.

Inclusive in Shariah approved shares as at 31 December 2018, is the reclassified shares with carrying value of RM993,990 which have been fully disposed in March and April 2019, at loss of RM311,307.

(b) Movement in carrying values

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
AFS			
At 1 December 2017	84,106	6,510	90,616
Purchases	66,958	-	66,958
Disposals at fair value	(44,641)	(1,200)	(45,841)
Fair value gain recorded in:			
Other comprehensive income	395	44	439
Amortisation of premiums – net (Note 4)	(120)	(13)	(133)
Movement of investment income due and accrued	58	(38)	20
At 31 December 2018	106,756	5,303	112,059
Purchases	92,159	-	92,159
Disposals at fair value	(71,352)	(1,602)	(72,954)
Fair value gain recorded in:			
Other comprehensive income	5,806	117	5,923
Amortisation of premiums – net (Note 4)	(203)	(5)	(208)
Movement of investment income due and accrued	485	(14)	471
At 31 December 2019	133,651	3,799	137,450

12 FINANCIAL ASSETS (CONTINUED)

(b) Movement in carrying values (continued)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
FVTPL			
At 1 December 2017	8,024	576,489	584,513
Purchases	400	380,296	380,696
Disposals at amortised cost	(400)	(174,568)	(174,968)
Fair value losses recorded in:			
Profit or loss	(163)	(26,792)	(26,955)
Amortisation of premiums– net (Note 6)	-	(499)	(499)
Movement of investment income due and accrued	-	1,680	1,680
At 31 December 2018	7,861	756,606	764,467
Purchases	-	392,242	392,242
Disposals at amortised cost	-	(149,000)	(149,000)
Fair value gains recorded in:			
Profit or loss	174	72,852	73,026
Amortisation of premiums– net (Note 6)	-	(648)	(648)
Movement of investment income due and accrued	-	1,640	1,640
At 31 December 2019	8,035	1,073,692	1,081,727

(c) Fair value hierarchy

The following table show financial investments recorded at fair value analysed by the different basis of fair value as follows:

	31.12.2019 RM'000	31.12.2018 RM'000
AFS		
SHF		
Valuation techniques – market observable inputs (Level 2)	133,651	106,756
Family Takaful fund		
Valuation techniques – market observable inputs (Level 2)	3,799	5,303
Company		
Valuation techniques – market observable inputs (Level 2)	137,450	112,059

12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	31.12.2019 RM'000	31.12.2018 RM'000
FVTPL		
SHF		
Valuation techniques – market observable inputs (Level 2)	8,035	7,861
Family Takaful fund		
Quoted market price (Level 1)	355,528	230,589
Valuation techniques – market observable inputs (Level 2)	718,164	526,017
	1,073,692	756,606
Company		
Quoted market price (Level 1)	355,528	230,589
Valuation techniques – market observable inputs (Level 2)	726,199	533,878
	1,081,727	764,467

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entity. The three-level hierarchy is defined as follows:

Level 1:

Financial instruments measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services. However, where prices have not been determined in active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models where majority of assumptions are market observable.

12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

Level 3:

Financial instruments measured in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

Interests in structured entities

The Company has determined that the investment in mutual funds are structured entities.

The following table summarizes the Company's investment in unconsolidated structured entities as at 31 December 2019 and 2018:

Investment Funds *(1)*	31.12.2019 RM'000	31.12.2018 RM'000
Equity securities at fair value through profit or loss	17,023	8,779

Notes
(1) Balance represents the Company's interests in mutual funds.

The Company's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and profit income are received during the reporting period from these interests in unconsolidated structured entities.

13 LOAN AND RECEIVABLES

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
Loans and receivables:			
Islamic investment accounts with licensed Islamic Bank	-	43,400	43,400
Accrued profit	-	483	483
	-	43,883	43,883
31.12.2018			
Loans and receivables:			
Islamic investment accounts with licensed Islamic Bank	1,260	64,780	66,040
Accrued profit	5	181	186
	1,265	64,961	66,226

The weighted average effective profit rate of Islamic investment accounts as at the end of the financial year/period are as follows:

	Shareholders' fund %	Family Takaful fund %	Company %
31.12.2019			
Loans and receivables:			
Islamic investment accounts with licensed Islamic Bank	-	3.44	3.44
31.12.2018			
Loans and receivables:			
Islamic investment accounts with licensed Islamic Bank	3.87	3.83	3.84

14 *QARD* RECEIVABLE

	Shareholders' fund 31.12.2019 RM'000	Shareholders' fund 31.12.2018 RM'000
At 1 January/1 December	55,053	29,790
Increase during the financial year/period	17,073	25,263
Allowance for impairment	(14,000)	-
At 31 December	58,126	55,053

Qard represents a *qard* (interest free loan) to the Family Takaful funds to make good the deficit in the respective Family Takaful funds. *Qard* is measured at cost less any impairment losses in Shareholders' fund whereas in the Family Takaful fund, *qard* is measured at cost. At the end of each reporting period, the loan is assessed for any indication of impairment via an assessment of the estimated surpluses or cash flows from Family Takaful fund and time value of money. Impairment losses (if any) are subsequently reversed if objective evidence exists that *qard* is no longer impaired.

The *qard* receivable was tested for impairment with the result that the recoverable amount is lesser than its carrying amount, therefore impairment loss is provided for the financial year/period ended 31 December 2019 and 2018 of RM14 million and nil respectively.

15 OTHER RECEIVABLES

Receivables of the Company are classified as loans and receivables and are as follows:

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
Due from Family Takaful fund (Note 20)	64,634	-	-
Due from related company	171	-	171
Other receivables and deposits	10,874	3,034	13,908
Allowance for impairment	(1,071)	-	(1,071)
	74,608	3,034	13,008
31.12.2018			
Due from Family Takaful fund (Note 20)	33,035	-	-
Due from related company	4	-	4
Other receivables and deposits	12,615	4,917	17,532
Allowance for impairment	(2,155)	-	(2,155)
	43,499	4,917	15,381

15 OTHER RECEIVABLES (CONTINUED)

Movement in allowance for impairment

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
At 1 January	(2,155)	-	(2,155)
Allowance for impairment during the financial year	1,084	-	1,084
At 31 December	(1,071)	-	(1,071)
31.12.2018			
At 1 December	(1,500)	-	(1,500)
Allowance for impairment during the financial period	(655)	-	(655)
At 31 December	(2,155)	-	(2,155)

16 TAKAFUL CERTIFICATES RECEIVABLES

Family Takaful fund/Company

	31.12.2019 RM'000	31.12.2018 RM'000
Due contribution including from agents/ brokers and co-takaful	14,863	19,155
Allowance for impairment	(2,988)	(8,034)
Write off during the financial year/period	(5,590)	-
Net amount of financial assets presented in the statement of financial position	6,285	11,121
Receivable within 12 months	6,285	11,121

The following table shows the assets and liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each financial year/period end:

16 TAKAFUL CERTIFICATES RECEIVABLES (CONTINUED)

Offsetting financial assets and financial liabilities

	31.12.2019 RM'000	31.12.2018 RM'000
Gross amount of recognised financial assets	16,030	19,991
Less:		
Gross amount of recognised financial liabilities set off in the statement of financial position	(1,167)	(836)
Net amount of financial assets presented in the statement of financial position	14,863	19,155

Movement in allowance for impairment and write off

	31.12.2019 RM'000	31.12.2018 RM'000
At 1 December	(8,034)	(7,161)
Allowance during the financial year/period		
- borne by Shareholders' fund	999	(242)
- borne by Family Takaful fund	4,047	(631)
At 31 December	(2,988)	(8,034)
Write off during the financial year/period		
- borne by Shareholders' fund	(1,112)	-
- borne by Family Takaful fund	(4,478)	-
At 31 December	(5,590)	-

17 TAKAFUL CONTRACT LIABILITIES

Family Takaful fund/Company

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2019			
Participants' Risk Fund			
Claims liabilities	70,813	(12,783)	58,030
Actuarial liabilities	171,400	(572)	170,828
Net asset value attributable to certificate holders	925,042	-	925,042
AFS fair value adjustment	61	-	61
Underwriting profit attributable to participants	12,250	-	12,250
Unallocated surplus	103,741	-	103,741
	1,283,307	(13,355)	1,269,952

17 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

Family Takaful fund/Company (continued)

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2018			
Participants' Risk Fund			
Claims liabilities	54,663	(8,936)	45,727
Actuarial liabilities	128,159	(725)	127,434
Net asset value attributable to certificate holders	667,195	-	667,195
AFS fair value adjustment	(56)	-	(56)
Underwriting profit attributable to participants	15,000	-	15,000
Unallocated surplus	54,826	-	54,826
	919,787	(9,661)	910,126

31.12.2019
Movement of Takaful contract liabilities:

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2019	919,787	(9,661)	910,126
Increase in claims liabilities	16,150	(3,847)	12,303
Certificate movement	43,241	153	43,394
Increase in net asset value attributable to certificate holders	257,847	-	257,847
Decrease in AFS fair value adjustment	117	-	117
Decrease in underwriting profit distributable to participants	(2,750)	-	(2,750)
Unallocated surplus	48,915	-	48,915
At 31 December 2019	1,283,307	(13,355)	1,269,952

31.12.2018
Movement of Takaful contract liabilities:

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 December 2017	696,549	(5,190)	691,359
Increase in claims liabilities	22,186	(4,613)	17,573
Certificate movement	9,672	142	9,814
Increase in net asset value attributable to certificate holders	180,974	-	180,974
Decrease in AFS fair value adjustment	44	-	44
Decrease in underwriting profit distributable to participants	(3,250)	-	(3,250)
Unallocated surplus	13,612	-	13,612
At 31 December 2018	919,787	(9,661)	910,126

18 TAKAFUL CERTIFICATES PAYABLES

Family Takaful fund/Company

	31.12.2019 RM'000	31.12.2018 RM'000
Amount due to retakaful	15,822	17,146
Amount due to participants	286	-
Deposit contribution	10,939	12,254
	27,047	29,400

The following table shows the liabilities and assets that are subject to offsetting, enforceable master netting agreements and similar arrangements at each financial year/period end:

Offsetting financial liabilities and financial assets

	31.12.2019 RM'000	31.12.2018 RM'000
Gross amount of recognised financial liabilities	24,236	26,774
Less:		
Gross amount of recognised financial assets set off in the statement of financial position	(8,414)	(9,628)
Net amount of financial liabilities presented in the statement of financial position	15,822	17,146

Certain amount due from reinsurers and amount due to reinsurers were set off for presentation purpose because they have enforceable right to set off and they intend either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

19 DEFERRED TAX ASSETS/(LIABILITIES)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
Presented after appropriate offsetting as follows;			
Deferred tax liabilities	(1,411)	(4,022)	(5,433)
31.12.2018			
Presented after appropriate offsetting as follows;			
Deferred tax (liabilities)/assets	(155)	1,937	1,782

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
At 1 January 2019	(155)	1,937	1,782
Recognised in:			
Comprehensive income:			
Available-for-sale	(1,393)	(9)	(1,402)
Income statement (Note 8)			
Deferred tax for amortisation	35	50	85
Deferred tax for capital allowances	144	-	144
Deferred tax for unrealised loss	(42)	(6,000)	(6,042)
At 31 December 2019	(1,411)	(4,022)	(5,433)
31.12.2018			
At 1 December 2017	(20)	(559)	(579)
Recognised in:			
Comprehensive income			
Available-for-sale	(72)	4	(68)
Income statement (Note 8)			
Deferred tax for amortisation	51	95	146
Deferred tax for capital allowances	(27)	-	(27)
Deferred tax for unrealised loss	(87)	2,397	2,310
At 31 December 2018	(155)	1,937	1,782

20 OTHER PAYABLES

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
Sundry payables	9,587	19,824	29,411
Accruals and provisions	34,682	14,381	49,063
Due to shareholders' fund (Note 15)	-	64,634	-
Due to related company	52,326	52	52,378
	96,595	98,891	130,852
31.12.2018			
Sundry payables	21,525	23,714	45,239
Accruals and provisions	30,919	20,758	51,677
Due to shareholders' fund (Note 15)	-	33,035	-
Due to related company	36,671	347	37,018
	89,115	77,854	133,934

21 SHARE CAPITAL

	31.12.2019		31.12.2018	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid-up:				
Ordinary shares at the beginning of financial year/period	300,000	300,000	200,000	200,000
Issued during the financial year/period	-	-	100,000	100,000
Ordinary shares at the end of financial year/period	300,000	300,000	300,000	300,000

22 PROFIT/(LOSS) PER SHARE

	31.12.2019 RM'000	31.12.2018 RM'000
Profit/(Loss) after taxation attributable to the Company	15,251	(21,090)
Weighted average number of shares in issue during the financial year/period	300,000	201,515
Basic profit/(loss) per share (sen)	5.08	(10.47)

23 SEGMENTAL INFORMATION ON CASH FLOW

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
Net cash flows (used in)/generated from:			
Operating activities	(33,162)	96,508	63,346
Investing activities	(3,937)	-	(3,937)
Financing activities	(589)	-	(589)
	(37,688)	96,508	58,820
Net (decrease)/increase in cash and cash equivalents	(37,688)	96,508	58,820
At 1 January 2019	112,420	173,914	286,334
At 31 December 2019	74,732	270,422	345,154
31.12.2018			
Net cash flows generated from/(used in):			
Operating activities	3,804	22,669	26,473
Investing activities	(1,536)	-	(1,536)
Financing activities	100,000	-	100,000
	102,268	22,669	124,937
Net increase in cash and cash equivalents	102,268	22,669	124,937
At 1 December 2017	10,152	151,245	161,397
At 31 December 2018	112,420	173,914	286,334

24 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2019 and 2018, as prescribed under Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") are as follows:

Company	31.12.2019 RM'000	31.12.2018 RM'000
Eligible Tier 1 Capital		
Share capital	300,000	300,000
Accumulated losses	(14,772)	(33,096)
Valuation surplus maintained in the Family Takaful funds	6,722	8,760
	291,950	275,664
Tier 2 Capital		
General reserves	(33,333)	(33,333)
Available for sale reserves	4,697	176
Qard	72,126	55,053
Total capital available	43,490	21,896
Amount deducted from capital in accordance with paragraph 9.9 of RBCT Framework	61,301	57,245
Total Capital Available	274,139	240,315

25 CAPITAL COMMITMENTS

The capital commitments of the Company as at the end of the financial year/period are as follows:

	31.12.2019 RM'000	31.12.2018 RM'000
Capital expenditure:		
Approved and contracted for:		
Intangible assets	-	76

26 OPERATING LEASE ARRANGEMENTS

The Company as lessee

The Company has entered into Operating lease agreements for the use of buildings and office equipment. From 1 January 2019, the company has recognised right-of-use assets for these leases, except for short term and low value leases, see Note 11 for further information.

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

Future minimum lease rental payments:

	31.12.2019 RM'000	31.12.2018 RM'000
Shareholders' fund		
Rental of office premises:		
Not later than 1 year	-	648
Later than 1 year and not later than 5 years	-	59
	-	707

27 RELATED PARTY DISCLOSURES

For the purposes 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 operating 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, and certain members of senior management of the Company.

27 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances

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/period:

	Shareholders' fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000
Significant transactions with related parties during the financial year/period:			
Expenses/(Income):			
31.12.2019			
AIA Bhd. (an immediate holding company)			
Outsourcing fees	49,439	1,947	51,386
Rental of office premises	708	-	708
IT system development charges	803	-	803
Technical consultation services	584	-	584
AIA Health Services Sdn Bhd (a related company)			
Outsourcing fees	3,700	-	3,700
AIA Shared Services Sdn Bhd (a related company)			
Outsourcing fees	612	15	627
Public Islamic Bank Berhad (a corporate shareholder)			
Fee and commission expenses	14,085	-	14,085
Profit from placement of funds	(29)	(914)	(943)
Public Mutual Berhad (a related company)			
Fee and commission expenses	22	-	22

27 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances (continued)

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/period: (continued)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Significant transactions with related parties during the financial year/period:			
Expenses/(Income):			
31.12.2018			
AIA Bhd. (a related company)			
Outsourcing fees	45,951	1,673	47,624
Rental of office premises	771	-	771
IT system development charges	932	-	932
AIA Health Services Sdn Bhd (a related company)			
Outsourcing fees	2,787	610	3,397
AIA Shared Services Sdn Bhd (a related company)			
Outsourcing fees	799	14	813
Public Islamic Bank Berhad (a corporate shareholder)			
Fee and commission expenses	13,426	-	13,426
Profit from placement of funds	(101)	(1,661)	(1,762)
Public Mutual Berhad (a related company)			
Fee and commission expenses	18	-	18

27 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances (continued)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Balances with related parties at financial year/period end:			
(Payables)/receivables:			
31.12.2019			
AIA Bhd.			
Amount due to an immediate holding company	(51,978)	-	(51,978)
AIA Health Services Sdn Bhd			
Amount due to a related company	(348)	(52)	(400)
AIA Shared Services Sdn Bhd			
Amount due from a related company	171	-	171
Public Islamic Bank Berhad			
Amount due from a corporate shareholder			
Cash and cash equivalents	11,864	8,847	20,711
Islamic investment accounts with licensed Islamic Bank	-	90,123	90,123
31.12.2018			
AIA Bhd.			
Amount due to a related company	(33,395)	-	(33,395)
AIA Health Services Sdn Bhd			
Amount due to a related company	(2,615)	(347)	(2,962)
AIA General Berhad	4	-	4
AIA Shared Services Sdn Bhd			
Amount due to a related company	(661)	-	(661)
Public Islamic Bank Berhad			
Amount due from a corporate shareholder			
Cash and cash equivalents	36,794	32,495	69,289
Islamic investment accounts with licensed Islamic Bank	-	21,211	21,211

27 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

	31.12.2019 RM'000	31.12.2018 RM'000
Non-executive directors' remuneration		
Fees (Note 7 (b))	499	525
Allowances (Note 7 (b))	122	122
Chief executive officer's remuneration (Note 7(c))	1,579	1,547
Other key management personnel:		
Salaries, bonus & other related cost	2,168	1,343
Pension costs – EPF	341	186
Allowances	78	55
	4,787	3,778

All Directors, Chief Executive Officer and senior management officers are collectively referred to as key management personnel.

28 RISK MANAGEMENT FRAMEWORK

28.1 Risk management framework

The Company's Risk Management Framework consists of the following key components – Risk Culture; Risk Management Process; Risk Governance; Risk Appetite; and Risk Landscape. For more information on the Company's Risk Management Framework, please refer to the Section (E) of the Directors' Report on Internal Control Framework.

28.2 Capital management framework

The Company actively manages its capital adequacy by taking into account the potential impact of business strategies on the Company's risk profile and overall resilience. This is in line with BNM Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Takaful Operators and the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework").

Under the RBCT Framework, the Company has to maintain a capital adequacy level that commensurate with its risk profiles at all times. The Capital Adequacy Ratio of the Company remained well above the minimum capital requirement of 130% under the RBCT Framework, regulated by BNM.

28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

28.2 Capital management framework (continued)

The ICAAP is the overall process (including oversight and operational frameworks and processes) by which the Company ensures adequate capital to meet its capital requirements on an ongoing basis. The key elements of ICAAP includes Board and senior management oversight; comprehensive risk assessment; individual target capital level and stress testing; sound capital management and ongoing monitoring, reporting and review of the ICAAP.

A capital management plan has been established which list the thresholds that act as triggers for actions to ensure maintenance of appropriate capital levels at all times as well as the corresponding corrective actions that are required for different scenarios and at each specified thresholds. Results of stress tests shall be considered when evaluating the appropriateness of capital thresholds and corrective actions with consideration of the particular stage of the business cycle in which the Company is operating, given the potential changes in the external environment that could affect the risk profile.

The Company sets an Individual Target Capital Level (“ITCL”) that reflects the overall risk tolerance and risk appetite set by the Board, its own risk profile and risk management practices. The Company shall operate at capital levels above ITCL in line with the approved risk appetite framework. The ITCL provides a robust threshold in the management of capital adequacy, where a breach of this level would trigger timely responses by management to restore capital to above the ITCL and heighten the Board scrutiny based on the Capital Management Plan.

The planning and assessment of capital and ITCL will be formally conducted by senior management at least annually or as and when the need arises. The result will be reported to the Board and/or the Board RMC.

28.3 Governance and regulatory framework

The Company’s risk governance framework is built on the “three lines of defence” model. With regard to risk management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risks between the Executive Management, Compliance and Enterprise Risk Management, and Internal Audit functions. While each line of defence is independent from the others, they work closely to ensure effective oversight.

The Company is required to comply with the requirements of the relevant regulations, laws and guidelines including those from BNM and the Malaysian Takaful Association ("MTA").

The Company has complied with the capital requirements prescribed by BNM during the reported financial year/period.

29 TAKAFUL RISKS

(a) Family Takaful Contracts

Takaful risk is the risk arising from changes in claims experience as well as more general exposure relating to the acquisition and persistency of the Takaful business. This also includes changes to actuarial and investment assumptions regarding future experience for these risks.

The Company considers Takaful risk to be a combination of the following component risks:

- Product design risk;
- Pricing and underwriting risk;
- Lapse risk; and
- Claims volatility risk.

The Company manages its exposure to Takaful risk across a spectrum of components. The Company have significant underwriting and actuarial resources and has implemented well-defined underwriting and actuarial guidelines and practices. The Company leverages on AIA Bhd.'s extensive experience combined with its own Takaful's specific experience which assists in the evaluation, pricing and underwriting of its products. The Company's Product Steering Committee ("PSC") and Management Risk Management Committee ("MRMC") play an important oversight role in relation to these Takaful related risks, as discussed below. Takaful risk exposure is also considered when MRMC reviews the strategic asset allocation plan and asset-liability management strategies.

The table below sets out the concentration of Family Takaful certificates liabilities:

	Net RM'000
Family Takaful fund	
31.12.2019	
Family Takaful plans	(6,596)
Investment-linked Takaful plans	551,190
Credit Takaful plans	181,581
Group credit Takaful plans	22,131
	748,306
31.12.2018	
Family Takaful plans	(2,517)
Investment-linked Takaful plans	338,260
Credit Takaful plans	137,191
Group credit Takaful plans	23,165
	496,099

29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful contracts (continued)

Product design risk

Product design risk refers to potential defects in the development of a particular Takaful product. Product development process is overseen by PSC, which oversee the pricing guidelines set by AIA Group. The Company seeks to manage this risk by completing pre-launch reviews of each new product including product management, actuarial, legal, compliance, ERM, IT and operations. The Company has substantial experience and has developed significant expertise in identifying potential flaws in product development that could expose the Company to excessive risks. The Company monitors closely the performance of new products and focus on actively managing each part of the actuarial control cycle to minimise risk in both in-force certificates and new products.

Pricing and underwriting risk

Pricing and underwriting risk refer to the possibility of product related income being inadequate to support future obligations arising from a Takaful product. The Company seeks to manage pricing and underwriting risk by adhering to its underwriting guidelines. The Company has the service of a team of professional underwriters who review and select risks consistent with our acceptable risk profile and underwriting strategy. In certain circumstances such as when the Company enters into new lines of business, products or markets and do not have sufficient experience data, it makes use of retakaful to obtain product pricing expertise. The use of retakaful subjects the Company to the risk that the retakaful operators become insolvent or fail to make any payment when due to the Company. The Company allows for an appropriate level of expenses in its product pricing that reflects a realistic medium to long term view of its cost structure. In daily operations, the Company adheres to a disciplined expense budgeting and management process that controls expenses within the product pricing allowances over the medium to long term.

Lapse risk

Lapse risk refers to the possibility of actual lapse experience that diverges from the anticipated experience assumed when products were priced. It includes the potential financial loss incurred due to early termination of certificates or contracts in circumstances where the acquisition costs incurred are no longer recoverable from future revenue. The Company carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management.

29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful contracts (continued)

Claims volatility risk

Claims volatility risk refers to the possibility that the frequency or severity of claims arising from Takaful products exceed the levels assumed when the products were priced. Firstly, the Company seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of such information on retakaful needs, product design and pricing. Secondly, the Company mitigates this risk by adhering to the underwriting and claims management policies and procedures that have been developed based on its extensive historical experience. Thirdly, broad product offering and large in-force product portfolio also reduce the Company's exposure to concentration risk. Finally, the Company uses retakaful solutions to help reduce concentration risk.

Sensitivities

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. 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. Sensitivity information will also vary according to the current economic assumptions.

Family Takaful fund

	Impact Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	on profit after tax RM'000
31.12.2019					
Mortality	+10%	11,149	9,835	(4,918)	(4,918)
Rate	-10%	(4,702)	(3,377)	1,689	1,689
Lapse	+10%	(670)	(662)	331	331
Rate	-10%	729	721	(360)	(360)
Discount	+50bps	(10,712)	(10,702)	5,351	5,351
Rate	-50bps	12,606	12,597	(6,298)	(6,298)

29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful contracts (continued)

Sensitivities (continued)

Family Takaful fund

	Impact Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	on profit after tax RM'000
31.12.2018					
Mortality	+10%	7,502	6,148	(3,074)	(3,074)
Rate	-10%	(3,749)	(2,384)	1,192	1,192
Lapse	+10%	181	195	(98)	(98)
Rate	-10%	(198)	(213)	106	106
Discount	+50bps	(6,080)	(6,072)	3,036	3,036
Rate	-50bps	6,869	6,862	(3,431)	(3,431)

Key assumptions

Mortality, total permanent disability and critical illness

Mortality, total permanent disability and critical illness assumptions were derived based on past experience, and expectation of current and future experience. For assumptions related to new morbidity risk, in the absence of credible experience, reference has been made to pricing assumptions.

Lapse and surrender rates

Lapse rate assumption was derived based on past experience and best estimate of current and future experience. Lapse rate assumption vary by certificate year, product type and/or contribution payment method with different rates for regular and single contribution products. Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions. In the case of surrenders, the valuation assumes that current surrender value basis will continue to apply in the future.

Profit rate

The risk-free profit rate was derived from a yield curve, as follows:

1. For certificates' duration of less than 15 years: zero-coupon spot yields of Malaysian Government Islamic Instruments ("GII") with matching duration; and
2. For certificates' duration of 15 years or more: zero-coupon spot yields of GII with 15 years term to maturity.

30 FINANCIAL RISKS

The Company is exposed to a range of financial risks, including credit risk, liquidity risk and market risk. The Company applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

Financial risks of investment-linked investment are not further provided and analysed as the financial risks in respect of investment-linked investments are generally wholly borne by the participants, and do not directly affect the profit before tax. Furthermore, investment-linked participants are responsible for allocation of their certificate values amongst investment options offered by the Company. Although profit before tax is not affected by investment-linked investments, the investment return from such financial investments is included in the Company's income statements, as the Company has selected the fair value option for all investment-linked investments with corresponding change in Takaful contract liabilities for investment-linked contracts.

(a) Credit risk

Credit risk arises from the possibility of financial loss arising from default by borrowers and transactional counterparties and the decrease in the value of financial instruments due to deterioration in credit quality. The key areas where the Company is exposed to credit risk include repayment risk in respect of:

- cash and cash equivalents;
- investments in debt securities;
- loans and receivables (including Takaful receivables); and
- retakaful receivables.

The Company only takes risks that it understands and can manage effectively. In credit risk management this means combining a detailed, bottom-up approach to market and credit analysis that considers individual counterparties with a portfolio approach focusing on sectors, countries and concentrations.

The Company manages credit risk consistent with the AIA Group's investment philosophy and the Company's Risk Appetite, as approved by the Board.

With respect to investing activities, investment objectives including asset allocation limits and permitted variances from such limits ("Investment Guidelines") are approved by the Investment Committee ("IC") and Management Risk Management Committee ("MRMC").

The Group Investment (being the investment team in AIA Bhd. and in AIA Group Office) manages the investment assets of AIA Group within the Investment Guidelines, utilizing a discipline consistent with an outsourced service provider.

Within Investment Guidelines, credit risk-based Risk Tolerances are set by the MRMC. Such tolerances are based on the AIA Group's internal credit ratings framework as approved by the AIA Group Financial Risk Committee ("FRC") (the "AIA Credit Ratings Framework").

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statement of financial position as shown in the table below:

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2019			
Financial assets AFS:			
Government investment issues	27,475	1,547	29,022
Unquoted corporate sukuks	104,496	2,222	106,718
Income due and accrued	1,680	30	1,710
Financial assets at FVTPL:			
Government investment issues	-	165,971	165,971
Unquoted corporate sukuks	-	517,306	517,306
Unquoted shariah approved equities	8,035	27,308	35,343
Income due and accrued	-	7,579	7,579
Loan and receivables:			
Islamic investment accounts with licensed Islamic bank	-	43,400	43,400
Income due and accrued	-	483	483
Other receivables	74,608	3,034	13,008
Retakaful assets	-	13,355	13,355
Takaful certificates receivables	-	6,285	6,285
Cash and cash equivalents	74,732	270,422	345,154
	291,026	1,058,942	1,285,334

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statement of financial position as shown in the table below: (continued)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
31.12.2018			
Financial assets AFS:			
Government investment issues	46,180	2,457	48,637
Unquoted corporate sukuks	59,381	2,802	62,183
Income due and accrued	1,195	44	1,239
Financial assets at FVTPL:			
Government investment issues	-	135,973	135,973
Unquoted corporate sukuks	-	373,140	373,140
Unquoted shariah approved equities	7,861	10,932	18,793
Income due and accrued	-	5,972	5,972
Loan and receivables:			
Islamic investment accounts with licensed Islamic bank	1,260	64,780	66,040
Income due and accrued	5	181	186
Other receivables	43,499	4,917	15,381
Retakaful assets	-	9,661	9,661
Takaful certificates receivables	-	11,121	11,121
Cash and cash equivalents	112,420	173,914	286,334
	271,801	795,894	1,034,660

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia and Malaysian Rating Corporation Berhad. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	Neither past due nor impaired						
31.12.2019	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000	Past-due but not impaired RM'000	Investment-Linked RM'000	Total RM'000
Shareholders' fund							
Financial asset AFS:							
Government investment issues	-	-	-	27,475	-	-	27,475
Unquoted corporate sukuks	44,151	40,447	-	19,898	-	-	104,496
Income due and accrued	933	379	-	368	-	-	1,680
Financial assets at FVTPL:							
Unquoted shariah approved equities	-	8,035	-	-	-	-	8,035
Loan and receivables:							
Islamic investment accounts with licensed Islamic bank	-	-	-	-	-	-	-
Income due and accrued	-	-	-	-	-	-	-
Other receivables	-	-	-	74,608	-	-	74,608
Cash and cash equivalents	74,732	-	-	-	-	-	74,732
	119,816	48,861	-	122,349	-	-	291,026

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

31.12.2019 (continued)	Neither past due nor impaired AAA RM'000	AA RM'000	A RM'000	Not rated RM'000	Past-due but not impaired RM'000	Investment-Linked RM'000	Total RM'000
Family Takaful fund							
Financial assets AFS:							
Government investment issues	-	-	-	1,547	-	-	1,547
Unquoted corporate sukuks	803	512	-	907	-	-	2,222
Income due and accrued	12	1	-	17	-	-	30
Financial assets at FVTPL:							
Government investment issues	-	-	-	160,572	-	5,399	165,971
Unquoted corporate sukuks	199,186	104,942	-	136,616	-	76,562	517,306
Unquoted shariah approved equities	-	16,697	-	-	-	10,611	27,308
Income due and accrued	2,997	698	-	3,069	-	815	7,579
Loan and receivables:							
Islamic investment accounts with licensed Islamic banks	-	-	-	43,400	-	-	43,400
Income due and accrued	-	-	-	483	-	-	483
Other receivables	-	-	-	1,246	-	1,788	3,034
Retakaful assets	-	10,225	2,558	572	-	-	13,355
Takaful certificates receivables*	-	-	-	5,716	569	-	6,285
Cash and cash equivalents	195,076	-	-	-	-	75,346	270,422
	398,074	133,075	2,558	354,145	569	170,521	1,058,942

* The Takaful certificates receivables comprised of balances which are neither past due nor impaired and past due but not impaired. The details are shown in the age analysis of Takaful certificates receivables in the following disclosure.

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

31.12.2019 (continued)	Neither past due nor impaired AAA RM'000	AA RM'000	A RM'000	Not rated RM'000	Past-due but not impaired RM'000	Investment-Linked RM'000	Total RM'000
Company							
Financial assets AFS:							
Government investment issues	-	-	-	29,022	-	-	29,022
Unquoted corporate sukuks	44,954	40,959	-	20,805	-	-	106,718
Income due and accrued	945	380	-	385	-	-	1,710
Financial assets at FVTPL:							
Government investment issues	-	-	-	160,572	-	5,399	165,971
Unquoted corporate sukuks	199,186	104,942	-	136,616	-	76,562	517,306
Unquoted shariah approved equities	-	24,732	-	-	-	10,611	35,343
Income due and accrued	2,997	698	-	3,069	-	815	7,579
Loan and receivables:							
Islamic investment accounts with licensed Islamic bank	-	-	-	43,400	-	-	43,400
Income due and accrued	-	-	-	483	-	-	483
Other receivables	-	-	-	11,220	-	1,788	13,008
Retakaful assets	-	10,225	2,558	572	-	-	13,355
Takaful certificates receivables*	-	-	-	5,716	569	-	6,285
Cash and cash equivalents	269,808	-	-	-	-	75,346	345,154
	517,890	181,936	2,558	411,860	569	170,521	1,285,334

* The Takaful certificates receivables comprised of balances which are neither past due nor impaired and past due but not impaired. The details are shown in the age analysis of Takaful certificates receivables in the following disclosure.

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

31.12.2018	AAA (Neither past due nor impaired)	AA (Neither past due nor impaired)	A (Neither past due nor impaired)	Not rated (Neither past due nor impaired)	Past-due but not impaired	Investment-Linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Shareholders' fund							
Financial asset AFS:							
Government investment issues	-	-	-	46,180	-	-	46,180
Unquoted corporate sukuks	26,759	28,602	-	4,020	-	-	59,381
Income due and accrued	394	273	-	528	-	-	1,195
Financial assets at FVTPL:							
Unquoted shariah approved equities	-	7,861	-	-	-	-	7,861
Loan and receivables:							
Islamic investment accounts with licensed Islamic bank	-	-	-	1,260	-	-	1,260
Income due and accrued	-	-	-	5	-	-	5
Other receivables	-	-	-	43,499	-	-	43,499
Cash and cash equivalents	112,420	-	-	-	-	-	112,420
	139,573	36,736	-	95,492	-	-	271,801

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

31.12.2018 (continued)	Neither past due nor impaired AAA	AA	A	Not rated	Past-due but not impaired	Investment-Linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund							
Financial assets AFS:							
Government investment issues	-	-	-	2,457	-	-	2,457
Unquoted corporate sukuks	1,397	505	-	900	-	-	2,802
Income due and accrued	22	1	-	21	-	-	44
Financial assets at FVTPL:							
Government investment issues	-	-	-	126,618	-	9,355	135,973
Unquoted corporate sukuks	152,908	102,577	-	82,053	-	35,602	373,140
Unquoted shariah approved equities	-	4,402	-	-	-	6,530	10,932
Income due and accrued	2,761	741	-	2,012	-	458	5,972
Loan and receivables:							
Islamic investment accounts with licensed Islamic banks	-	-	-	64,780	-	-	64,780
Income due and accrued	-	-	-	181	-	-	181
Other receivables	-	-	-	3,494	-	1,423	4,917
Retakaful assets	-	3,127	5,809	725	-	-	9,661
Takaful certificates receivables*	-	-	-	4,178	6,943	-	11,121
Cash and cash equivalents	129,922	-	-	-	-	43,992	173,914
	287,010	111,353	5,809	287,419	6,943	97,360	795,894

* The Takaful certificates receivables comprised of balances which are neither past due nor impaired and past due but not impaired. The details are shown in the age analysis of Takaful certificates receivables in the following disclosure.

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

31.12.2018 (continued)	Neither past due nor impaired AAA	AA	A	Not rated	Past-due but not impaired	Investment-Linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company							
Financial assets AFS:							
Government investment issues	-	-	-	48,637	-	-	48,637
Unquoted corporate sukuks	28,156	29,107	-	4,920	-	-	62,183
Income due and accrued	416	274	-	549	-	-	1,239
Financial assets at FVTPL:							
Government investment issues	-	-	-	126,618	-	9,355	135,973
Unquoted corporate sukuks	152,908	102,577	-	82,053	-	35,602	373,140
Unquoted shariah approved equities	-	12,263	-	-	-	6,530	18,793
Income due and accrued	2,761	741	-	2,012	-	458	5,972
Loan and receivables:							
Islamic investment accounts with licensed Islamic bank	-	-	-	66,040	-	-	66,040
Income due and accrued	-	-	-	186	-	-	186
Other receivables	-	-	-	13,958	-	1,423	15,381
Retakaful assets	-	3,127	5,809	725	-	-	9,661
Takaful certificates receivables*	-	-	-	4,178	6,943	-	11,121
Cash and cash equivalents	242,342	-	-	-	-	43,992	286,334
	426,583	148,089	5,809	349,876	6,943	97,360	1,034,660

* The Takaful certificates receivables comprised of balances which are neither past due nor impaired and past due but not impaired. The details are shown in the age analysis of Takaful certificates receivables in the following disclosure.

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Where applicable, the Company performs secondary credit rating assessment and uses RAM or MARC rating methodology for the assessment. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products.

The Company has not provided the credit risk analysis for the financial assets of the unit-linked business where the liability to participants is linked to the performance and value of the assets that back those liabilities. The shareholders do not have direct exposure to any credit risk in those assets.

Age analysis of Takaful certificates receivables are as follows:

Family Takaful fund	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2019					
Takaful certificates receivables	1,151	812	(403)	(991)	569
31.12.2018					
Takaful certificates receivables	3,598	1,029	666	1,650	6,943

At the reporting date, there are no other financial assets that are past-due but not impaired.

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash resources to meet payment obligations to counterparties as they fall due. This can arise when internal funds are insufficient to meet cash outflow obligations and where the Company is unable to obtain funding at market rates or liquidate assets at fair value resulting in the forced liquidation of assets at depressed prices. The Company is exposed to liquidity risk in respect of Takaful and investment certificates that permit surrender, withdrawal or other forms of early termination for cash surrender value specified in the contractual terms and conditions.

The Company’s liquidity position is monitored in compliance with regulatory and internal requirements in combination with maturity gap analyses. To manage liquidity risk, the Company has implemented a variety of measures, including emphasising flexible Takaful product design so that it can retain the greatest flexibility to adjust contract pricing or crediting rates.

The Company continually seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of Takaful certificates issued. The Company constantly monitors its liquidity position to ensure that there is sufficient cash and short term money market instrument to meet normal operating needs.

Investment-linked liabilities are repayable or transferable upon notice by participants and are disclosed separately under “Investment-linked” column because the liability to participants is linked to the performance and value of the assets that back those liabilities. Liquidity risk of investment-linked liabilities is managed as part of the Group-wide established framework, process and procedures as detailed above. The Company constantly monitors the liquidity position of the respective funds and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk, which includes but not limited to funding from the operating fund as well as catastrophe excess-of-loss retakaful cover.

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

The table below summarises the maturity profiles of the financial assets and financial liabilities of the respective funds on remaining contractual obligation, including profit payable and receivable. For Takaful contracts liabilities, maturity profiles are determined based on estimated discounted net cashflow from the recognised net cashflow for the recognised Takaful contracts liabilities.

31.12.2019	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
Shareholders' fund								
Financial assets AFS:								
Government investment issue	27,475	1,129	9,855	10,147	17,372	-	-	38,503
Unquoted corporate sukuks	104,496	4,866	33,069	59,666	44,551	-	-	142,152
Income due and accrued	1,680	1,680	-	-	-	-	-	1,680
Financial assets at FVTPL:								
Unquoted shariah approved equities	8,035	-	-	-	-	8,035	-	8,035
Loan and receivables:								
Islamic investment accounts with licensed Islamic bank								
Income due and accrued								
Other receivables	74,608	74,608	-	-	-	-	-	74,608
Cash and cash equivalents	74,732	74,732	-	-	-	-	-	74,732
	291,026	157,015	42,924	69,813	61,923	8,035	-	339,710
Expense liabilities	9,089	3,935	285	1,254	3,615	-	-	9,089
Lease liabilities	2,013	612	1,401	-	-	-	-	2,013
Other payables	96,595	96,595	-	-	-	-	-	96,595
	107,697	101,142	1,686	1,254	3,615	-	-	107,697

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

31.12.2019 (continued)	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
Family Takaful fund								
Financial assets AFS:								
Government investment issues	1,547	58	234	1,646	-	-	-	1,938
Unquoted corporate sukuks	2,222	99	1,811	-	489	-	-	2,399
Income due and accrued	30	30	-	-	-	-	-	30
Financial assets at FVTPL:								
Government investment issues	165,971	6,569	36,193	89,732	85,037	-	5,399	222,930
Unquoted corporate sukuks	517,306	20,177	100,334	212,817	327,923	-	76,562	737,813
Quoted shariah approved shares	337,726	-	-	-	-	60,582	277,144	337,726
Unquoted shariah approved equities	27,308	-	-	-	-	16,697	10,611	27,308
Shariah approved unit trusts	10,096	-	-	-	-	-	10,096	10,096
REITs	6,927	-	-	-	-	1,213	5,714	6,927
Income due and accrued	8,358	7,659	-	-	-	-	699	8,358
Loan and receivables:								
Islamic investment accounts with licensed Islamic bank	43,400	43,400	-	-	-	-	-	43,400
Income due and accrued	483	483	-	-	-	-	-	483
Other receivables	3,034	1,246	-	-	-	-	1,788	3,034
Retakaful assets	13,355	13,355	-	-	-	-	-	13,355
Takaful certificates receivables	6,285	6,285	-	-	-	-	-	6,285
Cash and cash equivalents	270,422	195,076	-	-	-	-	75,346	270,422
	1,414,470	294,437	138,572	304,195	413,449	78,492	463,359	1,692,504

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

31.12.2019 (continued)	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
Family Takaful fund (continued)								
Takaful contract liabilities	1,283,307	123,937	22,489	136,871	421,666	116,052	462,292	1,283,307
Takaful certificates payables	27,047	27,047	-	-	-	-	-	27,047
Other payables	98,891	98,264	-	-	-	-	627	98,891
	1,409,245	249,248	22,489	136,871	421,666	116,052	462,919	1,409,245
Company								
Financial assets AFS:								
Government investment issues	29,022	1,187	10,089	11,793	17,372	-	-	40,441
Unquoted corporate sukuks	106,718	4,965	34,880	59,666	45,040	-	-	144,551
Income due and accrued	1,710	1,710	-	-	-	-	-	1,710
Financial assets FVTPL:								
Government investment issues	165,971	6,569	36,193	89,732	85,037	-	5,399	222,930
Unquoted corporate sukuks	517,306	20,177	100,334	212,817	327,923	-	76,562	737,813
Quoted shariah approved shares	337,726	-	-	-	-	60,582	277,144	337,726
Unquoted shariah approved equities	35,343	-	-	-	-	24,732	10,611	35,343
Shariah approved unit trusts	10,096	-	-	-	-	-	10,096	10,096
REITs	6,927	-	-	-	-	1,213	5,714	6,927
Income due and accrued	8,358	7,659	-	-	-	-	699	8,358

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

31.12.2019 (continued)	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
Company (continued)								
Loan and receivables:								
Islamic investment accounts with licensed Islamic bank	43,400	43,400	-	-	-	-	-	43,400
Income due and accrued	483	483	-	-	-	-	-	483
Other receivables	13,008	11,220	-	-	-	-	1,788	13,008
Retakaful assets	13,355	13,355	-	-	-	-	-	13,355
Takaful certificates receivables	6,285	6,285	-	-	-	-	-	6,285
Cash and cash equivalents	345,154	269,808	-	-	-	-	75,346	345,154
	1,640,862	386,818	181,496	374,008	475,372	86,527	463,359	1,967,580
Expense liabilities	9,089	3,935	285	1,254	3,615	-	-	9,089
Lease liabilities	2,013	612	1,401	-	-	-	-	2,013
Takaful contract liabilities	1,283,307	123,937	22,489	136,871	421,666	116,052	462,292	1,283,307
Takaful certificates payables	27,047	27,047	-	-	-	-	-	27,047
Other payables	130,852	130,225	-	-	-	-	627	130,852
	1,452,308	285,756	24,175	138,125	425,281	116,052	462,919	1,452,308

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

31.12.2018	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
Shareholders' fund								
Financial assets AFS:								
Government investment issue	46,180	2,068	10,932	25,177	33,269	-	-	71,446
Unquoted corporate sukuks	59,381	2,867	11,466	51,197	13,250	-	-	78,780
Income due and accrued	1,195	1,195	-	-	-	-	-	1,195
Financial assets at FVTPL:								
Unquoted shariah approved equities	7,861	-	-	-	-	7,861	-	7,861
Loan and receivables:								
Islamic investment accounts with licensed Islamic bank	1,260	1,260	-	-	-	-	-	1,260
Income due and accrued	5	5	-	-	-	-	-	5
Other receivables	43,499	43,499	-	-	-	-	-	43,499
Cash and cash equivalents	112,420	112,420	-	-	-	-	-	112,420
	271,801	163,314	22,398	76,374	46,519	7,861	-	316,466
Expense liabilities	7,583	-	3,336	241	4,006	-	-	7,583
Other payables	89,115	89,115	-	-	-	-	-	89,115
	96,698	89,115	3,336	241	4,006	-	-	96,698

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

31.12.2018 (continued)	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
Family Takaful fund								
Financial assets AFS:								
Government investment issues	2,457	95	382	1,548	1,120	-	-	3,145
Unquoted corporate sukuks	2,802	121	1,422	1,577	-	-	-	3,120
Income due and accrued	44	44	-	-	-	-	-	44
Financial assets at FVTPL:								
Government investment issues	135,973	5,473	26,314	82,877	66,690	-	9,355	190,709
Unquoted corporate sukuks	373,140	16,731	75,792	186,832	271,622	-	35,602	586,579
Quoted shariah approved shares	221,064	-	-	-	-	42,809	178,255	221,064
Unquoted shariah approved equities	10,932	-	-	-	-	4,402	6,530	10,932
Shariah approved unit trusts	8,779	-	-	-	-	-	8,779	8,779
Income due and accrued	6,718	5,599	-	-	-	-	1,119	6,718
Loan and receivables:								
Islamic investment accounts with licensed Islamic bank	64,780	64,780	-	-	-	-	-	64,780
Income due and accrued	181	181	-	-	-	-	-	181
Other receivables	4,917	3,494	-	-	-	-	1,423	4,917
Retakaful assets	9,661	9,661	-	-	-	-	-	9,661
Takaful certificates receivables	11,121	11,121	-	-	-	-	-	11,121
Cash and cash equivalents	173,914	129,922	-	-	-	-	43,992	173,914
	1,026,483	247,222	103,910	272,834	339,432	47,211	285,055	1,295,664

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

31.12.2018 (continued)	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
Family Takaful fund (continued)								
Takaful contract liabilities	919,787	-	15,893	484	119,992	506,878	276,540	919,787
Takaful certificates payables	29,400	29,400	-	-	-	-	-	29,400
Other payables	77,854	67,304	-	-	-	-	10,550	77,854
	1,027,041	96,704	15,893	484	119,992	506,878	287,090	1,027,041
Company								
Financial assets AFS:								
Government investment issues	48,637	2,163	11,314	26,725	34,389	-	-	74,591
Unquoted corporate sukuks	62,183	2,988	12,888	52,774	13,250	-	-	81,900
Income due and accrued	1,239	1,239	-	-	-	-	-	1,239
Financial assets FVTPL:								
Government investment issues	135,973	5,473	26,314	82,877	66,690	-	9,355	190,709
Unquoted corporate sukuks	373,140	16,731	75,792	186,832	271,622	-	35,602	586,579
Quoted shariah approved shares	221,064	-	-	-	-	42,809	178,255	221,064
Unquoted shariah approved equities	18,793	-	-	-	-	12,263	6,530	18,793
Shariah approved unit trusts	8,779	-	-	-	-	-	8,779	8,779
Income due and accrued	6,718	5,599	-	-	-	-	1,119	6,718

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

31.12.2018 (continued)	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
Company (continued)								
Loan and receivables:								
Islamic investment accounts with licensed Islamic bank	66,040	66,040	-	-	-	-	-	66,040
Income due and accrued	186	186	-	-	-	-	-	186
Other receivables	15,381	13,958	-	-	-	-	1,423	15,381
Retakaful assets	9,661	9,661	-	-	-	-	-	9,661
Takaful certificates receivables	11,121	11,121	-	-	-	-	-	11,121
Cash and cash equivalents	286,334	242,342	-	-	-	-	43,992	286,334
	1,265,249	377,501	126,308	349,208	385,951	55,072	285,055	1,579,095
Expense liabilities	7,583	-	3,336	241	4,006	-	-	7,583
Takaful contract liabilities	919,787	-	15,893	484	119,992	506,878	276,540	919,787
Takaful certificates payables	29,400	29,400	-	-	-	-	-	29,400
Other payables	133,934	123,384	-	-	-	-	10,550	133,934
	1,090,704	152,784	19,229	725	123,998	506,878	287,090	1,090,704

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets:

	31.12.2019		31.12.2018	
	Current*	Non-current	Current*	Non-current
	RM'000	RM'000	RM'000	RM'000
Shareholders' fund				
Property and equipment	-	627	-	617
Intangible assets	-	4,163	-	2,169
Right-of-use assets	-	1,979	-	-
Financial assets AFS:				
Government investment issues	-	27,475	-	46,180
Unquoted corporate sukuks	-	104,496	-	59,381
Income due and accrued	1,680	-	1,195	-
Financial assets at FVTPL:				
Unquoted shariah approved equities	-	8,035	-	7,861
Loans and receivables:				
Islamic investment accounts with licensed Islamic bank	-	-	1,260	-
Income due and accrued	-	-	5	-
Other receivables	74,608	-	43,499	-
Cash and cash equivalents	74,732	-	112,420	-
	151,020	146,775	158,379	116,208
Family Takaful fund				
Financial assets AFS:				
Government investment issues	-	1,547	-	2,457
Unquoted corporate sukuks	-	2,222	-	2,802
Income due and accrued	30	-	44	-
Financial assets at FVTPL:				
Government investment issues	-	165,971	-	135,973
Unquoted corporate sukuks	-	517,306	-	373,140
Quoted shariah approved shares	-	337,726	-	221,064
Unquoted shariah approved equities	-	27,308	-	10,932
Shariah approved unit trust fund	-	10,096	-	8,779
REITs	-	6,927	-	-
Income due and accrued	8,358	-	6,718	-
Loan and receivables:				
Islamic investment accounts with licensed Islamic bank	43,400	-	64,780	-
Income due and accrued	483	-	181	-
Other receivables	3,034	-	4,917	-
Retakaful assets	13,355	-	9,661	-
Takaful certificate receivables	6,285	-	11,121	-
Cash and cash equivalents	270,422	-	173,914	-
	345,367	1,069,103	271,336	755,147

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

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets:

	31.12.2019		31.12.2018	
	Current*	Non-current	Current*	Non-current
	RM'000	RM'000	RM'000	RM'000
Company				
Property and equipment	-	627	-	617
Intangible assets	-	4,163	-	2,169
Right-of-use assets	-	1,979	-	-
Financial assets AFS:				
Government investment issues	-	29,022	-	48,637
Unquoted corporate sukuks	-	106,718	-	62,183
Income due and accrued	1,710	-	1,239	-
Financial assets FVTPL:				
Government investment issues	-	165,971	-	135,973
Unquoted corporate sukuks	-	517,306	-	373,140
Quoted shariah approved shares	-	337,726	-	221,064
Unquoted shariah approved equities	-	35,343	-	18,793
Shariah approved unit trust fund	-	10,096	-	8,779
REITs	-	6,927	-	-
Income due and accrued	8,358	-	6,718	-
Loan and receivables:				
Islamic investment accounts with licensed Islamic bank	43,400	-	66,040	-
Income due and accrued	483	-	186	-
Other receivables	13,008	-	15,381	-
Retakaful assets	13,355	-	9,661	-
Takaful certificate receivables	6,285	-	11,121	-
Cash and cash equivalents	345,154	-	286,334	-
	431,753	1,215,878	396,680	871,355

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

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

The table below summarises the expected settlement of liabilities:

	31.12.2019		31.12.2018	
	Current*	Non-current	Current*	Non-current
	RM'000	RM'000	RM'000	RM'000
Shareholders' fund				
Expense liabilities	3,935	5,154	-	7,583
Lease liabilities	612	1,401	-	-
Other payables	96,595	-	89,115	-
	101,142	6,555	89,115	7,583
Family Takaful fund				
Takaful contract liabilities	123,937	1,159,370	-	919,787
Takaful certificates payables	27,047	-	29,400	-
Other payables	98,891	-	77,854	-
	249,875	1,159,370	107,254	919,787
Company				
Expense liabilities	3,935	5,154	-	7,583
Lease liabilities	612	1,401	-	-
Takaful contract liabilities	123,937	1,159,370	-	919,787
Takaful certificates payables	27,047	-	29,400	-
Other payables	130,852	-	133,934	-
	286,383	1,165,925	163,334	927,370

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

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk

Market risk arises from the possibility of financial loss caused by changes in financial instruments' fair values or future cash flows due to fluctuations in key variables, including profit rates, equity market prices, foreign exchange rates and real estate property market prices. The Company manages the risk of market-based fluctuations in the value of the Company's investments, as well as liabilities with exposure to market risk.

The Company uses various quantitative measures to assess market risk, including sensitivity analysis. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors. The Company routinely conducts sensitivity analysis of its fixed income portfolios to estimate its exposure to movements in profit rates. The Company's fixed income sensitivity analysis is primarily a duration-based approach.

Policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking cognizance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Profit rate risk

Profit rate risk is the risk arising from the impact of profit rate movements on the value of future asset and liability cash flows.

The Company's exposure to profit rate risk predominantly arises from the Company's duration gap between the liabilities and assets for profit rate sensitive products, especially those providing profit rate guarantees.

The Company manages its profit rate risk by investing in financial instruments with tenors that match the duration of its liabilities as much as practicable and appropriate. The Company also considers the effect of profit rate risk in its overall product strategy.

For new products, the Company emphasizes flexibility in product design and generally designs products to avoid excessive long-term profit rate guarantees.

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Sensitivity analysis:

	Changes in basis points	Effect on net income/(loss) for the period RM'000	Effect on equity RM'000
31.12.2019			
Shareholders' fund			
Profit rates	+50 bps	-	(3,606)
	-50 bps	-	3,294
Family Takaful fund			
Profit rates	+50 bps	(24,573)	-
	-50 bps	22,572	-
Company			
Profit rates	+50 bps	(24,573)	(3,606)
	-50 bps	22,572	3,294
31.12.2018			
Shareholders' fund			
Profit rates	+50 bps	-	(2,944)
	-50 bps	-	2,546
Family Takaful fund			
Profit rates	+50 bps	(19,391)	-
	-50 bps	16,653	-
Company			
Profit rates	+50 bps	(19,391)	(2,944)
	-50 bps	16,653	2,546

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Equity price risk

Equity price risk arises from changes in the market value of equity securities and equity funds. The investment in equity securities on a long-term basis are expected to provide diversification benefits and enhance return. The extent of exposure to equities at any time is subject to the terms of the Company's strategic asset allocations.

The Company manages equity price risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year/period and has no significant concentration risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on unallocated surplus included in Takaful contract liabilities (due to changes in fair value of financial assets and liabilities of Family Takaful fund whose changes in fair values are retained in the Family Takaful contract liabilities). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, the variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Changes in FBMKLCI	Effect on takaful contract liabilities RM'000	Effect on equity RM'000
Family Takaful fund/SHF			
31.12.2019			
Market indices:			
FBMKLCI	+5%	3,555	281
FBMKLCI	-5%	(3,555)	(281)
31.12.2018			
Market indices:			
FBMKLCI	+5%	2,172	275
FBMKLCI	-5%	(2,172)	(275)

31 NON FINANCIAL RISKS

The Company's non-financial risks comprise operational risk, strategic risk and Shariah non-compliance risk.

(a) Operational risk

Operational risk is the risk arising from business processes including inadequate procedures or policies, employee errors, system failures, fraud, criminal activity or from external events which may result in direct or indirect business impact.

The Company protects itself against financial losses by purchasing insurance cover against a range of operational loss events including business disruption, property damage and internal fraud. The coverage is determined after taking into consideration the Company's operational risk profile.

(b) Strategic risk

Strategic risk is identified as part of the business plan processes and is defined as the potential impact of the business strategy on the Company's earnings, capital and reputation. This also takes into consideration the wider social, economic, political, regulatory, competitive or technological trends that could impact the Company's business strategy within a set time period.

(c) Shariah Non-Compliance risk

Shariah Non-Compliance risk refers to possible failure to meet the obligation of Shariah rules and principles, as determined by Bank Negara Malaysia's Shariah Advisory Council and the Company's Shariah Committee. 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 finally, impediment from Allah's barakah or blessing.

The Company expects to mitigate such risk by initiating, monitoring and responding to robust Shariah governance framework outlined in the Shariah Governance Policy as well as in the Risk Management Framework. The available controls include effective oversight of the Shariah Committee in all aspects of the Company's operations, supported by internal Shariah Research and Advisory function, as well as assurances provided by internal control functions under Shariah governance comprising of Shariah risk management, Shariah review and Shariah audit. Other relevant controls which instils and promotes Shariah compliance behaviour include continuous staffs and intermediaries' awareness training and internal operating policies, processes and guidelines owned by the various business units. In this regard, there is no Shariah non-compliant event noted in this financial year/period.

32 INVESTMENT-LINKED TAKAFUL FUNDS

Included in the Income Statement for the financial year/period ended 31 December 2019 and 31 December 2018, and Statement of Financial Position as at 31 December 2019 and 31 December 2018 of the Family Takaful fund are the segmental information for the investment-linked Takaful funds.

(a) Statement of Income and Expenditure

	31.12.2019 RM'000	31.12.2018 RM'000
Investment income	10,873	9,147
Net fair value gains/(losses)	21,887	(38,490)
	32,760	(29,343)
Other operating expenses	(4,755)	(3,270)
Profit/(Losses) before taxation	28,005	(32,613)
Taxation	(2,085)	2,882
Profit/(Losses) after taxation	25,920	(29,731)

(b) Statement of Financial Position

	31.12.2019 RM'000	31.12.2018 RM'000
ASSETS		
Financial assets at FVTPL:		
Government investment issues	5,399	9,355
Unquoted corporate sukuks	76,562	35,602
Quoted shariah approved shares	277,144	178,254
Unquoted shariah approved equities	10,611	6,530
Shariah approved unit trust fund	15,810	8,779
Income due and accrued	1,477	1,059
Other receivables	1,788	1,423
Deferred tax assets	-	1,681
Cash and cash equivalents	75,346	43,992
Taxation	3	414
Total assets	464,140	287,089
LIABILITIES		
Other payables	627	10,550
Deferred tax liabilities	1,222	-
Total liabilities	1,849	10,550
Net asset value of funds	462,291	276,539

33 GENERAL RESERVES

There is a Takaful business transfer from AIA General Berhad to AIA PUBLIC Takaful Bhd. on 25 February 2014 which is accounted for as a business combination under common control. Arising from this business transfer, there is a merger reserves amounting to RM 33,333,333.

34 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 13 August 2019, the Directors have approved the disposal of 45% and 25% ordinary shares of the Company by Orange Policy Sdn. Bhd. and AIA General Berhad respectively to AIA Bhd. with a total consideration of RM135,000,000 and RM75,000,000 respectively ("Disposal") following AIA Malaysia's corporate restructuring exercise to simplify its existing group structure. Orange Policy Sdn. Bhd., AIA General Berhad and AIA Bhd. had signed the Sale and Purchase Agreement in relation to the Disposal on 12 December 2019 and the sale consideration for the Disposal was satisfied in cash. Following the completion of this exercise, AIA Bhd. became the Company's immediate holding company.

35 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 "INSURANCE CONTRACTS"

The following additional disclosures, required by Amendments to MFRS 4 for qualified entity who have elected temporary exemption from applying MFRS 9, to present the Company's financial assets by their contractual cash flows characteristics.

Financial assets of the Company is separated into the following two (2) groups:

(i) financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with MFRS 9 and are not held-for-trading or managed on fair value basis, which consist of cash and cash equivalents, receivables, accrued investment income, loans and deposits, and debt securities; and

(ii) all financial assets other than those specified in (i), which consist of derivative assets, equity securities, debt securities, and accrued investment income.

The following table shows the fair value and change in fair value of these two groups of financial assets.

	As at 31 December 2019	For the year ended 31 December 2019
RM'000	Fair value	Change in fair value
Financial assets that met SPPI criteria and not held-for-trading or managed on fair value basis	545,780	5,806
Others*	726,199	62,422
Total	1,271,979	68,228

* Others include financial assets that fail SPPI test, those that are held for trading and those that are managed on a fair value basis.

35 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 "INSURANCE CONTRACTS" (continued)

Retakaful assets have been excluded from the assessments as they will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are non-financial assets.

The following table sets out the credit quality analysis for financial assets that met the SPPI criteria and are not held for trading or managed on fair value basis.

	2019
	RM'000
AAA	315,707
AA	41,339
A	-
Non rated	111,600
Investment linked	77,134
Total	**545,780**

36 COMPARATIVE INFORMATION

The Directors have in their resolution dated 20 November 2017, approved the changed of the financial year end from 30 November to 31 December. Therefore, the previous financial period covered in these financial statements is for a period of thirteen (13) months from 1 December 2017 to 31 December 2018. Therefore, the financial year end of the Company has reverted to twelve (12) months ending 31 December for each subsequent year.

37 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

In the beginning of 2020, the rapid spread of COVID-19 has resulted in pandemic being declared. Globally, increasing measures are being taken to contain it and these have led to a significant volatility in the financial markets and resulting in an adverse impact on the global business and economic activity. Significant disruptions have been observed in the Company's new business sales, and decelerating in values of investments have started to kick in by the first quarter-end of the year. As the situation is rapidly evolving, it is not practical to quantify the financial impact of the outbreak to the Company. The Company is closely monitoring the developing situation and the potential impact of COVID-19 on its operations and financial position to ensure vigilant steps and appropriate actions could be taken on a timely manner.