

Company No.

790895	D
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AIA BHD.
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015**

Company No.

790895

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AIA BHD.
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015**

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the annual audited financial statements of the Group and of the Company for the financial year ended 30 November 2015.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of life insurance business, including investment-linked business and all classes of general insurance business.

The principal activities of the subsidiaries are stated in Note 7 to the financial statements.

There have been no significant changes in these activities during the financial year.

RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the financial year	789,769	790,794

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

DIVIDEND

The amount of dividend declared and paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 30 November 2014:	
Final single tier dividend of 84.6% (RM0.85 per ordinary share) on 767,438,174 ordinary shares, paid on 13 May 2015	649,000

As at 19 February 2016, the Directors have not recommended any final dividend to be paid for the financial year under review.

SHARE CAPITAL

There was no issuance of new ordinary shares during the financial year.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors who served office since the date of the last report are:

Dato' Thomas Mun Lung Lee	
Mohd Daruis bin Zainuddin	
Dato' Wee Hoe Soon @ Gooi Hoe Soon	
Ching Yew Chye @ Chng Yew Chye	(Appointed on 1 November 2015)
William Lisle	
Ng Keng Hooi	(Resigned on 1 February 2016)
Mark George Duffy	(Resigned on 15 October 2015)
Anusha a/p Thavarajah	(Appointed on 15 October 2015)

DIRECTORS' BENEFITS AND INTEREST

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means 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 a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

	<u>Number of ordinary shares of US\$1.00 each</u>			
	<u>As at 1 December 2014/date of appointment</u>	<u>Bought</u>	<u>Sold</u>	<u>As at 30 November 2015</u>
AIA Group Limited				
<u>Direct Interest</u>				
William Lisle	328,111	445,927	765,461	8,577
Ng Keng Hooi	1,099,440	898,650	-	1,998,090
Anusha a/p Thavarajah	44,628	177	-	44,805
Dato' Thomas Mun Lung Lee	-	15,000	-	15,000
<u>Indirect Interest</u>				
Ng Keng Hooi	61,200	-	-	61,200
Ching Yew Chye @ Chng Yew Chye	181,800	-	-	181,800

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS AND INTEREST (CONTINUED)

**Number of matching restricted stock purchase unit
over ordinary shares of US\$1.00 each
under Employee Share Purchase Plan**

	<u>As at 1 December 2014/date of appointment</u>	<u>Granted</u>	<u>Vested</u>	<u>As at 30 November 2015</u>
AIA Group Limited				
Ng Keng Hooi	3,533	1,148	-	4,681
William Lisle	2,548	1,158	908	2,798
Anusha a/p Thavarajah	2,513	89	-	2,602

**Number of restricted share units over ordinary
shares of US\$1.00 each**

	<u>As at 1 December 2014/date of appointment</u>	<u>Granted</u>	<u>Vested</u>	<u>As at 30 November 2015</u>
AIA Group Limited				
Ng Keng Hooi	2,397,655	283,490	1,048,849	1,632,296
William Lisle	1,294,803	224,623	545,920	973,506
Anusha a/p Thavarajah	155,093	-	-	155,093

**Number of share options over ordinary
shares of US\$1.00 each**

	<u>As at 1 December 2014/date of appointment</u>	<u>Granted</u>	<u>Exercised</u>	<u>As at 30 November 2015</u>
AIA Group Limited				
Ng Keng Hooi	3,813,880	541,692	-	4,355,572
William Lisle	1,899,927	366,534	317,861	1,948,600

Matching restricted stock purchase units, 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. Details of the employee share purchase plan, restricted share units and share options are set out in Note 41 to the financial statements.

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DIRECTORS' REPORT (CONTINUED)

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

At the date of Statements of Financial Position, the immediate holding company of the Company is Premium Policy Berhad, whose ultimate holding company is AIA Group Limited ("AIAGL"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

STATEMENT ON CORPORATE GOVERNANCE

The Board is satisfied that, the Company has complied with all the prescriptive requirements of, and adopts the Prudential Framework of Corporate Governance for Insurers (Framework), issued by Bank Negara Malaysia.

(A) BOARD RESPONSIBILITIES AND OVERSIGHT

The Board of Directors ("the Board") is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Financial Services Act, 2013 ("the Act"), Insurance Regulations, 1996 ("the Regulations"), Guidelines on Minimum Standards for Prudential Management of Insurers (Consolidated) and Prudential Framework of Corporate Governance for Insurers 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.

The Board comprises four Independent Non-Executive Directors, two Non-Independent Non-Executive Directors and two Executive Director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board met seven 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.

The number of meetings attended by each Director during the financial year are as follows:

<u>Name of Directors</u>		<u>No. of attendance</u>
Anusha a/p Thavarajah	Member (Executive)	*1/1
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)	7/7
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	7/7
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	7/7
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	**1/1
William Lisle	Member (Executive)	7/7
Ng Keng Hooi	Member (Non-Independent Non-Executive)	7/7
Mark George Duffy	Member (Non-Independent Non-Executive)	***6/6

*Appointed on 15 October 2015

**Appointed on 1 November 2015

***Resigned on 15 October 2015

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DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

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 Guidelines on Minimum Standards for Prudential Management of Insurers (Consolidated).

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

Nominating Committee

As at the date of this report, the Nominating Committee ("NC") comprises six members as follows:

Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye (Appointed on 1 November 2015)	Member (Independent Non-Executive)
William Lisle	Member (Executive)
Ng Keng Hooi (Resigned on 15 October 2015)	Member (Non-Independent Non-Executive)
Anusha a/p Thavarajah (Appointed on 15 October 2015)	Member (Executive)

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

The principal duties and responsibilities of the NC are:

- (a) establishing minimum requirements for the Board and the CEO to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between executive, non-executive and independent directors, and other core competencies required;
- (b) recommending and assessing the nominees for directorship, the directors to fill Board Committees, as well as nominees for the CEO position. This includes assessing directors and the CEO proposed for reappointment before an application for approval is submitted to BNM;
- (c) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO. The assessments should also include ascertaining that the director is not disqualified under the relevant law and fulfill the 'fit and proper' criteria;
- (d) recommending to the Board the removal of a director or CEO if he is ineffective, errant or negligent in discharging his responsibilities;

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DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Nominating Committee (continued)

- (e) ensuring that all directors undergo appropriate induction programmes and receive continuous training; and
- (f) overseeing the appointment, management succession planning and performance evaluation of KSOs, and recommending to the Board the removal of KSOs if they are ineffective, errant and negligent in discharging their responsibilities.

During the financial year, the NC held five meetings and discharged its responsibilities as prescribed by the terms of reference. The number of meetings attended by each member of the NC are as follows:

<u>Name of members</u>		<u>No. of attendance</u>
Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)	5/5
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	5/5
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	5/5
William Lisle	Member (Executive)	5/5
Ng Keng Hooi	Member (Non-Independent Non-Executive)	*4/4
Anusha a/p Thavarajah	Member (Executive)	**1/1
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	***0/0

*Resigned on 15 October 2015

**Appointed on 15 October 2015

***Appointed on 1 November 2015

Remuneration Committee

As at the date of this report, the Remuneration Committee ("RC") comprises five members as follows:

Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye (Appointed on 1 November 2015)	Member (Independent Non-Executive)
William Lisle (Appointed on 15 October 2015)	Member (Executive)
Ng Keng Hooi (Resigned on 15 October 2015)	Member (Non-Independent Non-Executive)

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

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DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Remuneration Committee (continued)

The principal duties and responsibilities of the RC are:

- (a) recommending a framework for the remuneration of directors, the CEO and KSOs. 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 and KSOs;
 - be sufficient to attract and retain directors, CEO and KSOs 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 behavior or insider excesses.
- (b) recommending specific remuneration packages for directors, CEO and KSOs. 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 or KSOs 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.

During the financial year, the RC held three meetings and discharged its responsibilities as prescribed by the terms of reference. The number of meetings attended by each member of the RC is as follows:

<u>Name of members</u>		<u>No. of attendance</u>
Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)	3/3
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	3/3
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	3/3
Ng Keng Hooi	Member (Non-Independent Non-Executive)	3/3
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	*0/0
William Lisle	Member (Executive)	**0/0

*Appointed on 1 November 2015

**Appointed on 15 October 2015

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DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Risk Management Committee

As at the date of this report, the Risk Management Committee ("RMC") comprises five members as follows:

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye (Appointed on 1 November 2015)	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
William Lisle (Appointed on 15 October 2015)	Member (Executive)
Ng Keng Hooi (Resigned on 15 October 2015)	Member (Non-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 the 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; and
- (d) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

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DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Risk Management Committee (continued)

During the financial year, the RMC held four meetings and discharged its responsibilities as prescribed by the terms of reference. The number of meetings attended by each member of the RMC are as follows:

<u>Name of members</u>		<u>No. of attendance</u>
Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)	4/4
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)	4/4
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	4/4
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	*1/1
William Lisle	Member (Executive)	**1/1
Ng Keng Hooi	Member (Non-Independent Non-Executive)	***4/4

*Appointed on 1 November 2015

**Appointed on 15 October 2015

***Resigned on 15 October 2015

Audit Committee

As at the date of this report, the Audit Committee ("AC") comprises four members as follows:

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye (Appointed on 1 November 2015)	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 the 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;

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DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Audit Committee (continued)

The principal duties and responsibilities of the AC are: (cont'd.)

- (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' judgement 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;
- (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;
- (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;
- (k) ensuring that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes; and
- (l) submitting to BNM annually, a summary of material concerns/weaknesses in the internal control environment of the Company noted during the financial year and the corresponding measures taken to address those weaknesses.

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.

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DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Audit Committee (continued)

During the financial year, the AC held seven meetings and discharged its responsibilities as prescribed by the terms of reference. The number of meetings attended by each member of the AC are as follows:

<u>Name of members</u>		<u>No. of attendance</u>
Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)	7/7
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)	7/7
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	7/7
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	*1/1

*Appointed on 1 November 2015

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

(B) 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 Sections 54 and 55 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.

(C) CORPORATE INDEPENDENCE

All material related party transactions are conducted on agreed terms as specified under BNM's Guidelines on Related-Party Transactions and Prudential Framework of Corporate Governance for Insurers. Related parties transactions and balances have been disclosed in the financial statements in compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

(D) INTERNAL CONTROLS AND OPERATIONAL RISKS MANAGEMENT

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company through designated management functions and internal controls, which includes the setting of operational risk limits for all core activities. The Company has established internal controls which cover all levels of personnel that is capable of recognising and continually assessing material risks, including underwriting risk, reinsurance risk, investment risk, operational and legal risk, that could affect its performance and financial condition.

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DIRECTORS' REPORT (CONTINUED)

(D) INTERNAL CONTROLS AND OPERATIONAL RISKS MANAGEMENT (CONTINUED)

Continuous review and assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken on a timely manner.

(E) INTERNAL AUDIT

The internal audit function is provided by Group Internal Audit ("GIA"), which reports directly to the Company's Audit Committee and also to the ultimate holding company, AIAGL's Audit Committee.

The main function of GIA includes assessment of effectiveness and adequacy of internal controls, which includes an independent examination of controls and ensure corrective actions, where necessary, are taken in a timely manner.

(F) 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.

(G) FINANCIAL REPORTING

The Board has the overall responsibilities to ensure that accounting records are properly kept and that the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia. The Company meets all prescriptive requirements under this section relating to proper records, annual reports, public disclosure and statutory reporting. In addition, the Company also meets the best practice requirements relating to management reporting, where the key performance indicators are reported on a monthly basis.

(H) AUDIT COMMITTEE

The Company's financial reporting and internal control system are overseen by the Audit Committee, which comprises three Independent Non-Executive Directors. The Audit Committee's role is to provide a direct link between the Board and the internal and external audit functions of the Company. The business covered by the Audit Committee is governed by a charter approved by the Board, which includes the review of financial information provided to shareholders and BNM to ensure compliance with the Act, the Regulations, BNM's guidelines, the Companies Act, 1965 and other regulations.

OTHER STATUTORY INFORMATION

- (a) Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:
- i) Proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate impairment losses had been made for doubtful debts; or

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DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (a) Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that: (continued)
- ii) any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected to realise.
- (b) At the date of this report, the Directors of the Group and of the Company are not aware of any circumstances:
- i) That would render the amounts written off for bad debts or the amount of impairment lossess in the Group and in the Company inadequate to any substantial extent; or
 - ii) That would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - iii) That would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
 - iv) Not otherwise dealt with in this report on the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.
- (c) As at the date of this report, there does not exist:
- i) Any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - ii) Any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- i) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
 - ii) No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the year in which this report is made.

For the purpose of paragraphs (c) and (d), contingent and other liabilities do not include liabilities arising from insurance contracts underwritten in the ordinary course of business of the Company.

- (e) Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for Insurers.

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DIRECTORS' REPORT (CONTINUED)

AUDITORS

Messrs PricewaterhouseCoopers have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors passed on 19 February 2016.

ANUSHA A/P THAVARAJAH
DIRECTOR

MOHD DARUIS BIN ZAINUDDIN
DIRECTOR

Kuala Lumpur

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**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Anusha A/P Thavarajah and Mohd Daruis Bin Zainuddin, two of the Directors of AIA Bhd., state that, in the opinion of the Directors, the accompanying financial statements set out on pages 18 to 196 are drawn up so as to show a true and fair view of the state of affair of the Group and of the Company as at 30 November 2015 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors passed on 19 February 2016.

ANUSHA A/P THAVARAJAH
DIRECTOR

MOHD DARUIS BIN ZAINUDDIN
DIRECTOR

Kuala Lumpur

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Heng Zee Wang, the officer primarily responsible for the financial management of AIA Bhd., do solemnly and sincerely declare that the financial statements for the financial year ended 30 November 2015 set out on pages 18 to 196 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

HENG ZEE WANG

Subscribed and solemnly declared by the abovenamed Heng Zee Wang at Kuala Lumpur in the Federal Territory on 19 February 2016.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIA BHD.

(Incorporated in Malaysia)
(Company No. 790895-D)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIA Bhd. on pages 18 to 196 which comprise the statements of financial position as at 30 November 2015 of the Group and of the Company, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 2 to 42.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AIA BHD. (CONTINUED)**
(Incorporated in Malaysia)
(Company No. 790895-D)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 November 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/16 (J))
Chartered Accountant

Kuala Lumpur
19 February 2016

AIA BHD.
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2015**

		Group		Company	
	Note	30.11.2015	30.11.2014	30.11.2015	30.11.2014
		RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	299,316	310,464	298,884	309,654
Investment properties	4	324,228	334,180	324,228	334,180
Prepaid land lease payments	5	1,224	1,250	1,224	1,250
Intangible assets	6	72,488	58,498	71,960	57,744
Investment in subsidiaries	7	-	-	153,000	143,000
Investment in associate	8	51,477	54,250	88	88
Available-for-sale ("AFS") financial assets	9	7,978,051	8,369,302	7,916,446	8,307,340
Fair value through profit or loss ("FVTPL") financial assets	10	32,316,487	31,371,381	32,316,487	31,356,845
Loans and receivables	11	4,688,104	4,524,142	4,679,369	4,523,998
Reinsurance/ retakaful assets	12	88,430	94,963	88,430	94,963
Insurance/ takaful receivables	13	496,695	459,249	496,695	459,249
Cash and cash equivalents		744,058	567,542	713,699	550,475
Total assets		47,060,558	46,145,221	47,060,510	46,138,786
Equity and liabilities					
Share capital	15	767,438	767,438	767,438	767,438
Share premium		683,452	683,452	683,452	683,452
Retained earnings	16	3,163,301	3,020,387	3,200,853	3,056,914
Available-for-sale fair value reserves		(4,725)	52,690	(5,298)	51,369
Total equity		4,609,466	4,523,967	4,646,445	4,559,173
Insurance/takaful contract liabilities	17	35,650,541	34,877,868	35,625,864	34,853,644
Deferred tax liabilities	18	441,475	482,981	441,475	482,981
Insurance/takaful payables	19	5,273,062	4,792,881	5,273,062	4,792,881
Current tax liabilities		55,073	74,171	55,288	74,333
Other payables	20	1,030,941	1,393,353	1,018,376	1,375,774
Total liabilities		42,451,092	41,621,254	42,414,065	41,579,613
Total equity and liabilities		47,060,558	46,145,221	47,060,510	46,138,786

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

AIA BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015

	<u>Note</u>	<u>2015</u> <u>RM'000</u>	<u>Group</u> <u>2014</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>	<u>Company</u> <u>2014</u> <u>RM'000</u>
Gross earned premiums/ contributions	25(a)	7,688,283	7,213,396	7,688,283	7,190,372
Premiums/contributions ceded to reinsurers/ retakaful operators	25(b)	(371,734)	(199,328)	(371,734)	(198,859)
Net earned premiums/ contributions revenue		7,316,549	7,014,068	7,316,549	6,991,513
Investment income	26	2,010,784	1,848,348	2,007,324	1,844,729
Net realised loss	27	(15,092)	(25,261)	(15,180)	(26,698)
Fair value (loss)/gain	28	(572,156)	399,821	(572,182)	399,130
Gain on disposal of Takaful business transferred		-	33,333	-	-
Other operating expense	29	(10,327)	(44,929)	(11,436)	(40,876)
Total net revenue		8,729,758	9,225,380	8,725,075	9,167,798
Gross benefits and claims paid	30(a)	(5,539,930)	(4,838,418)	(5,539,930)	(4,832,606)
Claims ceded to reinsurers/ retakaful operators	30(b)	217,588	204,897	217,588	204,897
Gross change to insurance/ takaful contract liabilities	30(c)	(774,142)	(1,986,296)	(773,689)	(1,977,310)
Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators	30(d)	(7,759)	(4,429)	(7,759)	(4,429)
Net insurance/takaful benefits and claims		(6,104,243)	(6,624,246)	(6,103,790)	(6,609,448)
Fee and commission expenses		(832,130)	(877,033)	(831,204)	(871,803)
Management expenses	31	(770,445)	(697,827)	(768,433)	(687,466)
Other expenses		(1,602,575)	(1,574,860)	(1,599,637)	(1,559,269)

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
Profit before share of loss from associate		1,022,940	1,026,274	1,021,648	999,081
Share of loss from associate		(2,657)	(1,508)	-	-
Profit before taxation		1,020,283	1,024,766	1,021,648	999,081
Tax expense attributable to policyholders and unitholders		(48,551)	(125,249)	(48,551)	(125,185)
Profit before tax attributable to shareholders		971,732	899,517	973,097	873,896
Tax expense	32	(230,514)	(252,919)	(230,854)	(252,314)
Tax expense attributable to policyholders and unitholders		48,551	125,249	48,551	125,185
Tax expense attributable to shareholders		(181,963)	(127,670)	(182,303)	(127,129)
Profit for the financial year		<u>789,769</u>	<u>771,847</u>	<u>790,794</u>	<u>746,767</u>
Basic earnings per share (sen)		<u>103.0</u>	<u>100.6</u>	<u>103.0</u>	<u>97.3</u>

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015**

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	789,769	771,847	790,794	746,767
Other comprehensive (loss)/income:				
Items that may be subsequently <u>reclassified to profit or loss</u>				
Change in available-for-sale fair value reserves:				
Net (loss)/gain arising during the financial year	(90,157)	96,994	(89,525)	96,460
Net realised loss transferred to Income Statement	15,296	26,108	15,296	27,545
Deferred taxation	17,562	(29,604)	17,562	(30,125)
Share of other comprehensive (loss)/income from associate	(116)	80	-	-
Items that will not be subsequently <u>reclassified to profit or loss</u>				
Post employment benefit obligations:				
Remeasurements	2,601	(1,507)	2,601	(1,507)
Deferred taxation	(456)	66	(456)	66
Other comprehensive (loss)/income - net of tax, for the financial year	<u>(55,270)</u>	<u>92,137</u>	<u>(54,522)</u>	<u>92,439</u>
Total comprehensive income for the financial year	<u><u>734,499</u></u>	<u><u>863,984</u></u>	<u><u>736,272</u></u>	<u><u>839,206</u></u>

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

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AIA BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015**

<u>Group</u>	<u>Attributable to equity holders of the Company</u>					<u>Total</u> <u>RM'000</u>
	<u>Share capital</u> <u>RM'000</u>	<u>Share premium</u> <u>RM'000</u>	<u>Available-for-sale fair value reserves</u> <u>RM'000</u>	<u>Share-based reserves</u> <u>RM'000</u>	<u>Retained earnings*</u> <u>RM'000</u>	
At 1 December 2014	767,438	683,452	52,690	-	3,020,387	4,523,967
Profit for the financial year	-	-	-	-	789,769	789,769
Total other comprehensive (loss)/income for the financial year	-	-	(57,415)	-	2,145	(55,270)
Total comprehensive income for the financial year	-	-	(57,415)	-	791,914	734,499
Share based compensation: value of employee services	-	-	-	11,067	-	11,067
Share based compensation: repayment to ultimate parent company	-	-	-	(11,067)	-	(11,067)
Dividend paid for the financial year ended 30 November 2014 (Note 33)	-	-	-	-	(649,000)	(649,000)
At 30 November 2015	<u>767,438</u>	<u>683,452</u>	<u>(4,725)</u>	<u>-</u>	<u>3,163,301</u>	<u>4,609,466</u>

* Included in retained earnings is RM2,296 million which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is only distributable to the shareholder upon the actual transfer of surplus from the Life Non-Participating Fund to the Shareholder's Fund as approved by the Appointed Actuary and Board of Directors of the Company.

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

<u>Group</u>	<u>Attributable to equity holders of the Company</u>						<u>Total</u>
	<u>Distributable</u>						
	<u>Share capital</u>	<u>Share premium</u>	<u>Available-for-sale fair value reserves</u>	<u>Share-based reserves</u>	<u>Retained earnings*</u>	<u>Proposed dividend reserves</u>	
<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
At 1 December 2013	767,438	683,452	(40,888)	-	2,249,981	320,000	3,979,983
Profit for the financial year	-	-	-	-	771,847	-	771,847
Total other comprehensive income/(loss) for the financial year	-	-	93,578	-	(1,441)	-	92,137
Total comprehensive income for the financial year	-	-	93,578	-	770,406	-	863,984
Share based compensation: value of employee services	-	-	-	13,754	-	-	13,754
Share based compensation: repayment to ultimate parent company	-	-	-	(13,754)	-	-	(13,754)
Dividend paid for the financial year ended 30 November 2013 (Note 33)	-	-	-	-	-	(320,000)	(320,000)
At 30 November 2014	<u>767,438</u>	<u>683,452</u>	<u>52,690</u>	<u>-</u>	<u>3,020,387</u>	<u>-</u>	<u>4,523,967</u>

*Included in retained earnings is RM2,115 million which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is only distributable to the shareholder upon the actual transfer of surplus from the Life Non-Participating Fund to the Shareholder's Fund as approved by the Appointed Actuary and Board of Directors of the Company.

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

<u>Company</u>	<u>Attributable to equity holders of the Company</u>					<u>Total</u> <u>RM'000</u>
	<u>Share capital</u> <u>RM'000</u>	<u>Share premium</u> <u>RM'000</u>	<u>Available-for-sale fair value reserves</u> <u>RM'000</u>	<u>Share-based reserves</u> <u>RM'000</u>	<u>Distributable</u>	
					<u>Retained earnings*</u> <u>RM'000</u>	
At 1 December 2014	767,438	683,452	51,369	-	3,056,914	4,559,173
Profit for the financial year	-	-	-	-	790,794	790,794
Total other comprehensive (loss)/income for the financial year	-	-	(56,667)	-	2,145	(54,522)
Total comprehensive income for the financial year	-	-	(56,667)	-	792,939	736,272
Share based compensation: value of employee services	-	-	-	11,002	-	11,002
Share based compensation: repayment to ultimate parent company	-	-	-	(11,002)	-	(11,002)
Dividend paid for the financial year ended 30 November 2014 (Note 33)	-	-	-	-	(649,000)	(649,000)
At 30 November 2015	<u>767,438</u>	<u>683,452</u>	<u>(5,298)</u>	<u>-</u>	<u>3,200,853</u>	<u>4,646,445</u>

* Included in retained earnings is RM2,296 million which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is only distributable to the shareholder upon the actual transfer of surplus from the Life Non-Participating Fund to the Shareholder's Fund as approved by the Appointed Actuary and Board of Directors of the Company.

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

<u>Company</u>	<u>Attributable to equity holders of the Company</u>						<u>Total</u>
	<u>Distributable</u>						
	<u>Share capital</u>	<u>Share premium</u>	<u>Available-for-sale fair value reserves</u>	<u>Share-based reserves</u>	<u>Retained earnings*</u>	<u>Proposed dividend reserves</u>	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 December 2013	767,438	683,452	(42,511)	-	2,311,588	320,000	4,039,967
Profit for the financial year	-	-	-	-	746,767	-	746,767
Total other comprehensive income/(loss) for the financial year	-	-	93,880	-	(1,441)	-	92,439
Total comprehensive income for the financial year	-	-	93,880	-	745,326	-	839,206
Share based compensation: value of employee services	-	-	-	13,512	-	-	13,512
Share based compensation: repayment to ultimate parent company	-	-	-	(13,512)	-	-	(13,512)
Dividend paid for the financial year ended 30 November 2013 (Note 33)	-	-	-	-	-	(320,000)	(320,000)
At 30 November 2014	<u>767,438</u>	<u>683,452</u>	<u>51,369</u>	<u>-</u>	<u>3,056,914</u>	<u>-</u>	<u>4,559,173</u>

* Included in retained earnings is RM2,115 million which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is only distributable to the shareholder upon the actual transfer of surplus from the Life Non-Participating Fund to the Shareholder's Fund as approved by the Appointed Actuary and Board of Directors of the Company.

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015**

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	971,732	899,517	973,097	873,896
Tax expense attributable to policyholders and unitholders	48,551	125,249	48,551	125,185
Interest/profit income and dividend income	(2,022,560)	(1,796,923)	(2,019,065)	(1,792,256)
Realised gains recorded in Income Statements	15,092	25,261	15,180	26,698
Fair value losses/(gains) recorded in Income Statements	572,156	(399,821)	572,182	(399,130)
Depreciation				
- property, plant and equipment	33,681	27,460	33,296	26,904
- investment properties	9,952	9,951	9,952	9,951
Amortisation				
- prepaid land lease payments	26	26	26	26
- intangible assets	9,359	6,613	9,133	6,613
Write off of property, plant and equipment	1	-	1	-
Gain on sale of property, plant and equipment	(204)	(121)	(116)	(121)
Allowance for impairment losses	120	26,191	120	26,191
Share of loss from associate	2,657	1,508	-	-
Gain on disposal of Takaful business transferred	-	(33,333)	-	-

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

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Changes in working capital:				
Increase in AFS and FVTPL financial assets	(1,244,279)	(3,126,172)	(1,243,997)	(3,132,671)
Decrease in reinsurance /retakaful assets	6,534	5,831	6,534	5,831
Increase in insurance/ takaful receivables	(39,241)	(103,088)	(39,241)	(103,088)
Increase in loans and receivables	(161,678)	(166,784)	(152,948)	(187,275)
Increase in insurance/takaful payables	480,181	439,718	480,181	440,595
Increase in insurance/takaful contract liabilities	772,849	1,970,377	772,220	1,964,895
Increase in other payables	165,688	74,329	170,561	85,621
Cash used in operating activities	<u>(379,383)</u>	<u>(2,014,211)</u>	<u>(364,333)</u>	<u>(2,022,135)</u>
Income taxes paid	(274,011)	(239,003)	(274,298)	(239,220)
Interest income received	1,703,953	1,578,542	1,703,108	1,578,492
Profit income received	2,657	4,410	-	-
Dividends received	328,865	237,528	328,865	237,321
Net cash inflows/(outflows) from operating activities	<u>1,382,081</u>	<u>(432,734)</u>	<u>1,393,342</u>	<u>(445,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	(25,504)	(27,229)	(25,504)	(26,718)
Purchase of property, plant and equipment	(20,438)	(65,118)	(20,430)	(65,107)
Proceed from disposal of collective investment scheme	14,561	6,744	-	-
Investment in subsidiary	-	-	(10,000)	-
Proceed from disposal of property, plant and equipment	174	286	174	281
Net cash transfer upon business transfer	-	(34,445)	-	-
Net cash outflows from investing activities	<u>(31,207)</u>	<u>(119,762)</u>	<u>(55,760)</u>	<u>(91,544)</u>

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
(Decrease)/increase in obligation on securities sold under repurchase agreements	(525,358)	826,145	(525,358)	826,145
Dividend paid	(649,000)	(320,000)	(649,000)	(320,000)
Net cash (outflows)/inflows from financing activities	<u>(1,174,358)</u>	<u>506,145</u>	<u>(1,174,358)</u>	<u>506,145</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	176,516	(46,351)	163,224	(30,941)
CASH AND CASH EQUIVALENTS AT 1 DECEMBER	<u>567,542</u>	<u>613,893</u>	<u>550,475</u>	<u>581,416</u>
CASH AND CASH EQUIVALENTS AT 30 NOVEMBER	<u><u>744,058</u></u>	<u><u>567,542</u></u>	<u><u>713,699</u></u>	<u><u>550,475</u></u>

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of life insurance business, including investment-linked business, and all classes of general insurance business. The principal activities of the subsidiaries are stated in Note 7 to the financial statements.

There have been no significant changes in these activities during the financial year.

The Company is a public limited liability company, incorporated on 4 October 2007 under the Companies Act, 1965 and the Financial Services Act, 2013 and domiciled in Malaysia. The registered office and principal place of business of the Company are located at Level 29, Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur and Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur respectively.

The immediate holding company of the Company is Premium Policy Berhad, whose ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

The financial statements are authorised for issue by the Board on 19 February 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements of all the years presented.

2.1 Basis of preparation

The financial statements of the Group and the Company are prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia.

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards and International Financial Reporting Standards 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 judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual result may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.4.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Non-controlling interests are presented within equity and represent the portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. Non-controlling interests are measured at the non-controlling interests' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and their share of change in the subsidiaries' equity since that date. Acquisition and disposal of non-controlling interests are treated as transactions between equity holders.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates (continued)

Investments in associates are accounted for in the Group's financial statements using the equity method of accounting and are initially recognised at cost. Under the equity method, the investment in associates is carried in the Group's Statements of Financial Position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' post-acquisition profit is recognised in the Group's Income Statements and its share of post-acquisition movement in other comprehensive income is recognised in the Group's Statements of Comprehensive Income.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not consistent with those of the Group, the share of results is arrived at from the last audited financial statements available and/or management financial statements up to the end of the accounting period. Uniform accounting policies are adopted for transactions and events in similar circumstances.

(b) 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 excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to retained earnings.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Investment in subsidiaries and associates under the Company's separate financial statements

In the Company's separate financial statements, investments in subsidiaries and associates are stated at cost less impairment losses. Income from investment in associates is recognised in the Income Statements to the extent of dividends received subsequent to the date of acquisition.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group 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 charged to the Income Statements during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset 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 Group.

The residual values, useful life and depreciation method are reviewed and adjusted, if applicable, at each date of the Statements 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 amount.

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 the Income Statements and presented within Net realized gains/(losses).

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land, which considered as finance lease, is depreciated over its remaining lease term. Major building improvements are depreciated over the shorter of the remaining useful lives of the related assets or 10 years. Depreciation of other property and equipment is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, as summarised as follows:

Leasehold land	799 – 999 years
Buildings	30 years
Furniture, fixtures and fittings	5 – 10 years
Office equipment	2 – 5 years
Motor vehicles	5 years

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciation policy for investment properties are in accordance with that for depreciable property, plant and equipment as described in Note 2.2(d).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statements and presented within Net realized gains/(losses) in the financial year in which they arise.

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. 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 Statements of Financial Position. The amortisation expense on intangible assets with finite lives is recognised in the Income Statements.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Income Statements and presented within Net realized gains/(losses) when the asset is derecognised.

Software

The cost of acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life, generally not exceeding a period of 5 years.

The cost of significant development of knowledge-based software and computer application to meet the unique requirements of the insurance/takaful business is capitalised and recognised as an intangible asset in accordance with MFRS 138. The Group establishes that these development costs will generate economic benefits beyond one year and are associated with identifiable software applications controlled by the commissioning, on a straight-line basis over its useful economic life. The carrying amount is assessed for impairment when there is an indication of impairment.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Intangible assets (continued)

Bancassurance distribution rights

The exclusive bancassurance agreement provides the Group with an exclusive right to use the bancassurance network of a bank. The agreement fee is amortised over its useful life using the straight-line method. The carrying amount is assessed for impairment when there is an indication of impairment.

Membership fees

The membership fees are in relation to club membership subscription. The membership fees with finite lives are amortised over its useful life using the straight-line method and those with infinite lives are subject to impairment test.

(g) Impairment of non-financial assets

Property, plant and equipment, investment properties, 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 CGU'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 the Income Statements. 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 the Income Statements immediately.

(h) Financial assets and financial liabilities

The Group classifies its financial assets into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR"), held to maturity ("HTM") and available-for-sales ("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.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

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

FVTPL

Financial assets at FVTPL comprise two sub-categories:

- financial assets designated at fair value through profit or loss; and
- financial assets held for trading, including derivatives not designated as hedges

The Group designates financial assets as 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 participating funds; and
- other financial assets managed on a fair value basis; consisting of the Group's equity portfolio and investments held by the Group's fully consolidated investment-linked fund.

Financial assets at FVTPL are initially recorded at fair value. Subsequent to initial recognition, financial assets at FVTPL are remeasured at fair value. Fair value adjustments and realised gain and losses on derecognition are recognised in the Income Statements and presented within Fair value gains/(losses). Transaction costs in respect of financial assets at FVTPL are expensed as they are incurred.

Fair value changes of financial assets at FVTPL are analysed between change resulting from foreign currency fluctuation and other fair value changes. Foreign currency fluctuation and other fair value changes are included under other operating income/(expense) and fair value gains/(losses) in the Income Statements respectively.

Dividend income from equity instruments designated at fair value through profit or loss is recognised as investment income in the Income Statements, generally when the security becomes ex-dividend or the right to receive payment is established. Interest income is recognised as investment income in the Income Statements using effective interest method.

LAR

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those the Group intends to sell in the short term or that it has designated as FVTPL. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method less any impairment losses.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

LAR (continued)

Interest income from loans and receivables is recognised as investment income in the Income Statements using the effective interest rate method. Gains and losses are recognised in the Income Statements when the investments are derecognised or impaired, as well as through the amortisation process.

AFS

Financial assets, other than those at FVTPL, LAR and HTM, are classified as AFS. AFS category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of the Group's debt securities (other than those backing participating funds and investment-linked contracts). 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.

Interest income from debt securities classified as AFS is recognised as investment income in the Income Statements using the effective interest 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.

Changes in the fair value of securities classified as AFS, except for impairment losses and relevant foreign exchange gains and losses on monetary AFS investments, 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 the Income Statements and presented within Net realized gains/(losses).

Financial Liabilities

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

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) 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 Group 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 Statements of Financial Position. The quoted market price used for financial assets held by the Group is the current bid price. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at the date of each Statements 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 degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value i.e. the cost of the deposits/placements and accrued interest/profits.

If the fair value cannot be measured reliably, these financial instruments are 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 investment.

(j) 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 Group 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Impairment of financial assets (continued)

General (continued)

Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Group 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
 - national or local economic conditions that correlate with increased default risk.

The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest 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. The carrying amount of mortgage loans or 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.

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 the Income Statements, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Impairment of financial assets (continued)

AFS financial assets

When a decline in the fair value of an AFS financial asset has been recognised in shareholders' equity and there is objective evidence that the financial asset is impaired, the cumulative loss already recognised directly in shareholders' equity is recognised in current period Income Statements. The Group 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 security 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 Income Statements, the impairment loss is reversed through Income Statements.

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.

(k) Derecognition of financial assets

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

(l) Equity instruments

Ordinary share capital

Issued capital represents the nominal value of shares issued plus any share premium 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Repurchase agreement

Obligations on securities sold under repurchase agreements are securities which have been sold from the Group's portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the Statements of Financial Position.

The securities sold under repurchase agreements are treated as pledged assets and are not derecognised from the Statements of Financial Position.

(n) Product classification

Insurance/takaful contracts are those contracts that transfer significant insurance/takaful risk. These contracts may also transfer financial risk. Significant insurance/takaful risk is defined as the possibility of paying significantly more in a scenario where the insured/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 insurance/takaful risk. Once a contract has been classified as an insurance/takaful or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

Certain contracts with discretionary participation features ("DPF") supplement the amount of guaranteed benefits due to policyholders/certificateholders. These contracts are distinct from other insurance/takaful and investment contracts as the Group has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders/certificateholders. Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

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

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Product classification (continued)

Approximately 90% of surpluses in the DPF funds must be distributed to the policyholders as a group in accordance with the relevant terms under the Financial Services Act, 2013. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities.

Certain derivatives embedded in insurance contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statements.

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

The recognition and measurement of life insurance/family takaful contracts and general insurance contracts are set out in Note 2.2(o) and 2.2(p) respectively.

(o) Life insurance/family takaful contracts

Gross premium/contribution

Premium/contribution income includes premium/contribution recognised in the ordinary life/family takaful and investment-linked business. Gross premium/contribution is recognised as soon as the amount of the premium/contribution can be reliably measured. First premium/contribution is recognised from inception date and subsequent premium/contribution is recognised when it is due.

At the end of the period, all due premiums/contribution are accounted for to the extent that they can be reliably measured.

Premium/contribution income of investment-linked business is in respect of the net creation of units which represents premiums/contributions paid by policyholders/certificate holders 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Commission and agency expenses of life insurance business

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies are charged to the Income Statements in the year in which they are incurred.

Management expenses, commission expenses and wakalah fee of family takaful business

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

At each reporting date, the Group estimates its net future expense cash flow required on the maintenance of the family takaful fund. If the estimate shows that there is deficiency in the net future expense cash flow, the deficiency is immediately charged to the Income Statements with a corresponding credit to a provision of expense liabilities.

Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer/takaful operator is notified.

Benefits and claims arising on life insurance policies/family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy/family takaful certificate are recognised as follows:

- (i) maturity or other policy 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) benefits payable under investment-linked business include net cancellation of units and are recognised as surrender; and
- (iv) bonus on DPF policy upon declaration.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Life insurance contract liabilities

Life insurance contract liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) unallocated surplus, and (iv) net asset value attributable to unitholders.

(i) Claim liabilities

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

(ii) Actuarial liabilities

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

Actuarial liabilities are valued, where appropriate by using a prospective actuarial valuation based on the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

The expected future cash flows are determined using best estimate assumptions. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is provided for in the valuation of non-participating policies and non-unit liabilities of investment-linked policies, and in the valuation of participating policies on guaranteed benefits only.

Actuarial liabilities in respect of a participating insurance contract is taken as the higher of the guaranteed benefit insurance liabilities or the total benefit insurance liabilities at the fund level derived as stated above.

In the case of a life policy where the future premiums are indeterminate, the reserve is determined as the higher of the gross premium valuation ("GPV") reserve or the accumulated amount, plus the unearned cost of insurance. The GPV calculation includes assumptions regarding the pattern of premium payments as the product has a flexible premium nature. In this regard, assumptions are made on the proportion of policyholders taking premium holidays in future.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, this asset value is eliminated at fund level.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Life insurance contract liabilities (continued)

(ii) Actuarial liabilities (continued)

The valuation of the non-unit liability is conducted for each investment-linked policy by a cash flow projection. The liability in respect of the non-unit component of an investment-linked policy is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the reserves shall be the higher of the current accumulated amount, or the sum of the current accumulated amount and a reserve calculated on the net cash flows. These cash flows shall, where appropriate, be determined by considering the projected future values of the accumulated amount, at the relevant confidence level.

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

Adjustments to the actuarial liabilities at each reporting date are recorded in the Income Statements.

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

(iii) Unallocated surplus

Surpluses of contracts with DPF are attributable to policyholders and shareholders and the amount and timing of the distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of Statements of Financial Position is made in accordance with the provision of the Financial Services Act, 2013 and related regulation by the Company's Appointed Actuary.

Unallocated surplus of contracts with DPF, where the amount are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Life insurance contract liabilities (continued)

(iv) Net asset value attributable to unitholders

The unit liability of investment-linked policy is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and mobility costs and expense charges.

Family takaful contract liabilities

Family Takaful contract liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) net asset value attributable to participants, and (iv) 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, claims and expenses.

(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 by BNM pursuant to the Islamic Financial Services Act, 2013 ("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 (with investment returns net of tax), less the present value of future gross tabarru arising from the policy 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 and investment returns net of tax from assets backing such liabilities. An appropriate allowance for provision of risk margin adverse deviation from expected experience is provided for in the valuation.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Family takaful contract liabilities (continued)

(ii) Actuarial liabilities (continued)

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 profit or loss 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 policy less deduction for mortality and morbidity cost and expenses charges. The net asset value attributable to participants of Investment-linked policy is equal to the net asset value of the Investment-linked funds.

(iv) Unallocated surplus

Unallocated surplus represents undistributable underwriting surplus set aside in accordance with the terms of the Takaful contracts.

(p) General insurance contracts

Gross premium

Gross premium income is recognised in the period in respect of risks assumed during that particular period.

Acquisition costs and deferred acquisition costs (“DAC”)

The costs of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the period in which it is probable they give rise to income.

Commission costs are deferred to the extent that these cost are recoverable out of future premium. All other acquisition costs are charged to the Income Statements in the period in which they are incurred.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General insurance contracts (continued)

Acquisition costs and deferred acquisition costs ("DAC") (continued)

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the terms of expected future premiums. Amortisation is recognised in the Income Statements.

An impairment review is performed at each date of Statements of Financial Position or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the Income Statements.

DAC is also considered in the liability adequacy test for each accounting period. DAC is derecognised when the related contracts are either settled or disposed of.

DAC is insignificant, predominantly short-term in nature and hence is netted against premium liabilities in the financial statements.

Claims and expenses

Claims and loss adjustment expenses are charged to the Income Statements as incurred based on the estimated liabilities for compensation owed to policyholders or third parties damaged by the policyholders. They include direct and indirect claims settlements costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group.

General insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise of (i) unearned premium reserves and (ii) claims liabilities.

(i) Unearned Premium Reserves

The Unearned Premium Reserves ("UPR") represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the year. In determining the UPR at the date of Statements of Financial Position, the method that most accurately reflects the actual unearned premiums is used as follows:

- (i) 25% method for marine cargo, aviation cargo and transit business,
- (ii) 1/24th method for all other classes of Malaysian policies; and
- (iii) time apportionment method for non-annual policies.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General insurance contracts (continued)

General insurance contracts liabilities

(i) Unearned Premium Reserves (continued)

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premium. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions and a Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall fund level. The current estimate of future contractual cash flow is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

If these estimates show that the carrying amount of the unearned premium less related deferred acquisition costs is inadequate, the deficiency is recognised in the Income Statements by setting up a provision for liability adequacy.

(ii) Claims liabilities

Claims liabilities are determined based on the estimated ultimate cost of all claims incurred but not settled at the date of Statements of Financial Position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of Statements of Financial Position.

The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions at best estimate and a PRAD calculated at the overall fund level. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised.

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

The liability adequacy test has been in-built in the estimation of claims liabilities and hence no separate assessment is carried out.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Reinsurance/retakaful

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

Premiums/contributions ceded and claims reimbursed are recognised in the same accounting period as the original policy/contract in which the reinsurance/retakaful relates, and are presented on a gross basis in the Income Statements and Statements of Financial Position.

Fee income derived from reinsurers/retakaful operators in the course of reinsurance/retakaful are credited to the Income Statements in the financial year in which they are earned.

Reinsurance/retakaful assets consist of amounts receivable in respect of ceded insurance/takaful liabilities. Amounts recoverable from reinsurers/retakaful operators are estimated in a manner consistent with the reinsured insurance/takaful's contract or investment contract liabilities or benefits paid and in accordance with the relevant reinsurance contract/retakaful contract.

To the extent that reinsurance/retakaful contracts principally transfer financial risk (as opposed to insurance risk), they are accounted for directly through the Statements of Financial Position and are not included in reinsurance/retakaful assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums/contributions or fees to be retained by the reinsured/takaful operator.

If a reinsurance/retakaful asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the Income Statements. A reinsurance/retakaful asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance/retakaful asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer/retakaful operator can be reliably measured.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed facultative reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Premiums, claims and other transactions costs on assumed treaty reinsurance are accounted for upon notification by the ceding companies or upon receipt of the statements of accounts.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Insurance/takaful receivables

Insurance/takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance/takaful receivables are measured at amortised cost, using the effective interest method.

If there is objective evidence that the insurance/takaful receivable is impaired, the Group reduces the carrying amount of the insurance/takaful receivable accordingly and recognises that impairment loss in the Income Statements. The Group gathers the objective evidence that an insurance/takaful receivables is impaired using the same process adopted for financial assets carried at amortised cost. These processes are described in Note 2.2(j).

(s) Other financial liabilities and insurance payables

Other liabilities and 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 interest method.

(t) Provisions

Provisions are recognised when the Group 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 Statements 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.

(u) 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 months or less. It excludes deposits which are held for investment purposes. The Group classifies the cash flows for the purchase and disposal of investments in financial assets in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance/takaful contracts, net of the cash flows for payments of insurance/takaful benefits and claims benefits.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(v) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of lands are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification.

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.

In the case of a lease of land and buildings, the minimum lease payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease.

Assets leased out under operating leases are represented on the Statements of Financial Position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(w) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. 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 Group makes contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the Income Statements as incurred. Once the contributions have been paid, the Group has no further payment obligations.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(ii) Post retirement benefit obligations (continued)

Define benefit plans

The Group operates two unfunded post retirement employee benefit schemes, whose members receive benefits on a defined benefit basis (related to length of service). The defined benefit plans provide life and medical benefits for employees after retirement.

The Group also contributes to a funded scheme for eligible employees based on a defined benefit plan. This fund is known as ING Management Holdings (Malaysia) Sdn. Bhd. Staff Gratuity Scheme ("the Scheme") and was established pursuant to a trust deed in April 2004.

The defined benefit liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

The benefit obligation is calculated using the projected unit credit method by independent actuaries by discounting estimated future cash outflows, using a discount rate based on government bond yield that have terms to maturity approximating the terms of the related liability.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in staff costs in the consolidated income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefits related to past service by employees, or the gain or loss on curtailment, is recognised immediately in consolidated income statement when the plan amendment or curtailment occurs.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(iii) Share-based compensation plans

AIA Group Limited ("AIAGL") launched a number of share-based compensation plans, under which the Company receives services from the employees, directors and officers as consideration for the shares and/or options of AIAGL. These share-based compensation plans comprise the Share Option Scheme ("SO Scheme"), the Restricted Share Unit Scheme ("RSU Scheme"), and the Employee Share Purchase Plan ("ESPP").

The AIA Group's share compensation plans offered to the Group's employees are equity-settled plans. Under the equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of AIAGL's shares and/or options is recognised as an expense in the Income Statements over the vesting period with a corresponding amount recorded in equity. Any amounts recharged from AIAGL related to equity-settled share-based payment arrangements are offsetted against the amounts recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and/or options granted. Non-market vesting conditions are included in assumptions for the number of shares and/or options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or options that are expected to be vested. Any impact of the revision to original estimates is recognised in Income Statements with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognized as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of options using a binomial lattice model. This model requires inputs such as share price, implied volatility, risk free interest rate, expected dividend rate and the expected life of the option.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

(x) Provision for agents' retirement benefits

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions in the respective agents' agreements. The scheme is not separately funded. The Company pays fixed contributions into the Agency Provident Fund.

Provision for agents' retirement benefits is charged to profit or loss in the period in which it relates.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(y) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the consolidated financial statements are presented in thousands of Ringgit Malaysia ("RM"), which is the Group's 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 Statements.

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 re-translated.

(iii) Operation denominated in functional currency other than Ringgit Malaysia

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) equity items are translated at their respective historical rate,
- (ii) assets and liabilities for each Statements of Financial Position presented are translated at the closing rate at the date of that Statements of Financial Position;
- (iii) income and expenses for each Income Statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iv) all resulting exchange differences are recognised as a separate component of equity under the foreign currency translation reserve.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(z) Taxation

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

Deferred tax is provided for, using the liability method, on temporary differences at the date of Statements 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 Statements of Financial Position. Deferred tax is recognised in the Income Statements, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity in which case the deferred tax is also charged or credited in other comprehensive income.

(aa) Other revenue recognition

(i) Rental income

Rental income is recognised on accruals basis and presented within Investment income in the Income Statements.

(ii) Gains and losses on disposal of investments

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 credited or charged to the Income Statements. Cost is determined by specific identification.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised Malaysian Financial Reporting Standards (MFRS)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Group's financial year beginning on or after 1 December 2014

On 1 December 2014, the Group adopted the following accounting standards amendments and Interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB"):

Amendments to MFRS

MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 10, 12 and 127	Investment Entities	1 January 2014
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014

Improvements to MFRS

MFRS 2, MFRS 3, MFRS 13, MFRS 123, MFRS 13, MFRS 140	Annual Improvements 2010 – 2012 Cycle	1 July 2014
	Annual Improvements 2011 – 2013 Cycle	1 July 2014

IC Interpretations ("IC INT")

IC INT 21	Levies	1 January 2014
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Amendment to MFRS 132, 'Financial Instruments: Presentation' does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendments to MFRS 10, MFRS 12 and MFRS 127 introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

IC Interpretation 21, 'Levies' sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

The adoption of the above revised standards, amendments to standards and interpretations issued by MASB did not have any significant effect on the financial performance or position of the Group and the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised Malaysian Financial Reporting Standards (MFRS) (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but not yet effective and have not been early adopted

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

Financial year beginning on/after 1 January 2018

- MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2018)

MFRS 9 retains but simplifies the mixed measurement model in MFRS139 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 interest.

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 change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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

The Group is reviewing the adoption of the above accounting standards, amendments to published standards and interpretation to existing standards and will complete the process prior to the reporting requirement deadline. The Group has not finalized any impact on the financial statements of the adoption of the above accounting standards.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 December 2015 are not relevant to the Group.

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**NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical accounting estimates and judgements in applying accounting policies

In the preparation of the financial statements, management has made judgements and estimates in applying accounting policies in respect of the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the judgements made by management that have the most significant effect on the amount recognised in the financial statements:

Key sources of estimation uncertainty

(a) Actuarial liabilities for life business and premium liabilities for accident & health contracts

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 Ringgit Malaysia denominated liabilities of non-DPF life policies, the guaranteed liabilities under participating policies and the non-unit liabilities of investment-linked policies. The risk-free discount rate was based on a weighted average of zero-coupon spot yields of Malaysian Government Securities ("MGS").

Where total guaranteed and non-guaranteed benefits of the DPF funds are considered, the discount rate assumed is the current portfolio yield graded to the long-term interest rate assumption for the DPF fund.

The key assumptions used and the sensitivity analysis on the key assumptions as at 30 November 2015, based on the change in one specific assumption while holding all other assumptions constant as disclosed in note 38 to the financial statements

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical accounting estimates and judgements in applying accounting policies (continued)

Key sources of estimation uncertainty (continued)

(b) Valuation of general insurance contract liabilities

For general insurance contract, Bornheutter-Ferguson ("BF") methods are used to estimate ultimate cost of outstanding claims.

BF method basically assumes that the claim experience for an accident year will produce a particular loss ratio and adjusted with subsequent actual claim experience.

The estimates of general insurance contract liabilities are therefore sensitive to various factors and uncertainties. These uncertainties may arise from changes in expected loss ratio used for each accident years and changes in average claim settlement period. Thus, the general settlement of eventual insurance contract liabilities may vary from the estimates.

The key assumptions used and the sensitivity analysis on the key assumptions as at 30 November 2015, based on the change in one specific assumption while holding all other assumptions constant as disclosed in note 38 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
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3 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings owner occupied properties</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture fixtures and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>								
<u>Cost</u>								
At 1 December 2014	11,046	6,336	408,097	3,524	62,052	86,695	2,392	580,142
Additions	-	-	3,121	-	3,188	3,821	10,308	20,438
Disposal	-	-	-	(1,410)	-	(2)	-	(1,412)
Written off	-	-	-	-	-	(2)	-	(2)
Reclass from intangible assets (Note 6)	-	-	-	-	-	-	2,155	2,155
Reclassification	-	-	3,456	-	1,697	2,821	(7,974)	-
At 30 November 2015	11,046	6,336	414,674	2,114	66,937	93,333	6,881	601,321
<u>Accumulated Depreciation</u>								
At 1 December 2014	-	126	168,051	3,007	30,039	68,455	-	269,678
Depreciation charge for the financial year (Note 31)	-	7	16,817	258	7,587	9,012	-	33,681
Disposal	-	-	-	(1,352)	-	(1)	-	(1,353)
Written off	-	-	-	-	-	(1)	-	(1)
At 30 November 2015	-	133	184,868	1,913	37,626	77,465	-	302,005
Net Book Value at 30 November 2015	11,046	6,203	229,806	201	29,311	15,868	6,881	299,316

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**NOTES TO THE FINANCIAL STATEMENTS
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3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group (continued)</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings owner occupied properties</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture fixtures and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2014</u>								
<u>Cost</u>								
At 1 December 2013	11,046	6,336	375,081	3,884	34,450	79,139	5,160	515,096
Additions	-	-	85	-	757	3,996	60,280	65,118
Disposal	-	-	-	(360)	-	(7)	-	(367)
Reclass from intangible assets (Note 6)	-	-	-	-	295	-	-	295
Reclassification	-	-	32,931	-	26,550	3,567	(63,048)	-
At 30 November 2014	<u>11,046</u>	<u>6,336</u>	<u>408,097</u>	<u>3,524</u>	<u>62,052</u>	<u>86,695</u>	<u>2,392</u>	<u>580,142</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group (continued)</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings owner occupied properties</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture fixtures and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2014 (continued)</u>								
<u>Accumulated Depreciation</u>								
At 1 December 2013	-	119	154,010	2,600	26,740	58,961	-	242,430
Depreciation charge for the financial year (Note 31)	-	7	14,041	617	3,299	9,496	-	27,460
Disposal	-	-	-	(210)	-	(2)	-	(212)
At 30 November 2014	-	126	168,051	3,007	30,039	68,455	-	269,678
Net Book Value at 30 November 2014	11,046	6,210	240,046	517	32,013	18,240	2,392	310,464

As at 30 November 2015, RM1,575,000 (2014: RM3,623,000) of the net carrying amount of office equipment were under finance lease.

The fair value of the land and properties was estimated at RM395,930,000 (2014: RM391,190,000) based on valuation by an independent professionally qualified valuer C H Williams Talhar & Wong Sdn. Bhd. Valuations were based on current prices in an active market for all properties.

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**NOTES TO THE FINANCIAL STATEMENTS
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3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings owner occupied properties</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture fixtures and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>As at 30 November 2015</u>								
<u>Cost</u>								
At 1 December 2014	11,046	6,336	408,097	3,484	60,819	85,619	2,392	577,793
Additions	-	-	3,121	-	3,188	3,813	10,308	20,430
Disposal	-	-	-	(1,369)	-	(2)	-	(1,371)
Written off	-	-	-	-	-	(2)	-	(2)
Reclassification	-	-	3,456	-	1,930	2,588	(7,974)	-
Reclass from intangible assets (Note 6)	-	-	-	-	-	-	2,155	2,155
At 30 November 2015	11,046	6,336	414,674	2,115	65,937	92,016	6,881	599,005
<u>Accumulated Depreciation</u>								
At 1 December 2014	-	126	168,051	2,879	29,338	67,745	-	268,139
Depreciation charge for the financial year (Note 31)	-	7	16,817	346	7,415	8,711	-	33,296
Disposal	-	-	-	(1,312)	-	(1)	-	(1,313)
Written off	-	-	-	-	-	(1)	-	(1)
At 30 November 2015	-	133	184,868	1,913	36,753	76,454	-	300,121
Net Book Value at 30 November 2015	11,046	6,203	229,806	202	29,184	15,562	6,881	298,884

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**NOTES TO THE FINANCIAL STATEMENTS
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3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company (continued)</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings owner occupied properties</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture fixtures and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>As at 30 November 2014</u>								
<u>Cost</u>								
At 1 December 2013	11,046	6,336	375,081	3,844	33,450	77,834	5,160	512,751
Additions	-	-	85	-	757	3,985	60,280	65,107
Disposal	-	-	-	(360)	-	-	-	(360)
Reclass from intangible assets (Note 6)	-	-	-	-	295	-	-	295
Reclassification	-	-	32,931	-	26,317	3,800	(63,048)	-
At 30 November 2014	<u>11,046</u>	<u>6,336</u>	<u>408,097</u>	<u>3,484</u>	<u>60,819</u>	<u>85,619</u>	<u>2,392</u>	<u>577,793</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company (continued)</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings owner occupied properties</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture fixtures and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>As at 30 November 2014 (continued)</u>								
<u>Accumulated Depreciation</u>								
At 1 December 2013	-	119	154,010	2,479	26,361	58,476	-	241,445
Depreciation charge for the financial year (Note 31)	-	7	14,041	610	2,977	9,269	-	26,904
Disposal	-	-	-	(210)	-	-	-	(210)
At 30 November 2014	-	126	168,051	2,879	29,338	67,745	-	268,139
Net Book Value at 30 November 2014	11,046	6,210	240,046	605	31,481	17,874	2,392	309,654

As at 30 November 2015, RM1,575,000 (2014: RM3,623,000) of the net carrying amount of office equipment were under finance lease.

The fair value of the land and properties were estimated at RM395,930,000 (2014: RM391,190,000) based on valuation by an independent professionally qualified valuer C H Williams Talhar & Wong Sdn. Bhd. Valuations were based on current prices in an active market for all properties.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

4 INVESTMENT PROPERTIES

<u>Group and Company</u>	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>			
<u>Cost</u>			
At 1 December 2014/30 November 2015	159,872	194,572	354,444
<u>Accumulated Depreciation</u>			
At 1 December 2014	-	20,264	20,264
Depreciation charge for the financial year (Note 31)	-	9,952	9,952
At 30 November 2015	-	30,216	30,216
Net Book Value at 30 November 2015	159,872	164,356	324,228
<u>At 30 November 2014</u>			
<u>Cost</u>			
At 1 December 2013/ 30 November 2014	159,872	194,572	354,444
<u>Accumulated Depreciation</u>			
At 1 December 2013	-	10,313	10,313
Depreciation charge for the financial year (Note 31)	-	9,951	9,951
At 30 November 2014	-	20,264	20,264
Net Book Value at 30 November 2014	159,872	174,308	334,180

The fair value of the properties was estimated at RM377,900,000 (2014: RM377,200,000) based on valuation by an independent professionally qualified valuer C H Williams Talhar & Wong Sdn. Bhd. Valuations were based on current prices in an active market for all properties.

No investment properties were pledged as security for banking facilities at the date of Statements of Financial Position.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

4 INVESTMENT PROPERTIES (CONTINUED)

The following are amounts arising from investment properties that have been recognised in Income Statements during the financial year:

	Group and Company	
	<u>2015</u>	<u>2014</u>
	RM'000	RM'000
Rental income	26,675	25,846
Direct operating expenses arising from investment properties that generate rental income	(19,310)	(19,310)
	<u> </u>	<u> </u>

5 PREPAID LAND LEASE PAYMENTS

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
At beginning of financial year	1,250	1,276
Amortisation for the financial year (Note 31)	(26)	(26)
	<u> </u>	<u> </u>
At end of financial year	1,224	1,250
	<u> </u>	<u> </u>
Analysed as:		
Short term leasehold land	1,224	1,250
	<u> </u>	<u> </u>

No leasehold land of the Group and of the Company were pledged as security for banking facilities at the date of Statements of Financial Position.

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Current	699	709
Non current	525	541
	<u> </u>	<u> </u>
	1,224	1,250
	<u> </u>	<u> </u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

6 INTANGIBLE ASSETS

<u>Group</u>	<u>Software</u> RM'000	<u>Membership/ Bancassurance distribution right</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>				
<u>Cost</u>				
At 1 December 2014	99,788	1,439	26,821	128,048
Additions	6,036	-	19,468	25,504
Reclass to property, plant and equipment (Note 3)	-	-	(2,155)	(2,155)
Reclassification	34,882	-	(34,882)	-
At 30 November 2015	<u>140,706</u>	<u>1,439</u>	<u>9,252</u>	<u>151,397</u>
<u>Accumulated amortisation and impairment</u>				
At 1 December 2014	69,354	196	-	69,550
Amortisation for the financial year (Note 31)	9,337	22	-	9,359
At 30 November 2015	<u>78,691</u>	<u>218</u>	<u>-</u>	<u>78,909</u>
Net Book Value at 30 November 2015	<u><u>62,015</u></u>	<u><u>1,221</u></u>	<u><u>9,252</u></u>	<u><u>72,488</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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6 INTANGIBLE ASSETS (CONTINUED)

<u>Group (continued)</u>	<u>Software</u> RM'000	<u>Membership/ Bancassurance distribution right</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2014</u>				
<u>Cost</u>				
At 1 December 2013	77,754	1,449	21,921	101,124
Additions	1,336	-	25,893	27,229
Written off	-	(10)	-	(10)
Reclass to property, plant and equipment (Note 3)	-	-	(295)	(295)
Reclassification	20,698	-	(20,698)	-
At 30 November 2014	<u>99,788</u>	<u>1,439</u>	<u>26,821</u>	<u>128,048</u>
<u>Accumulated amortisation and impairment</u>				
At 1 December 2013	62,763	174	-	62,937
Amortisation for the financial year (Note 31)	6,591	22	-	6,613
At 30 November 2014	<u>69,354</u>	<u>196</u>	<u>-</u>	<u>69,550</u>
Net Book Value at 30 November 2014	<u><u>30,434</u></u>	<u><u>1,243</u></u>	<u><u>26,821</u></u>	<u><u>58,498</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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6 INTANGIBLE ASSETS (CONTINUED)

<u>Company</u>	<u>Software</u> RM'000	<u>Membership/ Bancassurance distribution right</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>				
<u>Cost</u>				
At 1 December 2014	99,034	1,439	26,821	127,294
Additions	6,036	-	19,468	25,504
Reclass to property, plant and equipment (Note 3)	-	-	(2,155)	(2,155)
Reclassification	34,882	-	(34,882)	-
At 30 November 2015	<u>139,952</u>	<u>1,439</u>	<u>9,252</u>	<u>150,643</u>
<u>Accumulated amortisation and impairment</u>				
At 1 December 2014	69,354	196	-	69,550
Amortisation for the financial year (Note 31)	9,111	22	-	9,133
At 30 November 2015	<u>78,465</u>	<u>218</u>	<u>-</u>	<u>78,683</u>
Net Book Value at 30 November 2015	<u><u>61,487</u></u>	<u><u>1,221</u></u>	<u><u>9,252</u></u>	<u><u>71,960</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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6 INTANGIBLE ASSETS (CONTINUED)

<u>Company (continued)</u>	<u>Software</u> RM'000	<u>Membership/ Bancassurance distribution right</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2014</u>				
<u>Cost</u>				
At 1 December 2013	77,511	1,449	21,921	100,881
Additions	825	-	25,893	26,718
Written off	-	(10)	-	(10)
Reclass to property, plant and equipment (Note 3)	-	-	(295)	(295)
Reclassification	20,698	-	(20,698)	-
At 30 November 2014	<u>99,034</u>	<u>1,439</u>	<u>26,821</u>	<u>127,294</u>
<u>Accumulated amortisation and impairment</u>				
At 1 December 2013	62,763	174	-	62,937
Amortisation for the financial year (Note 31)	6,591	22	-	6,613
At 30 November 2014	<u>69,354</u>	<u>196</u>	<u>-</u>	<u>69,550</u>
Net Book Value at 30 November 2014	<u><u>29,680</u></u>	<u><u>1,243</u></u>	<u><u>26,821</u></u>	<u><u>57,744</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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7 INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Unquoted shares, at cost	153,000*	143,000

*The Group increased its investment in subsidiary, AIA Pension and Asset Management Sdn. Bhd. by RM10,000,000 on 21 January 2015.

Details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		<u>30.11.2015</u> (%)	<u>30.11.2014</u> (%)	
Green Health Certification Bhd.	Malaysia	100	100	Investment assets holding
AIA Pension and Asset Management Sdn. Bhd. ("APAM")	Malaysia	100	100	Managing private retirement scheme and asset management business.

Interests in structured entities

The Group has determined that the investment funds and structured securities, such as mortgage-backed securities, mutual funds and real estate investment trust that the Group has interest are structured entities.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Interests in structured entities (continued)

The following tables summarises the Group's interest in unconsolidated structured entities as at 30 November 2015:

At 30 November 2015

<i>RM'000</i>	Investment funds	Structured securities ⁽¹⁾
Available for sale debt securities	-	252,233
Debt securities at fair value through profit or loss	-	1,017,381
Equity securities at fair value through profit or loss	1,402,108 ⁽²⁾	-
Total	1,402,108	1,269,614

Notes:

(1) Structured securities include mortgage-backed securities.

(2) Balance represents the Group's interests in mutual funds and real estate investment trusts.

At 30 November 2014

<i>RM'000</i>	Investment funds	Structured securities ⁽¹⁾
Available for sale debt securities	-	263,953
Debt securities at fair value through profit or loss	-	996,899
Equity securities at fair value through profit or loss	1,318,767 ⁽²⁾	-
Total	1,318,767	1,260,852

Notes:

(1) Structured securities include mortgage-backed securities.

(2) Balance represents the Group's interests in mutual funds and real estate investment trusts.

The Group'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 interest income are received during the reporting period from these interests in unconsolidated structured entities.

In addition, the Group receives management fees in respect of providing management and administrative services to certain investment funds. These funds are not held and the associated investment risks are not borne by the Group, hence the Group does not have exposure to loss in these funds.

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**NOTES TO THE FINANCIAL STATEMENTS
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8 INVESTMENT IN ASSOCIATE

	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>	<u>30.11.2015</u>	<u>30.11.2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Unquoted shares, at cost	33,421	33,421	88	88
Share of post-acquisition reserve	18,056	20,829	-	-
	<u>51,477</u>	<u>54,250</u>	<u>88</u>	<u>88</u>

Details of the associate companies are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective interest (%)</u>		<u>Principal activity</u>
		<u>30.11.2015</u>	<u>30.11.2014</u>	
*Panareno Sdn. Bhd.	Malaysia	35	35	Property management and development
**AIA PUBLIC Takaful Bhd.	Malaysia	25	25	Managing family takaful business including investment linked business

* The Panareno Sdn. Bhd. has a financial year end of 31 December which is not consistent with the financial year end of the Company. For the purpose of applying the equity method of accounting, the management financial statements of the associate for the financial period ended 31 October 2015 have been used and appropriate adjustments have been made for the effects of significant transactions between 30 November 2015 and that date.

**Investments of 25% in AIA PUBLIC Takaful Bhd. is by virtue of holdings through the Company's wholly owned subsidiary, Green Health Certification Bhd.

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**NOTES TO THE FINANCIAL STATEMENTS
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8 INVESTMENT IN ASSOCIATE (CONTINUED)

The share of summarised financial information of the associate is as follows:

	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000
<u>Assets and liabilities</u>		
Current assets/total assets	177,679	147,763
Current liabilities/total liabilities	126,202	93,513
Net assets	51,477	54,250
<u>Results</u>		
Revenue	28,926	25,908
Loss for the financial year	(2,657)	(1,508)
Other comprehensive (loss)/income	(116)	80

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000
<u>At fair value</u>				
Malaysian government securities	1,672,532	1,758,856	1,667,369	1,753,639
Cagamas papers	469,874	492,547	469,874	492,547
Unquoted corporate debt securities	5,638,930	5,917,875	5,583,174	5,861,810
Unquoted equity securities	4,625	4,625	4,625	4,625
Deposits with licensed bank	102,430	102,890	102,430	102,890
Accrued interest	89,660	92,509	88,974	91,829
	<u>7,978,051</u>	<u>8,369,302</u>	<u>7,916,446</u>	<u>8,307,340</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Carrying values of financial
instruments

At 1 December	8,369,302	7,058,308	8,307,340	7,003,986
Purchases	630,180	2,517,654	629,871	2,508,645
Maturities	(189,963)	(295,580)	(189,963)	(295,580)
Disposals at amortised cost	(743,746)	(1,031,611)	(743,746)	(1,031,135)
Fair value (losses)/gains recorded in:				
Other comprehensive income	(74,861)	123,102	(74,229)	124,005
Unrealised foreign exchange gain/(loss)	92	(1,544)	92	(1,544)
Movement in accrued interest	(2,849)	11,685	(2,855)	11,636
Net amortisation	(10,104)	(12,712)	(10,064)	(12,673)
At 30 November	<u>7,978,051</u>	<u>8,369,302</u>	<u>7,916,446</u>	<u>8,307,340</u>
Current	413,116	303,174	412,429	302,493
Non current	<u>7,564,935</u>	<u>8,066,128</u>	<u>7,504,017</u>	<u>8,004,847</u>
	<u>7,978,051</u>	<u>8,369,302</u>	<u>7,916,446</u>	<u>8,307,340</u>

Malaysian government securities and unquoted corporate debt securities held for investment of RM311,346,000 (2014: 861,581,000) have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 20.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial investment

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

Group

<u>At 30 November 2015</u>	<u>Carrying amount RM'000</u>	<u>Level 1 RM'000</u>	<u>Level 2 RM'000</u>	<u>Level 3 RM'000</u>
Malaysian government securities	1,672,532	-	1,672,532	-
Cagamas papers	469,874	-	469,874	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,638,930	-	5,638,930	-
Deposits with licensed bank	102,430	-	102,430	-
Accrued interest	89,660	-	89,660	-
	<u>7,978,051</u>	<u>-</u>	<u>7,973,426</u>	<u>4,625</u>
<u>At 30 November 2014</u>				
Malaysian government securities	1,758,856	-	1,758,856	-
Cagamas papers	492,547	-	492,547	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,917,875	-	5,917,875	-
Deposits with licensed bank	102,890	-	102,890	-
Accrued interest	92,509	-	92,509	-
	<u>8,369,302</u>	<u>-</u>	<u>8,364,677</u>	<u>4,625</u>
<u>Company</u>				
<u>At 30 November 2015</u>				
Malaysian government securities	1,667,369	-	1,667,369	-
Cagamas papers	469,874	-	469,874	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,583,174	-	5,583,174	-
Deposits with licensed bank	102,430	-	102,430	-
Accrued interest	88,974	-	88,974	-
	<u>7,916,446</u>	<u>-</u>	<u>7,911,821</u>	<u>4,625</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial investment

Company

<u>At 30 November 2014</u>	<u>Carrying amount RM'000</u>	<u>Level 1 RM'000</u>	<u>Level 2 RM'000</u>	<u>Level 3 RM'000</u>
Malaysian government securities	1,753,639	-	1,753,639	-
Cagamas papers	492,547	-	492,547	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,861,810	-	5,861,810	-
Deposits with licensed bank	102,890	-	102,890	-
Accrued interest	91,829	-	91,829	-
	<u>8,307,340</u>	<u>-</u>	<u>8,302,715</u>	<u>4,625</u>

The tables below set out a summary of changes in the Level 3 financial assets for the financial year ended 30 November 2015.

Level 3 financial assets

Group and Company

	<u>Unquoted equity securities RM'000</u>
At 1 December 2014 / 30 November 2015	<u>4,625</u>

Fair value hierarchy for financial and non financial instruments

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entirety. The three-level hierarchy is defined as per Note 14 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000	RM'000	RM'000
<u>At fair value</u>				
Malaysian government securities	5,563,499	6,244,610	5,563,499	6,244,610
Cagamas papers	1,922,265	1,824,358	1,922,265	1,824,358
Equity securities of corporations				
- Quoted	6,880,377	7,402,482	6,880,377	7,402,482
- Unquoted	90,306	969	90,306	969
Quoted real estate investment trust	308,613	552,043	308,613	552,043
Unquoted corporate debt securities	16,128,716	14,123,355	16,128,716	14,123,355
Seed capital	-	14,536	-	-
Mutual Funds				
- Quoted	788,107	709,187	788,107	709,187
- Unquoted	305,388	199,240	305,388	199,240
Subscription rights				
- Quoted	1,840	-	1,840	-
- Unquoted	16	-	16	-
Deposits with licensed bank	51,214	52,025	51,214	52,025
Malaysian government guarantee loans	8,000	8,000	8,000	8,000
Accrued interest	268,146	240,576	268,146	240,576
	<u>32,316,487</u>	<u>31,371,381</u>	<u>32,316,487</u>	<u>31,356,845</u>
<u>Carrying values of financial instruments</u>				
At 1 December	31,371,381	29,168,443	31,356,845	29,045,614
Business transfer to AIA PUBLIC Takaful Bhd.	-	(104,115)	-	-
Purchases	6,269,918	5,840,130	6,269,918	5,834,819
Maturities	(329,987)	(667,690)	(329,987)	(667,690)
Disposals at fair value cost	(4,421,917)	(3,250,961)	(4,407,355)	(3,241,735)
Fair value (losses)/gains recorded in Income Statements	(572,156)	399,821	(572,182)	399,130
Movement in accrued interest	27,570	22,088	27,570	23,019
Net amortisation	(28,322)	(36,335)	(28,322)	(36,312)
At 30 November	<u>32,316,487</u>	<u>31,371,381</u>	<u>32,316,487</u>	<u>31,356,845</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	30.11.2015 RM'000	30.11.2014 RM'000	30.11.2015 RM'000	30.11.2014 RM'000
Current	9,634,559	9,415,245	9,634,560	9,415,246
Non current	22,681,928	21,956,136	22,681,927	21,941,599
	<u>32,316,487</u>	<u>31,371,381</u>	<u>32,316,487</u>	<u>31,356,845</u>

Fair value of financial investment

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

<u>Group</u>	<u>Carrying amount</u> <u>RM'000</u>	<u>Level 1</u> <u>RM'000</u>	<u>Level 2</u> <u>RM'000</u>	<u>Level 3</u> <u>RM'000</u>
<u>At 30 November 2015</u>				
Malaysian government securities	5,563,499	-	5,563,499	-
Cagamas papers	1,922,265	-	1,922,265	-
Equity securities of corporations				
- Quoted	6,880,377	6,880,377	-	-
- Unquoted	90,306	-	90,272	34
Quoted real estate investment trust	308,613	308,613	-	-
Unquoted corporate debt securities	16,128,716	-	16,128,716	-
Mutual Funds				
- Quoted	788,107	788,107	-	-
- Unquoted	305,388	139,301	-	166,087
Subscription rights				
- Quoted	1,840	1,840	-	-
- Unquoted	16	-	16	-
Deposits with licensed bank	51,214	-	51,214	-
Malaysian government guarantee loans	8,000	-	8,000	-
Accrued interest	268,146	-	268,146	-
Total assets on a recurring fair value measurement basis	<u>32,316,487</u>	<u>8,118,238</u>	<u>24,032,128</u>	<u>166,121</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

Fair value of financial investment (continued)

Group (continued)

<u>At 30 November 2014</u>	<u>Carrying amount RM'000</u>	<u>Level 1 RM'000</u>	<u>Level 2 RM'000</u>	<u>Level 3 RM'000</u>
Malaysian government securities	6,244,610	-	6,244,610	-
Cagamas papers	1,824,358	-	1,824,358	-
Equity securities of corporations				
- Quoted	7,402,482	7,402,482	-	-
- Unquoted	969	936	-	33
Quoted real estate investment trust	552,043	552,043	-	-
Unquoted corporate debt securities	14,123,355	-	14,123,355	-
Seed Capital	14,536	14,536	-	-
Mutual Funds				
- Quoted	709,187	709,187	-	-
- Unquoted	199,240	66,695	-	132,545
Deposits with licensed bank	52,025	-	52,025	-
Malaysian government guarantee loans	8,000	-	8,000	-
Accrued interest	240,576	-	240,576	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets on a recurring fair value measurement basis	31,371,381	8,745,879	22,492,924	132,578
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

Fair value of financial investment (continued)

Company

	<u>Carrying amount RM'000</u>	<u>Level 1 RM'000</u>	<u>Level 2 RM'000</u>	<u>Level 3 RM'000</u>
<u>At 30 November 2015</u>				
Malaysian government securities	5,563,499	-	5,563,499	-
Cagamas papers	1,922,265	-	1,922,265	-
Equity securities of corporations				
- Quoted	6,880,377	6,880,377	-	-
- Unquoted	90,306	-	90,272	34
Quoted real estate investment trust	308,613	308,613	-	-
Unquoted corporate debt securities	16,128,716	-	16,128,716	-
Mutual Funds				
- Quoted	788,107	788,107	-	-
- Unquoted	305,388	139,301	-	166,087
Subscription rights				
- Quoted	1,840	1,840	-	-
- Unquoted	16	-	16	-
Deposits with licensed bank	51,214	-	51,214	-
Malaysian government guarantee loans	8,000	-	8,000	-
Accrued interest	268,146	-	268,146	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets on a recurring fair value measurement basis	32,316,487	8,118,238	24,032,128	166,121
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

Fair value of financial investment (continued)

Company

	<u>Carrying amount RM'000</u>	<u>Level 1 RM'000</u>	<u>Level 2 RM'000</u>	<u>Level 3 RM'000</u>
<u>At 30 November 2014</u>				
Malaysian government securities	6,244,610	-	6,244,610	-
Cagamas papers	1,824,358	-	1,824,358	-
Equity securities of corporations				
- Quoted	7,402,482	7,402,482	-	-
- Unquoted	969	936	-	33
Quoted real estate investment trust	552,043	552,043	-	-
Unquoted corporate debt securities	14,123,355	-	14,123,355	-
Mutual Funds				
- Quoted	709,187	709,187	-	-
- Unquoted	199,240	66,695	-	132,545
Subscription rights	-	-	-	-
Deposits with licensed bank	52,025	-	52,025	-
Malaysian government guarantee loans	8,000	-	8,000	-
Accrued interest	240,576	-	240,576	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets on a recurring fair value measurement basis	31,356,845	8,731,343	22,492,924	132,578
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

Fair value of financial investment (continued)

The tables below set out a summary of changes in the Level 3 financial assets for the financial year ended 30 November 2015.

Level 3 financial assets

Group and Company

	Equity securities RM'000	Mutual fund RM'000	Subscription right RM'000
At 30 November 2013	33	158,797	51
Acquisition during the financial year	-	6,961	-
Disposal during the financial year	-	(34,481)	(51)
Fair value gain recorded in Income Statements	-	1,268	-
	<hr/>	<hr/>	<hr/>
At 30 November 2014	33	132,545	-
Acquisition during the financial year	-	42,590	-
Disposal during the financial year	-	(21,052)	-
Fair value gain recorded in Income Statements	1	12,004	-
	<hr/>	<hr/>	<hr/>
At 30 November 2015	<u>34</u>	<u>166,087</u>	<u>-</u>

Fair value hierarchy for financial and non financial instruments

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entirety. The three-level hierarchy is defined as per Note 14 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

11 LOANS AND RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000	RM'000	RM'000
<u>At amortised cost</u>				
Malaysian government guarantee loans	517,000	517,000	517,000	517,000
Policy loans	1,567,077	1,518,726	1,567,077	1,518,726
Mortgage loans	2,215,945	2,102,550	2,215,945	2,102,550
Other secured loans	17	25	17	25
Staff loans	33,303	31,714	33,303	31,714
Unsecured loans	7,075	2,541	7,075	2,541
Accrued interest	59,625	58,028	59,625	58,028
	<u>4,400,042</u>	<u>4,230,584</u>	<u>4,400,042</u>	<u>4,230,584</u>
Allowance for impairment loss	(38,951)	(41,856)	(38,951)	(41,856)
	<u>4,361,091</u>	<u>4,188,728</u>	<u>4,361,091</u>	<u>4,188,728</u>
Fixed and call deposits with licensed financial institutions	98,100	90,000	90,000	90,000
Other receivables:				
Accrued dividend	7,979	8,730	7,979	8,730
Other receivables	214,172	231,583	213,537	231,439
Deposits and prepayments	19,030	16,139	19,030	16,139
	<u>241,181</u>	<u>256,452</u>	<u>240,546</u>	<u>256,308</u>
Allowance for impairment loss	(12,268)	(11,038)	(12,268)	(11,038)
	<u>228,913</u>	<u>245,414</u>	<u>228,278</u>	<u>245,270</u>
	<u>4,688,104</u>	<u>4,524,142</u>	<u>4,679,369</u>	<u>4,523,998</u>
Current	288,539	303,397	287,904	303,253
Non current	4,399,565	4,220,745	4,391,465	4,220,745
	<u>4,688,104</u>	<u>4,524,142</u>	<u>4,679,369</u>	<u>4,523,998</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

11 LOANS AND RECEIVABLES (CONTINUED)

	Group		Company	
	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000
<u>At fair value</u>				
Malaysian government guarantee loans	547,650	549,480	547,650	549,480
Policy loans	1,567,077	1,518,726	1,567,077	1,518,726
Mortgage loans	2,259,574	2,075,853	2,259,574	2,075,853
Other secured loans	17	25	17	25
Staff loans	32,237	27,909	32,237	27,909
Unsecured loans	6,891	2,357	6,891	2,357
Accrued interest	59,625	58,028	59,625	58,028
	<u>4,473,071</u>	<u>4,232,378</u>	<u>4,473,071</u>	<u>4,232,378</u>
Fixed and call deposits with licensed financial institutions	101,065	99,330	92,965	99,330
	<u>4,574,136</u>	<u>4,331,708</u>	<u>4,566,036</u>	<u>4,331,708</u>

The carrying amounts of other receivables approximate fair values due to the relatively short-term maturity of these balances.

12 REINSURANCE/RETAKAFUL ASSETS

	Group		Company	
	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000
Reinsurance of insurance contracts	88,430	94,963	88,430	94,963
Receivables within 12 months	88,430	94,963	88,430	94,963

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

13 INSURANCE/TAKAFUL RECEIVABLES

	<u>Group and Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Outstanding premium/contributions including agents' balances	487,561	440,709
Amount due from reinsurers/retakaful operators	26,128	33,739
	<hr/>	<hr/>
Allowance for impairment loss	513,689 (16,994)	474,448 (15,199)
	<hr/>	<hr/>
	496,695	459,249
	<hr/> <hr/>	<hr/> <hr/>
Receivables within 12 months	496,695	459,249
	<hr/> <hr/>	<hr/> <hr/>

Offsetting of financial assets and financial liabilities

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

Group

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) setoff in the statement of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statement of financial position RM'000	<u>Related amounts not setoff in the statement of financial position</u>		
				Financial instruments RM'000	Cash collateral received/(pledged) RM'000	Net amount RM'000
2015						
Amount due from reinsurers/retakaful operators	26,128	-	26,128	-	-	26,128
Amount due to reinsurers/retakaful operators	(118,419)	-	(118,419)	-	-	(118,419)
Available for sale financial assets	7,978,051	-	7,978,051	(311,346)	-	7,666,705
Obligations on securities sold under repurchase agreements	(300,787)	-	(300,787)	311,346	-	10,559
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	7,584,973	-	7,584,973	-	-	7,584,973
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

13 INSURANCE/TAKAFUL RECEIVABLES (CONTINUED)

Offsetting of financial assets and financial liabilities (continued)

Group (continued)

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) setoff in the statement of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statement of financial position RM'000	Related amounts not setoff in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/ (pledged) RM'000	
2014						
Amount due from reinsurers/retakaful operators	33,739	-	33,739	-	-	33,739
Amount due to reinsurers/retakaful operators	(131,032)	-	(131,032)	-	-	(131,032)
Available for sale financial assets	8,369,302	-	8,369,302	(861,581)	-	7,507,721
Obligations on securities sold under repurchase agreements	(826,145)	-	(826,145)	861,581	-	35,436
	7,445,864	-	7,445,864	-	-	7,445,864

Company

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) setoff in the statement of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statement of financial position RM'000	Related amounts not setoff in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/ (pledged) RM'000	
2015						
Amount due from reinsurers/retakaful operators	26,128	-	26,128	-	-	26,128
Amount due to reinsurers/retakaful operators	(118,419)	-	(118,419)	-	-	(118,419)
Available for sale financial assets	7,916,446	-	7,916,446	(311,346)	-	7,605,100
Obligations on securities sold under repurchase agreements	(300,787)	-	(300,787)	311,346	-	10,559
	7,523,368	-	7,523,368	-	-	7,523,368

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**NOTES TO THE FINANCIAL STATEMENTS
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13 INSURANCE/TAKAFUL RECEIVABLES (CONTINUED)

Offsetting of financial assets and financial liabilities (continued)

Company (continued)

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) setoff in the statement of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statement of financial position RM'000	Related amounts not setoff in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/ (pledged) RM'000	
2014						
Amount due from reinsurers/retakaful operators	33,739	-	33,739	-	-	33,739
Amount due to reinsurers/retakaful operators	(131,032)	-	(131,032)	-	-	(131,032)
Available for sale financial assets	8,307,340	-	8,307,340	(861,581)	-	7,445,759
Obligations on securities sold under repurchase agreements	(826,145)	-	(826,145)	861,581	-	35,436
	7,383,902	-	7,383,902	-	-	7,383,902

Certain amount due from reinsurers/retakaful operators and amount due to reinsurers/retakaful operators 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 asset and settle the liability simultaneously.

14 FAIR VALUE MEASUREMENTS

Fair value measurements on a recurring basis

The Group measures at fair value financial instruments classified at fair value through profit or loss, available for sale securities portfolios, derivative assets and liabilities, investments held by investment funds which are consolidated, investments in non-consolidated investment funds and certain investment contract liabilities on a recurring basis. The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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14 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the year ended 30 November 2015.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments.

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 service 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 but where prices have not been determined in an 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 Group's own models whereby the majority of assumptions are market observable.

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 at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Group'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 Group's own data.

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14 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the year ended 30 November 2015, there is no transferred of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There is no transferred of assets from Level 2 to Level 1 during the year ended 30 November 2015.

The Group's Level 2 financial instruments include debt securities, deposits with licensed bank and Malaysian government guarantee loans. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and observable inputs will be used to derive the fair value for the financial instruments.

Significant unobservable inputs for level 3 fair value measurements

As at 30 November 2015, the valuation techniques and applicable unobservable inputs used to measure the Group's level 3 financial instruments are summarised as follows:

<u>Description</u>	<u>techniques</u>	<u>Valuation Unobservable inputs</u>
Private equity funds Common and preferred shares of private companies	Net asset value Cost	Net asset value Cost

Valuation processes

The Group has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. In determining the fair values of financial assets, the Group in general uses third-party pricing providers and, only in rare cases when no third-party prices exist, will use prices derived from internal models. Chief Investment Officers of each business units are required to review the reasonableness of the prices used and report price exceptions, if any. Group Investment team analyses reported price exceptions and reviews price challenge responses from third party pricing providers and provides the final recommendation on the appropriate price to be used. Any changes in valuation policies are reviewed and approved by the Group Pricing Committee (GPC) which is part of the Group's wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

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14 FAIR VALUE MEASUREMENTS (CONTINUED)

Valuation processes (continued)

A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Group has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Group uses the proxy pricing method based on internally-developed valuation inputs.

Fair value for assets and liabilities for which the fair value is disclosed at reporting date

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 30 November 2015 is given below.

Group

<u>At 30 November 2015</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
Assets for which the fair value is disclosed				
Financial assets				
Loans and receivables	-	101,065	4,473,071	4,574,136
Investment properties	-	-	377,900	377,900
Property for own use	-	-	395,930	395,930
Total assets for which the fair value is disclosed	-	101,065	5,246,901	5,347,966
Liabilities for which the fair value is disclosed				
Financial liabilities				
Insurance payables	-	-	5,273,062	5,273,062
Other payables	-	-	1,030,941	1,030,941
Total liabilities for which the fair value is disclosed	-	-	6,304,003	6,304,003

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14 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value for assets and liabilities for which the fair value is disclosed at reporting date (continued)

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>At 30 November 2014</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Assets for which the fair value is disclosed				
Financial assets				
Loans and receivables	-	99,330	4,232,378	4,331,708
Investment properties	-	-	377,200	377,200
Property for own use	-	-	391,190	391,190
Total assets for which the fair value is disclosed	-	99,330	5,000,768	5,100,098
Liabilities for which the fair value is disclosed				
Financial liabilities				
Insurance payables	-	-	4,792,881	4,792,881
Other payables	-	-	1,393,353	1,393,353
Total liabilities for which the fair value is disclosed	-	-	6,186,234	6,186,234
Company				
<u>At 30 November 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financial assets				
Loans and receivables	-	92,965	4,473,071	4,566,036
Investment properties	-	-	377,900	377,900
Property for own use	-	-	395,930	395,930
Total assets for which the fair value is disclosed	-	92,965	5,246,901	5,339,866
Financial liabilities				
Insurance payables	-	-	5,273,062	5,273,062
Other payables	-	-	1,018,376	1,018,376
Total liabilities for which the fair value is disclosed	-	-	6,291,438	6,291,438

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14 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value for assets and liabilities for which the fair value is disclosed at reporting date (continued)

Company (continued)

<u>At 30 November 2014</u>	<u>Level 1</u> <u>RM'000</u>	<u>Level 2</u> <u>RM'000</u>	<u>Level 3</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Assets for which the fair value is disclosed				
Financial assets				
Loans and receivables	-	99,330	4,232,378	4,331,708
Investment properties	-	-	377,200	377,200
Property for own use	-	-	391,190	391,190
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets for which the fair value is disclosed	-	99,330	5,000,768	5,100,098
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities for which the fair value is disclosed				
Financial liabilities				
Insurance payables	-	-	4,792,881	4,792,881
Other payables	-	-	1,375,774	1,375,774
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities for which the fair value is disclosed	-	-	6,168,655	6,168,655
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15 SHARE CAPITAL

	Number of shares at RM1 each		Amount	
	<u>30.11.2015</u> <u>'000</u>	<u>30.11.2014</u> <u>'000</u>	<u>30.11.2015</u> <u>RM'000</u>	<u>30.11.2014</u> <u>RM'000</u>
Group and Company				
Authorised share capital				
Ordinary shares at RM1 each: At 1 December/At 30 November	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Issued and paid up share capital				
Ordinary shares at RM1 each: At 1 December/30 November	<u>767,438</u>	<u>767,438</u>	<u>767,438</u>	<u>767,438</u>

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16 RETAINED EARNINGS

Under the single tier system, there are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings as at the Statements of Financial Position date.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 December 2014. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES

<u>Group</u>	<u>Gross</u> <u>RM'000</u>	<u>Reinsurance</u> <u>RM'000</u>	<u>Net</u> <u>RM'000</u>
<u>At 30 November 2015</u>			
Life insurance/family takaful (Note A)	35,298,562	(70,166)	35,228,396
General insurance (Note B)	351,979	(18,264)	333,715
	<u>35,650,541</u>	<u>(88,430)</u>	<u>35,562,111</u>
<u>At 30 November 2014</u>			
Life insurance/family takaful (Note A)	34,302,578	(76,887)	34,225,691
General insurance (Note B)	575,290	(18,076)	557,214
	<u>34,877,868</u>	<u>(94,963)</u>	<u>34,782,905</u>
<u>Company</u>			
<u>At 30 November 2015</u>			
Life insurance/family takaful (Note A)	35,273,885	(70,166)	35,203,719
General insurance (Note B)	351,979	(18,264)	333,715
	<u>35,625,864</u>	<u>(88,430)</u>	<u>35,537,434</u>
<u>At 30 November 2014</u>			
Life insurance/family takaful (Note A)	34,278,354	(76,887)	34,201,467
General insurance (Note B)	575,290	(18,076)	557,214
	<u>34,853,644</u>	<u>(94,963)</u>	<u>34,758,681</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000
Current	1,347,505	1,246,918	1,347,505	1,246,918
Non current	34,303,036	33,630,950	34,278,359	33,606,726
	<u>35,650,541</u>	<u>34,877,868</u>	<u>35,625,864</u>	<u>34,853,644</u>

(A) Life Insurance/Family Takaful

The life insurance/family takaful contract liabilities and its movements are further analysed as follows:

(i) Life insurance/family takaful contract liabilities

<u>Group</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>At 30 November 2015</u>			
Claims liabilities	305,135	(18,821)	286,314
Actuarial liabilities	28,466,591	(51,345)	28,415,246
Unallocated surplus	2,127,436	-	2,127,436
Net asset value attributable to unitholders/participants	4,399,400	-	4,399,400
	<u>35,298,562</u>	<u>(70,166)</u>	<u>35,228,396</u>
<u>At 30 November 2014</u>			
Claims liabilities	236,125	(19,283)	216,842
Actuarial liabilities	27,320,986	(57,604)	27,263,382
Unallocated surplus	2,609,479	-	2,609,479
Net asset value attributable to unitholders/participants	4,135,988	-	4,135,988
	<u>34,302,578</u>	<u>(76,887)</u>	<u>34,225,691</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/Family Takaful (continued)

(i) Life insurance/family takaful contract liabilities (continued)

<u>Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>At 30 November 2015</u>			
Claims liabilities	305,135	(18,821)	286,314
Actuarial liabilities	28,466,591	(51,345)	28,415,246
Unallocated surplus	2,102,759	-	2,102,759
Net asset value attributable to unitholders	4,399,400	-	4,399,400
	<u>35,273,885</u>	<u>(70,166)</u>	<u>35,203,719</u>
<u>At 30 November 2014</u>			
Claims liabilities	236,125	(19,283)	216,842
Actuarial liabilities	27,320,986	(57,604)	27,263,382
Unallocated surplus	2,585,255	-	2,585,255
Net asset value attributable to unitholders	4,135,988	-	4,135,988
	<u>34,278,354</u>	<u>(76,887)</u>	<u>34,201,467</u>

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17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/Family Takaful (continued)

(ii) Movements of life insurance/family takaful contract liabilities

<u>Group</u>	Gross		
	<u>with DPF RM'000</u>	<u>without DPF RM'000</u>	<u>Total RM'000</u>
At 1 December 2014	26,210,599	8,091,979	34,302,578
Portfolios transferred of long term health policies from			
General insurance to Life business	-	203,471	203,471
Policy movement	1,035,595	171,045	1,206,640
Movement in claim liabilities	(21,058)	88,268	67,210
Model refinement	24	-	24
Adjustments due to changes in assumptions:			
Discount rate	(45,425)	(179,670)	(225,095)
Change in asset value attributable to unitholders/participants	-	263,412	263,412
Change in bonus	(77,675)	-	(77,675)
Others	-	40,040	40,040
Unallocated surplus	(482,043)	-	(482,043)
At 30 November 2015	<u>26,620,017</u>	<u>8,678,545</u>	<u>35,298,562</u>

<u>Group</u>	Reinsurance		
	<u>with DPF RM'000</u>	<u>without DPF RM'000</u>	<u>Total RM'000</u>
At 1 December 2014	(16,506)	(60,381)	(76,887)
Policy movement	(1,467)	7,726	6,259
Movement in claim liabilities	(1,897)	2,359	462
At 30 November 2015	<u>(19,870)</u>	<u>(50,296)</u>	<u>(70,166)</u>

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17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/Family Takaful (continued)

(ii) Movements of life insurance/family takaful contract liabilities

<u>Group</u>	Gross		
	<u>with DPF RM'000</u>	<u>without DPF RM'000</u>	<u>Total RM'000</u>
At 1 December 2013	24,892,622	7,545,024	32,437,646
Business transfer to AIA PUBLIC Takaful Bhd	(123,056)	12,000	(111,056)
Policy movement	1,322,268	251,227	1,573,495
Movement in claim liabilities	(1,927)	4,779	2,852
Model refinement	97,849	(7,364)	90,485
Adjustments due to changes in assumptions:			
Lapse and surrender rates	(29,545)	6,015	(23,530)
Discount rate	(110,470)	55,344	(55,126)
Change in asset value attributable to unitholders/participants	34,931	332,045	366,976
Change in bonus	14,905	-	14,905
Unallocated surplus	286,936	-	286,936
Others	(173,914)	(107,091)	(281,005)
At 30 November 2014	<u>26,210,599</u>	<u>8,091,979</u>	<u>34,302,578</u>

<u>Group</u>	Reinsurance		
	<u>with DPF RM'000</u>	<u>without DPF RM'000</u>	<u>Total RM'000</u>
At 1 December 2013	(16,097)	(62,373)	(78,470)
Policy movement	(1,154)	(1,442)	(2,596)
Movement in claim liabilities	745	3,434	4,179
At 30 November 2014	<u>(16,506)</u>	<u>(60,381)</u>	<u>(76,887)</u>

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17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/Family Takaful (continued)

(ii) Movements of life insurance/family takaful contract liabilities (continued)

<u>Company</u>	Gross		
	with DPF RM'000	without DPF RM'000	Total RM'000
At 1 December 2014	26,186,375	8,091,979	34,278,354
Portfolios transferred of long term health policies from			
General insurance to Life business	-	203,471	203,471
Policy movement	1,035,595	171,045	1,206,640
Movement in claim liabilities	(21,058)	88,268	67,210
Model refinement	24	-	24
Adjustments due to changes in assumptions:			
Discount rate	(45,425)	(179,670)	(225,095)
Change in asset value attributable to unitholders	-	263,412	263,412
Change in bonus	(77,675)	-	(77,675)
Unallocated surplus	(482,496)	-	(482,496)
Others	-	40,040	40,040
At 30 November 2015	<u>26,595,340</u>	<u>8,678,545</u>	<u>35,273,885</u>

<u>Company</u>	Reinsurance		
	with DPF RM'000	without DPF RM'000	Total RM'000
At 1 December 2014	(16,506)	(60,381)	(76,887)
Policy movement	(1,467)	7,726	6,259
Movement in claim liabilities	(1,897)	2,359	462
At 30 November 2015	<u>(19,870)</u>	<u>(50,296)</u>	<u>(70,166)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/Family Takaful (continued)

(ii) Movements of life insurance/family takaful contract liabilities (continued)

<u>Company</u>	<u>Gross</u>		
	<u>with DPF RM'000</u>	<u>without DPF RM'000</u>	<u>Total RM'000</u>
At 1 December 2013	24,785,639	7,525,713	32,311,352
Policy movement	1,329,005	251,227	1,580,232
Movement in claim liabilities	(2,303)	4,779	2,476
Model refinement	97,849	(7,364)	90,485
Adjustments due to changes in assumptions:			
Lapse and surrender rates	(29,545)	6,015	(23,530)
Discount rate	(110,470)	55,344	(55,126)
Change in asset value attributable to unitholders	-	363,356	363,356
Change in bonus	14,905	-	14,905
Unallocated surplus	275,209	-	275,209
Others	(173,914)	(107,091)	(281,005)
At 30 November 2014	<u>26,186,375</u>	<u>8,091,979</u>	<u>34,278,354</u>

<u>Company</u>	<u>Reinsurance</u>		
	<u>with DPF RM'000</u>	<u>without DPF RM'000</u>	<u>Total RM'000</u>
At 1 December 2013	(16,097)	(62,373)	(78,470)
Policy movement	(1,154)	(1,442)	(2,596)
Movement in claim liabilities	745	3,434	4,179
At 30 November 2014	<u>(16,506)</u>	<u>(60,381)</u>	<u>(76,887)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance

Group and Company

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>At 30 November 2015</u>			
Provision for claims reported by policyholders	122,480	(8,023)	114,457
Provision for incurred but not reported claims ("IBNR")	97,604	(3,543)	94,061
Claim liabilities (i)	220,084	(11,566)	208,518
Premium liabilities (ii)	131,895	(6,698)	125,197
	<u>351,979</u>	<u>(18,264)</u>	<u>333,715</u>
<u>At 30 November 2014</u>			
Provision for claims reported by policyholders	129,443	(9,303)	120,140
Provision for incurred but not reported claims ("IBNR")	110,812	(3,301)	107,511
Claim liabilities (i)	240,255	(12,604)	227,651
Premium liabilities (ii)	335,035	(5,472)	329,563
	<u>575,290</u>	<u>(18,076)</u>	<u>557,214</u>

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NOTES TO THE FINANCIAL STATEMENTS
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17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(i) Claim liabilities

Group and Company

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 December 2014	240,255	(12,604)	227,651
Claims incurred in the current accident year	170,847	(5,974)	164,873
Movement in claims incurred in prior accident years	(14,084)	(5,199)	(19,283)
Claims paid during the financial year	(178,612)	11,673	(166,939)
Others	3,425	-	3,425
Change in expense liabilities and risk margin	53	538	591
Portfolios transferred of long term health policies from General insurance to Life business	(1,800)	-	(1,800)
At 30 November 2015	<u>220,084</u>	<u>(11,566)</u>	<u>208,518</u>
At 1 December 2013	229,947	(15,450)	214,497
Claims incurred in the current accident year	307,681	(9,626)	298,055
Movement in claims incurred in prior accident years	(7,196)	(12,985)	(20,181)
Claims paid during the financial year	(280,911)	24,833	(256,078)
Others	10,440	-	10,440
Change in expense liabilities and risk margin	(19,706)	624	(19,082)
At 30 November 2014	<u>240,255</u>	<u>(12,604)</u>	<u>227,651</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(ii) Premium liabilities

Group and Company

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 December 2014	335,035	(5,472)	329,563
Premiums written in the financial year	341,574	(34,383)	307,191
Premium earned during the financial year	(343,043)	33,157	(309,886)
Portfolios transferred of long term health policies from General insurance to Life business	(201,671)	-	(201,671)
At 30 November 2015	<u>131,895</u>	<u>(6,698)</u>	<u>125,197</u>
At 1 December 2013	347,450	(6,874)	340,576
Premiums written in the financial year	492,162	(36,424)	455,738
Premium earned during the financial year	(503,031)	37,949	(465,082)
Change in expense liabilities, risk margin and loss ratio	(3,076)	(123)	(3,199)
Others	1,530	-	1,530
At 30 November 2014	<u>335,035</u>	<u>(5,472)</u>	<u>329,563</u>

18 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets/liabilities shown in the Statements of Financial Position are determined after appropriate offsetting.

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**NOTES TO THE FINANCIAL STATEMENTS
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18 DEFERRED TAX LIABILITIES (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(441,475)	(482,981)	(441,475)	(482,981)
	<u>(441,475)</u>	<u>(482,981)</u>	<u>(441,475)</u>	<u>(482,981)</u>
	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000	RM'000	RM'000
At 1 December	(482,981)	(454,395)	(482,981)	(454,405)
Recognised in:				
Income Statements	24,400	952	24,400	1,483
Other comprehensive income	17,106	(29,538)	17,106	(30,059)
	<u>(441,475)</u>	<u>(482,981)</u>	<u>(441,475)</u>	<u>(482,981)</u>
At 30 November	(441,475)	(482,981)	(441,475)	(482,981)
	<u>(441,475)</u>	<u>(482,981)</u>	<u>(441,475)</u>	<u>(482,981)</u>
Current	7,613	(9,746)	7,613	(9,746)
Non current	(449,088)	(473,235)	(449,088)	(473,235)
	<u>(441,475)</u>	<u>(482,981)</u>	<u>(441,475)</u>	<u>(482,981)</u>
At 30 November	(441,475)	(482,981)	(441,475)	(482,981)
	<u>(441,475)</u>	<u>(482,981)</u>	<u>(441,475)</u>	<u>(482,981)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

18 DEFERRED TAX LIABILITIES (CONTINUED)

Group

	<u>Unallocated surplus</u> RM'000	<u>Revaluation investment</u> RM'000	<u>Accelerated depreciation</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>				
Deferred tax liabilities at 1 December 2014	(431,339)	(64,865)	(4,126)	(500,330)
Recognised in:				
Income Statements	(31,907)	48,910	1,511	18,514
Other comprehensive Income	(456)	15,955	-	15,499
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax liabilities at 30 November 2015 (before offsetting)	<u>(463,702)</u>	<u>-</u>	<u>(2,615)</u>	<u>(466,317)</u>
Offsetting				<u>24,842</u>
Deferred tax liabilities at 30 November 2015 (after offsetting)				<u>(441,475)</u>
<u>At 30 November 2014</u>				
Deferred tax liabilities at 1 December 2013	(450,409)	(15,027)	(2,691)	(468,127)
Recognised in:				
Income Statements	19,004	(20,234)	(1,435)	(2,665)
Other comprehensive Income	66	(29,604)	-	(29,538)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax liabilities at 30 November 2014 (before offsetting)	<u>(431,339)</u>	<u>(64,865)</u>	<u>(4,126)</u>	<u>(500,330)</u>
Offsetting				<u>17,349</u>
Deferred tax liabilities at 30 November 2014 (after offsetting)				<u>(482,981)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

18 DEFERRED TAX LIABILITIES (CONTINUED)

Group (continued)

	<u>Revaluation investment</u> RM'000	<u>Impairment allowance</u> RM'000	<u>Unrealised amortisation</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>				
Deferred tax assets at 1 December 2014	-	1,316	16,033	17,349
Recognised in:				
Income Statements	7,083	528	(1,725)	5,886
Other comprehensive Income	1,607	-	-	1,607
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax assets at 30 November 2015 (before offsetting)	<u>8,690</u>	<u>1,844</u>	<u>14,308</u>	24,842
Offsetting				<u>(24,842)</u>
Deferred tax assets at 30 November 2015 (after offsetting)				<u> </u> <u> </u>
		<u>Impairment allowance</u> RM'000	<u>Unrealised amortisation</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2014</u>				
Deferred tax assets at 1 December 2013		602	13,130	13,732
Recognised in:				
Income Statements		714	2,903	3,617
		<u> </u>	<u> </u>	<u> </u>
Deferred tax assets at 30 November 2014 (before offsetting)		<u>1,316</u>	<u>16,033</u>	17,349
Offsetting				<u>(17,349)</u>
Deferred tax assets at 30 November 2014(after offsetting)				<u> </u> <u> </u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

18 DEFERRED TAX LIABILITIES (CONTINUED)

Company

	<u>Unallocated surplus</u> RM'000	<u>Revaluation investment</u> RM'000	<u>Accelerated depreciation</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>				
Deferred tax liabilities at 1 December 2014	(431,339)	(64,865)	(4,126)	(500,330)
Recognised in:				
Income Statements	(31,907)	48,910	1,511	18,514
Other comprehensive Income	(456)	15,955	-	15,499
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax liabilities at 30 November 2015 (before offsetting)	<u>(463,702)</u>	<u>-</u>	<u>(2,615)</u>	<u>(466,317)</u>
Offsetting				<u>24,842</u>
Deferred tax liabilities at 30 November 2015 (after offsetting)				<u>(441,475)</u>
<u>At 30 November 2014</u>				
Deferred tax liabilities at 1 December 2013	(450,409)	(15,037)	(2,691)	(468,137)
Recognised in:				
Income Statements	19,004	(19,703)	(1,435)	(2,134)
Other comprehensive Income	66	(30,125)	-	(30,059)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax liabilities at 30 November 2014 (before offsetting)	<u>(431,339)</u>	<u>(64,865)</u>	<u>(4,126)</u>	<u>(500,330)</u>
Offsetting				<u>17,349</u>
Deferred tax liabilities at 30 November 2014 (after offsetting)				<u>(482,981)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

18 DEFERRED TAX LIABILITIES (CONTINUED)

	<u>Revaluation investment</u> RM'000	<u>Impairment allowance</u> RM'000	<u>Unrealised amortisation</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>				
Deferred tax assets at 1 December 2014	-	1,316	16,033	17,349
Recognised in:				
Income Statements	7,083	528	(1,725)	5,886
Other comprehensive Income	1,607	-	-	1,607
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax assets at 30 November 2015 (before offsetting)	<u>8,690</u>	<u>1,844</u>	<u>14,308</u>	<u>24,842</u>
Offsetting				<u>(24,842)</u>
Deferred tax assets at 30 November 2015 (after offsetting)				<u>-</u>
		<u>Impairment allowance</u> RM'000	<u>Unrealised amortisation</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2014</u>				
Deferred tax assets at 1 December 2013		602	13,130	13,732
Recognised in:				
Income Statements		714	2,903	3,617
		<hr/>	<hr/>	<hr/>
Deferred tax assets at 30 November 2014 (before offsetting)		<u>1,316</u>	<u>16,033</u>	<u>17,349</u>
Offsetting				<u>(17,349)</u>
Deferred tax assets at 30 November 2014 (after offsetting)				<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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19 INSURANCE/TAKAFUL PAYABLES

	Group and Company	
	30.11.2015	30.11.2014
	RM'000	RM'000
Dividend payable to policyholders	4,381,034	3,243,712
Due to reinsurers/retakaful operators	118,419	131,032
Due to agents and insured	453,412	371,195
Premium deposits	320,197	1,046,942
	<u>5,273,062</u>	<u>4,792,881</u>

The carrying amounts disclosed above approximate fair value at the date of Statements of Financial Position. All amounts are payable within one year.

Offsetting of financial assets and financial liabilities

Certain amount due from reinsurers/retakaful operators and amount due to reinsurers/retakaful operators 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 asset and settle the liability simultaneously are disclosed in Note 13 to the financial statements.

20 OTHER PAYABLES

	Group		Company	
	30.11.2015	30.11.2014	30.11.2015	30.11.2014
	RM'000	RM'000	RM'000	RM'000
Amount due to ultimate holding company	2,256	3,770	2,256	3,770
Finance lease liabilities (Note 21)	1,516	3,623	1,516	3,623
Post employment benefit obligation - defined benefit plan (Note 22)	25,325	26,463	25,325	26,463
Obligations on securities sold under repurchase agreements	300,787	826,145	300,787	826,145
Accruals	210,818	177,689	210,818	177,495
Other payables	490,239	355,663	477,674	338,278
	<u>1,030,941</u>	<u>1,393,353</u>	<u>1,018,376</u>	<u>1,375,774</u>

The carrying amounts disclosed above approximate fair value at the date of Statements of Financial Position. All amounts are payable within one year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

21 FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	<u>Future minimum lease payments</u> RM'000	<u>Interest</u> RM'000	<u>Present value of minimum lease payments</u> RM'000
<u>At 30 November 2015</u>			
Less than one year	1,270	124	1,146
Between one to three years	425	55	370
	<u>1,695</u>	<u>179</u>	<u>1,516</u>
<u>At 30 November 2014</u>			
Less than one year	2,257	150	2,107
Between one to three years	1,695	179	1,516
	<u>3,952</u>	<u>329</u>	<u>3,623</u>

22 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN

	<u>Group and Company</u>	
	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000
Statements of Financial Position obligation for (Note 20):		
Pension benefits	20,811	21,485
Post-employment medical benefits	4,514	4,978
	<u>25,325</u>	<u>26,463</u>
	2015 RM'000	2014 RM'000
Income Statements charge for (Note 31):		
Pension benefits	1,438	(1,309)
Post-employment medical benefits	368	(514)
	<u>1,806</u>	<u>(1,823)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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22 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

(a) Pension benefits

The Group operates defined benefit pension plans based on employee pensionable remuneration and length of service. The plans are unfunded.

The amounts recognised in the Statements of Financial Position are determined as follows:

	Group and Company	
	30.11.2015	30.11.2014
	RM'000	RM'000
Present value of unfunded obligations	20,811	21,485
Liability in the Statements of Financial Position	<u>20,811</u>	<u>21,485</u>

The movement in the defined benefit obligation during the financial year is as follows:

	Group and Company	
	30.11.2015	30.11.2014
	RM'000	RM'000
At 1 December	21,485	23,622
Current service cost	430	586
Past service cost	-	(2,878)
Interest cost	1,008	983
Re-measurements loss	(1,953)	(684)
Benefits paid	(159)	(144)
At 30 November	<u>20,811</u>	<u>21,485</u>

The amount recognised in the Income Statements are as follows:

	2015	2014
	RM'000	RM'000
Current service cost	430	586
Interest cost	1,008	983
Recognition of past service cost	-	(2,878)
Total, included in management expenses (Note 31)	<u>1,438</u>	<u>(1,309)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

22 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

(a) Pension benefits (continued)

The amounts recognised in the statements of other comprehensive income are as follows:

	<u>2015</u> RM'000	<u>2014</u> RM'000
Re-measurements loss	(1,953)	(684)
Re-measurements effect recognised in OCI	<u>(1,953)</u>	<u>(684)</u>

The principal actuarial assumptions used were as follows:

	<u>2015</u>	<u>2014</u>
<u>Weighted-average assumptions to determine defined benefit obligations</u>		
Discount rate	5.00%	4.75%
Future salary increases	6.50%	6.50%
<u>Assumptions to determine defined benefit cost</u>		
Discount rate	4.75%	4.50%
Rate of compensation increases	6.50%	6.50%

Mortality rate is based on Malaysia ordinary insured 1999-2003 (M9903) tables for males and females.

Sensitivity analysis

The defined benefit obligation under several scenarios is presented below.

Scenario A: 0.25% p.a. lower discount rate assumption
Scenario B: 0.25% p.a. higher discount rate assumption
Scenario C: 0.25% p.a. lower salary increase rate assumption
Scenario D: 0.25% p.a. higher salary increase rate assumption

At 30 November 2015

	Scenario A	Scenario B	Scenario C	Scenario D
	-0.25% pa discount rate	+0.25% pa discount rate	-0.25% pa salary increase rate	+0.25% pa salary increase rate
Discount rate	4.75% pa	5.25% pa	5.00% pa	5.00% pa
Salary increase rate	6.50% pa	6.50% pa	6.25% pa	6.75% pa
Defined benefit obligation (RM'000)	1,010	(945)	(191)	194

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

22 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

(a) Pension benefits (continued)

Sensitivity analysis (continued)

At 30 November 2014

	Scenario A	Scenario B	Scenario C	Scenario D
	-0.25% pa discount rate	+0.25% pa discount rate	-0.25% pa salary increase rate	+0.25% pa salary increase rate
Discount rate	4.50% pa	5.00% pa	4.75% pa	4.75% pa
Salary increase rate	6.50% pa	6.50% pa	6.25% pa	6.75% pa
Defined benefit obligation (RM'000)	1,102	(1,027)	(222)	227

The principal actuarial assumptions used were as follows: (continued)

Description of risks

There are a number of risks to which the Plan exposes the Employer. The more significant risks relating to the AIA Life Plan are:

- Salary growth risk – The risk that wages or salaries (on which future benefits amounts will be based) will rise more rapidly than assumed, increasing benefit payment amounts and hereby requiring additional employer contributions.
- Turnover risk – The risk that lesser than anticipated turnover occur, resulting in greater employees eligible for the life benefit.
- Mortality risk – The risk that higher than anticipated deaths occur in one year for retirees, resulting in additional employer contributions.
- Legislative risk – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

(b) Post-employment medical benefits

The Group operates a post-employment medical benefit scheme. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The plans are unfunded.

The amounts recognised in the Statements of Financial Position are determined as follows:

	Group and Company	
	30.11.2015	30.11.2014
	RM'000	RM'000
Present value of unfunded obligations	4,514	4,978
Liability in the Statements of Financial Position	<u>4,514</u>	<u>4,978</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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22 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

(b) Post-employment medical benefits (continued)

The movement in the defined benefit obligation is as follows:

	Group and Company	
	30.11.2015	30.11.2014
	RM'000	RM'000
At 1 December	4,978	3,516
Current service cost	160	90
Past service cost	-	(749)
Interest cost	209	145
Re-measurements (loss)/gain	(648)	2,230
Benefits paid	(185)	(254)
	<u>4,514</u>	<u>4,978</u>
At 30 November	<u>4,514</u>	<u>4,978</u>

The amount recognised in the Income Statements are as follows:

	30.11.2015	30.11.2014
	RM'000	RM'000
Current service cost	160	90
Interest cost	209	145
Recognition of past service cost	-	(749)
	<u>369</u>	<u>(514)</u>
Total, included in staff costs (Note 31)	<u>369</u>	<u>(514)</u>

The amounts recognised in the statements of other comprehensive income are as follows:

	30.11.2015	30.11.2014
	RM'000	RM'000
Re-measurements (loss)/gain	(648)	2,230
	<u>(648)</u>	<u>2,230</u>
Re-measurements effect recognised in OCI	<u>(648)</u>	<u>2,230</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

22 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

(b) Post-employment medical benefits (continued)

The principal actuarial assumptions used were as follows:

	<u>30.11.2015</u> RM'000	<u>30.11.2014</u> RM'000
<u>Weighted-average assumptions to determine defined benefit obligations</u>		
Discount rate	4.25%	4.25%
<u>Assumptions to determine defined benefit cost</u>		
Discount rate	5.00%	4.50%

Mortality rate is based on Malaysia ordinary insured 1999-2003 (M9903) tables for males and females.

Sensitivity analysis

The defined benefit obligation under several scenarios is presented below.

Scenario A: 0.25% p.a. lower medical inflation rate assumption

Scenario B: 0.25% p.a. higher medical inflation rate assumption

At 30 November 2015

	Scenario A	Scenario B
	-0.25% pa medical inflation rate	+0.25% pa medical inflation rate
Discount rate	5.00% pa	5.00% pa
Medical inflation rate	-0.25% pa from the Base Case	+0.25% pa from the Base Case
Defined benefit obligation (RM'000)	(100)	104

At 30 November 2014

	Scenario A	Scenario B
	-0.25% pa medical inflation rate	+0.25% pa medical inflation rate
Discount rate	4.75% pa	4.75% pa
Medical inflation rate	-0.25% pa from the Base Case	+0.25% pa from the Base Case
Defined benefit obligation (RM'000)	(111)	117

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

22 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

(b) Post-employment medical benefits (continued)

Description of risks

There are a number of risks to which the Plan exposes the Employer. The more significant risks relating to the AIA Life Plan are:

- Salary growth risk – The risk that wages or salaries (on which future benefits amounts will be based) will rise more rapidly than assumed, increasing benefit payment amounts and hereby requiring additional employer contributions.
- Turnover risk – The risk that lesser than anticipated turnover occur, resulting in greater employees eligible for the life benefit.
- Mortality risk – The risk that higher than anticipated deaths occur in one year for retirees, resulting in additional employer contributions.
- Legislative risk – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

Contributions expected to be paid to post-employment benefit plans subsequent to the financial year ended 30 November 2015 are RM682,000 (2014: RM636,000).

23 DUE TO ING MANAGEMENT HOLDINGS (MALAYSIA) SDN. BHD. STAFF GRATUITY SCHEME

The Company makes contribution to a defined benefit plan that provides retirement benefits for employees upon retirement. The ING Management Holdings (Malaysia) Sdn. Bhd. Staff Gratuity Scheme ("the Scheme") was set up pursuant to a Trust Deed, dated 22 April 2004 between Orange Policy Sdn. Bhd., the Trustees, AIA Bhd. and AIA Health Services Sdn. Bhd., effective from 1 January 2003. The Scheme was approved by the Inland Revenue Board as a tax exempt retirement benefits scheme under Section 150 of Income Tax Act 1967 effective from 1 January 2006.

Benefits can only be paid to employees on retirement at age 55 years or earlier as a result of ill-health, on death-in-service and permanent emigration from Malaysia. If an employee leaves service, the benefit will be transferred to the EPF. The benefit amount shall be determined based on a proportion of the basic salary of an employee multiplied by the number of year of service less accumulated contributions made by the Company to the EPF.

In 2013, the Boards of Directors of Orange Policy Sdn. Bhd., AIA Bhd., AIA Health Services Sdn. Bhd., and the Trustees of ING Management Holdings (Malaysia) Sdn Bhd Staff Gratuity Scheme have decided to liquidate the ING Management Holdings (Malaysia) Sdn Bhd Staff Gratuity Scheme ("Scheme") pursuant to Clause 17 of the Deed of Trust for the Scheme. The Trustees of the Scheme have approved this proposal and the dissolution of the Scheme is intended to be effective from 31 December 2013. Accordingly, the Trustee shall exercise its power to take action on necessary steps to liquidate the Scheme fund and make arrangements for the equitable disposition of the assets of the fund as per the Deed of Trust, subject to the approval of the Director-General of Inland Revenue Board of Malaysia.

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23 DUE TO ING MANAGEMENT HOLDINGS (MALAYSIA) SDN. BHD. STAFF GRATUITY SCHEME (CONTINUED)

The Scheme net assets available for benefits are projected to be sufficient to payout the full accrued benefits for all eligible members as at 31 December 2013. In accordance with the Staff Gratuity Scheme Trust Deed, upon dissolution of the Staff Gratuity Scheme, surplus of Scheme fund after payout of accrued benefits value for members and other liabilities shall be proportionately distributed amongst the members of the Scheme. The Defined Benefit Obligation as at 30 November 2015 reflects the Scheme's wind-up benefit determined as at 31 December 2013 plus the surplus distributable to the Scheme members based on the Scheme Assets as at 30 November 2015.

(i) Statements of financial position

The amounts recognised in the statements of financial position are determined as follows:

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Present value of funded defined benefit obligation	56,266	54,604
Fair value of plan assets	(56,266)	(54,604)
Net liability	<u>-</u>	<u>-</u>

The movement in the present value of the defined benefit obligations over the financial year is as follows:

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
At 1 December	54,604	66,082
Past service cost	-	(9,119)
Interest cost	1,675	-
Benefits paid	(13)	(2,359)
At 30 November	<u>56,266</u>	<u>54,604</u>

The movement of the fair value of the plan assets over the financial year is as follows:

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
At 1 December	54,604	55,197
Interest income on plan assets	1,689	1,891
Administrative expenses paid	(14)	(164)
Re-measurements gain	-	39
Benefits paid	(13)	(2,359)
At 30 November	<u>56,266</u>	<u>54,604</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

**23 DUE TO ING MANAGEMENT HOLDINGS (MALAYSIA) SDN. BHD. STAFF GRATUITY SCHEME
(CONTINUED)**

(i) Statements of financial position (continued)

Plan assets consist of the following assets, stated at their respective fair values:

	<u>Group and Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Government Guaranteed Bonds	13,944	-
Cash and fixed deposits	42,322	54,604
	<hr/>	<hr/>
At 30 November	56,266	54,604
	<hr/> <hr/>	<hr/> <hr/>

(ii) Income Statement

The amounts recognised in the Income Statement are as follows:

	<u>2015</u>	<u>2014</u>
	RM'000	RM'000
Past service cost	-	(9,119)
Administrative expenses	14	164
Net interest cost	1,675	-
Expected return of plan assets	(1,689)	(1,891)
	<hr/>	<hr/>
Total, included in staff costs (Note 31)	-	(10,846)
	<hr/> <hr/>	<hr/> <hr/>

(iii) Other comprehensive income

The amounts recognised in the statements of other comprehensive income are as follows:

	<u>2015</u>	<u>2014</u>
	RM'000	RM'000
Loss on plan asset	-	(39)
	<hr/>	<hr/>
Re-measurements effect recognised in OCI	-	(39)
	<hr/> <hr/>	<hr/> <hr/>

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**23 DUE TO ING MANAGEMENT HOLDINGS (MALAYSIA) SDN. BHD. STAFF GRATUITY SCHEME
(CONTINUED)**

(iv) Actuarial assumptions

Principal actuarial assumptions used for the purposes of the actuarial valuations were as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	n/a	3.50
Price inflation	n/a	3.50
Salary inflation rate	n/a	n/a
Expected rate of return on plan assets	n/a	n/a

The assumptions made for the expected rates of return on assets have been derived by considering best estimates for the expected long-term real rates of return from the main asset classes.

The expected rates of return on assets for 2015 represent the actual return from assets.

24 OPERATING REVENUE

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
Gross earned premiums/ contributions (Note 25)	7,686,814	7,200,982	7,686,814	7,177,958
Investment income (Note 26)	2,010,784	1,848,348	2,007,324	1,844,729
	<u>9,697,598</u>	<u>9,049,330</u>	<u>9,694,138</u>	<u>9,022,687</u>

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FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

25 NET EARNED PREMIUMS/CONTRIBUTIONS REVENUE

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
(a) Gross earned premiums/ contributions				
Insurance/takaful contracts:				
Life/family Takaful	7,345,240	6,697,023	7,345,240	6,673,999
General	341,574	503,958	341,574	503,958
	<hr/>	<hr/>	<hr/>	<hr/>
Gross premiums/ Contributions (Note 24)	7,686,814	7,200,981	7,686,814	7,177,957
Change in premium liabilities	1,469	12,415	1,469	12,415
	<hr/>	<hr/>	<hr/>	<hr/>
	7,688,283	7,213,396	7,688,283	7,190,372
	<hr/>	<hr/>	<hr/>	<hr/>
(b) Premiums/contributions ceded to reinsurers/ retakaful operators				
Insurance/takaful contracts:				
Life/family Takaful	(338,576)	(162,867)	(338,576)	(162,398)
General	(34,383)	(35,059)	(34,383)	(35,059)
	<hr/>	<hr/>	<hr/>	<hr/>
Gross premiums/ contributions (ceded)	(372,959)	(197,926)	(372,959)	(197,457)
Change in premium liabilities	1,225	(1,402)	1,225	(1,402)
	<hr/>	<hr/>	<hr/>	<hr/>
	(371,734)	(199,328)	(371,734)	(198,859)
	<hr/>	<hr/>	<hr/>	<hr/>
Net earned premiums/ contributions revenue	<u>7,316,549</u>	<u>7,014,068</u>	<u>7,316,549</u>	<u>6,991,513</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

26 INVESTMENT INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
Rental income	19,132	6,934	19,132	6,934
Financial assets at FVTPL - Designated upon initial recognition:				
Interest/profit income	1,079,360	1,008,818	1,079,360	1,007,976
Dividend income:				
- equity securities quoted in Malaysia	274,680	220,045	274,680	219,863
- equity securities unquoted outside Malaysia	29,134	21,685	29,134	21,685
- unit and property trusts	24,263	30,626	24,263	30,626
Amortisation of premiums - net	(28,322)	(36,335)	(28,322)	(36,312)
AFS financial assets				
Interest/profit income	388,922	348,923	386,329	346,441
Amortisation of premiums - net	(10,104)	(12,712)	(10,064)	(12,673)
Loan and receivables				
Interest/profit income	243,544	237,585	243,544	237,585
Cash and cash equivalents				
Interest/profit income	21,049	22,406	20,141	22,127
Others	6,680	26,348	6,678	26,348
	<u>2,048,338</u>	<u>1,874,323</u>	<u>2,044,875</u>	<u>1,870,600</u>
Less:				
Investment expenses	(37,554)	(25,975)	(37,551)	(25,871)
	<u><u>2,010,784</u></u>	<u><u>1,848,348</u></u>	<u><u>2,007,324</u></u>	<u><u>1,844,729</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

27 NET REALISED (LOSSES)/GAINS

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
Property, plant and equipment				
Realised gains	204	847	116	847
<u>AFS financial assets</u>				
Realised gains:				
Debt securities				
- unquoted in Malaysia	-	1,899	-	462
Realised losses:				
Debt securities				
- unquoted in Malaysia	(15,296)	(28,007)	(15,296)	(28,007)
Total realised losses for AFS financial assets	(15,296)	(26,108)	(15,296)	(27,545)
Total net realised losses	(15,092)	(25,261)	(15,180)	(26,698)

28 FAIR VALUE (LOSSES)/GAINS

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
Financial assets at FVTPL –				
- designated upon initial recognition	(572,156)	399,821	(572,182)	399,130

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

29 OTHER OPERATING EXPENSE

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Foreign exchange (loss)/gain:				
- realised	(9,025)	(2,820)	(9,025)	(2,820)
- unrealised	7,693	(1,500)	7,693	(1,500)
(Allowance)/reversal of allowance for impairment of:				
- loans	(2,905)	(10,313)	(2,905)	(10,313)
- insurance receivables	1,795	(7,935)	1,795	(7,935)
- other receivables	1,230	(7,943)	1,230	(7,943)
Net of write back:				
- loan and receivables	(353)	(297)	(353)	(297)
Service Level Agreement charges & other service fees from related companies	17,599	13,141	17,949	17,060
Restructuring cost	(16,113)	(21,396)	(16,113)	(21,396)
Change in expense liability	-	(659)	-	-
Others	(10,248)	(5,207)	(11,707)	(5,732)
	<u>(10,327)</u>	<u>(44,929)</u>	<u>(11,436)</u>	<u>(40,876)</u>

30 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
(a) Gross benefits and claims paid				
Insurance/takaful contracts:				
Life/family takaful	(5,361,318)	(4,557,507)	(5,361,318)	(4,551,695)
General	(178,612)	(280,911)	(178,612)	(280,911)
	<u>(5,539,930)</u>	<u>(4,838,418)</u>	<u>(5,539,930)</u>	<u>(4,832,606)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

30 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
(b) Claims ceded to reinsurers/ retakaful operators				
Insurance/takaful contracts:				
Life/family takaful	205,915	180,064	205,915	180,064
General	11,673	24,833	11,673	24,833
	<u>217,588</u>	<u>204,897</u>	<u>217,588</u>	<u>204,897</u>
(c) Gross change to insurance/ takaful contracts liabilities				
Insurance/takaful contracts:				
Life/family takaful	(792,513)	(1,975,988)	(792,060)	(1,967,002)
General	18,371	(10,308)	18,371	(10,308)
	<u>(774,142)</u>	<u>(1,986,296)</u>	<u>(773,689)</u>	<u>(1,977,310)</u>
(d) Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators				
Insurance/takaful contracts:				
Life/family takaful	(6,721)	(1,583)	(6,721)	(1,583)
General	(1,038)	(2,846)	(1,038)	(2,846)
	<u>(7,759)</u>	<u>(4,429)</u>	<u>(7,759)</u>	<u>(4,429)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

31 MANAGEMENT EXPENSES

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
Advertising	18,776	19,660	18,918	19,608
Auditors' remuneration				
Statutory audit				
- current year	1,316	1,260	1,216	1,125
- under-provision for prior year	80	75	80	75
Non audit services	409	2,222	409	1,774
Staff salaries & bonuses	282,678	262,478	279,732	257,712
Contribution to employees' provident fund	14,278	17,909	14,278	17,454
Pension benefits (Note 22(a))	1,438	(1,309)	1,438	(1,309)
Post-employment medical benefits (Note 22(b))	369	(514)	369	(514)
Staff gratuity cost (Note 23)	-	(10,846)	-	(10,846)
Share-based payment	11,067	13,754	11,002	13,512
Staff benefits	2,709	3,544	2,149	2,708
Travelling expenses	6,850	7,638	6,802	7,454
Office rental	14,424	21,009	14,424	21,009
Printing and stationery	8,614	7,781	8,350	7,588
Postage	15,906	18,011	15,893	17,696
Directors' remuneration and other emoluments	9,610	12,242	9,574	11,928
Depreciation				
- property, plant and equipment (Note 3)	33,681	27,460	33,296	26,904
- investment properties (Note 4)	9,952	9,951	9,952	9,951
Amortisation				
- prepaid lease land payments (Note 5)	26	26	26	26
- intangible assets (Note 6)	9,359	6,613	9,133	6,613
EDP expenses	40,612	30,997	40,645	30,898
Medical fees	3,181	3,143	3,181	3,143
Legal expenses	1,055	1,819	1,055	1,808
Repairs and maintenance	14,171	15,343	14,171	15,169
Other expenses	269,884	227,561	272,340	225,980
	<u>770,445</u>	<u>697,827</u>	<u>768,433</u>	<u>687,466</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

31 MANAGEMENT EXPENSES (CONTINUED)

(i) The Director's remuneration and other emoluments is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Executive Director				
- Remuneration	4,169	4,072	4,169	4,072
- Share-based payment	4,396	7,076	4,396	7,076
- Other remuneration or emoluments	352	179	352	179
	<u>8,917</u>	<u>11,327</u>	<u>8,917</u>	<u>11,327</u>
Non-executive Directors				
- Fees	576	822	552	540
- Other remuneration or emoluments	117	93	105	61
	<u>693</u>	<u>915</u>	<u>657</u>	<u>601</u>
	<u>9,610</u>	<u>12,242</u>	<u>9,574</u>	<u>11,928</u>

The number of Executive and non-Executive Directors whose total remuneration received during the financial year that fall within the following bands are as follows:

	Group		Number of directors	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Executive director:				
RM8,000,001 – RM12,000,000	1	1	1	1
Non-executive directors:				
RM20,001 – RM100,000	1	-	1	-
RM100,001 – RM200,000	1	1	1	2
RM200,001 – RM300,000	2	-	2	1
RM300,001 – RM400,000	-	2	-	-

Total staff cost of the Group and Company (including Executive Director) is RM322,128,000 and RM318,521,000 (2014: RM297,258,000 and RM290,645,000) respectively.

The Executive Director is also the CEO of the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

32 TAX EXPENSE

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Tax expense/(income):				
- current	254,914	253,871	255,254	253,797
- deferred	(24,400)	(952)	(24,400)	(1,483)
	<u>230,514</u>	<u>252,919</u>	<u>230,854</u>	<u>252,314</u>
<u>Current tax</u>				
Current year	284,725	262,998	285,065	262,924
Over provision in prior financial years	(29,811)	(9,127)	(29,811)	(9,127)
	<u>254,914</u>	<u>253,871</u>	<u>255,254</u>	<u>253,797</u>
<u>Deferred tax</u>				
Origination and reversal of temporary differences	(24,400)	(952)	(24,400)	(1,483)
	<u>(24,400)</u>	<u>(952)</u>	<u>(24,400)</u>	<u>(1,483)</u>
	<u>230,514</u>	<u>252,919</u>	<u>230,854</u>	<u>252,314</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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32 TAX EXPENSE (CONTINUED)

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company are as follows :

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
Profit before tax	1,020,283	1,024,766	1,021,648	999,081
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	255,071	256,192	255,412	249,770
Income not subject to tax	(1,944)	(10,078)	(1,944)	(4,261)
Expenses not deductible for tax purposes	35,808	25,781	35,807	25,781
Tax relief on actuarial surplus transferred to shareholder's fund	(69,268)	(99,926)	(69,268)	(99,926)
Single tier tax relief	(5,258)	(5,819)	(5,258)	(5,819)
Tax impact on investment income attributable to policyholders and unitholders	45,916	95,896	45,916	95,896
Over provision of tax expense in prior financial years	(29,811)	(9,127)	(29,811)	(9,127)
Tax expense for the financial year	<u>230,514</u>	<u>252,919</u>	<u>230,854</u>	<u>252,314</u>

33 DIVIDENDS

	<u>2015</u> RM'000	<u>2014</u> RM'000
Dividends paid:		
In respect of the financial year 30 November 2014: Final single tier dividend on 767,438,174 ordinary shares	649,000	-
In respect of the financial year 30 November 2013: Final single tier dividend on 767,438,174 ordinary shares	-	320,000
	<u>649,000</u>	<u>320,000</u>
Dividend per share (sen)	<u>85</u>	<u>42</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

34 CAPITAL COMMITMENTS

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property and equipment	13,091	7,074
Intangible assets	15,052	11,495
Investments	332,833	101,560
	<u>360,976</u>	<u>120,129</u>
Approved but not contracted for:		
Property and equipment	2,626	5,052
Intangible assets	19,395	13,194
	<u>22,021</u>	<u>18,246</u>
	<u><u>382,997</u></u>	<u><u>138,375</u></u>

35 OPERATING LEASE ARRANGEMENTS

(a) The Company as lessee

The Company has entered into operating lease agreements for the use of buildings, computers and printers. These leases have 8 years lease terms.

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

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Future minimum rental payments:		
Not later than 1 year	25,575	19,377
Later than 1 year and not later than 5 years	34,846	45,664
More than 5 years	21,596	25,699
	<u>82,017</u>	<u>90,740</u>

The lease payments recognised in the statements of comprehensive income during the financial year are disclosed in Note 31 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

35 OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) The Company as lessor

The future minimum lease payments receivable under operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Not later than 1 year	21,184	21,356
Later than 1 year and not later than 6 years	12,919	14,672
	<u>34,103</u>	<u>36,028</u>
	<u><u>34,103</u></u>	<u><u>36,028</u></u>
	Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Not later than 1 year	21,266	21,438
Later than 1 year and not later than 6 years	12,953	14,788
	<u>34,219</u>	<u>36,226</u>
	<u><u>34,219</u></u>	<u><u>36,226</u></u>

Rental income recognised in statements of comprehensive income during the financial year are described in Note 26 to the financial statements.

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36 RELATED PARTY DISCLOSURES

In the normal course of business, the Group and the Company undertake on agreed terms and prices, various transactions with the immediate holding company and other related corporations deemed related parties by virtue of them being members of AIA Group Limited and its subsidiaries ("AIA Group").

(a) Significant related party transactions

The Group had the following significant transactions with related parties during the financial year:

	<u>30.11.2015</u>	<u>Group</u> <u>30.11.2014</u>	<u>30.11.2015</u>	<u>Company</u> <u>30.11.2014</u>
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company:				
AIA Group Ltd.				
- Employees benefits payable	(11,067)	(13,754)	(11,002)	(13,512)
- Computer services paid	(323)	(212)	(323)	(212)
Holding company:				
AIA Company Ltd.				
- Group service fee paid	(55,866)	(41,978)	(55,866)	(41,978)
- Computer services paid	(559)	(82)	(559)	(82)
Fellow related companies:				
AIA Shared Services (Hong Kong) Ltd.				
- Computer services paid	(12,509)	(7,836)	(12,509)	(7,836)
- Managerial, secretarial or like services	(2,881)	(2,313)	(2,881)	(2,313)
AIA Information Technology (Guangzhou) Co. Ltd.				
- Computer services paid	(3,383)	(2,062)	(3,383)	(2,062)
AIA Information Technology (Beijing) Co. Ltd.				
- Computer services paid	(3,520)	(2,384)	(3,520)	(2,384)
AIA International Ltd.				
- Reinsurance	(31,308)	(26,764)	(31,308)	(26,764)

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NOTES TO THE FINANCIAL STATEMENTS
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36 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

	Group		Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000	RM'000	RM'000
Fellow related companies (continued)				
AIA Shared Services Sdn. Bhd.				
- Computer services				
- paid	(3,370)	(2,365)	(3,370)	(2,365)
- received	909	884	909	884
- Rental received	471	474	471	474
- Insurance premiums received	833	540	833	540
- Managerial, secretarial or like services				
- paid	(946)	(968)	(946)	(968)
- received	96	181	96	181
AIA Health Services Sdn. Bhd.				
- Claims administration fees				
- paid	(30,868)	(32,355)	(30,868)	(32,355)
- Managerial, secretarial or like services received	2,290	2,126	2,290	2,126
- Rental received	1,483	907	1,483	907
- Insurance premiums received	47	316	47	316
- Computer services received	1	-	1	-
AIA Public Takaful Bhd.				
- Managerial, secretarial or like services received	18,336	10,834	18,336	10,834
- Rental received	692	530	692	530
- Insurance premiums				
- paid	(2)	-	(2)	-
- received	-	227	-	227
- Computer services received	21	-	21	-

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36 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000	RM'000	RM'000
Subsidiary companies:				
Green Health Certification Bhd.				
- Rental received	-	-	-	174
- Managerial, secretarial or like services received	-	-	2	3,813
- Insurance premium received	-	-	-	29
AIA Pension & Asset Management Sdn. Bhd.				
- Rental received	-	-	110	111
- Computer services received	-	-	1	-
- Managerial, secretarial or like services received	-	-	174	106
- Insurance premium received	-	-	63	47
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Related party balances

	<u>Group</u>		<u>Company</u>	
	<u>30.11.2015</u>	<u>30.11.2014</u>	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000	RM'000	RM'000
<u>Receivables</u>				
Other receivables	27,036	9,913	27,115	9,932
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Payables</u>				
Other payables	(15,844)	(11,266)	(15,844)	(11,266)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The amount due from/(to) related parties are unsecured, interest free and repayable within 30 days.

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36 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

The compensation of key management personnel during the financial year are as follows:

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Short-term employee benefits	25,700	17,878
Other long-term employee benefits	2,319	1,936
Share-based payment	8,302	10,167
	<u>36,321</u>	<u>29,981</u>

Included in the compensation of key management personnel are:

	Group and Company	
	<u>30.11.2015</u>	<u>30.11.2014</u>
	RM'000	RM'000
Executive Director's		
- Remuneration	4,169	4,072
- Share-based payment	4,396	7,076
- Other remuneration or emoluments	352	179
	<u>8,917</u>	<u>11,327</u>

Members of key management comprise those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

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**NOTES TO THE FINANCIAL STATEMENTS
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37 RISK MANAGEMENT FRAMEWORK

The Company recognises the importance of sound risk management in every aspect of our business and for all our stakeholders.

The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

(a) Three Lines of Defence

The Company's RMF is built around supporting our business. The Company has adopted the "three lines of defence" model for risk management.

- The 1st line of defence is responsible for taking risks in its operation of the business and ensuring that business is conducted based on a sound system of control.
- The 2nd Line of defence comprises risk functions, including compliance, which recommend risk tolerances, limits and policies that are then enacted by means of various Board and executive governance structures.
- The 3rd line of defence is Internal Audit (IA) and the Board Audit committee whom are independent of the Executive, which provides assurance to the Board and the Executive that policies and processes are being appropriately adhered to at all levels and in both 1st and 2nd lines.

(b) Risk Appetite

The Company's Risk Appetite is the foundation of its risk management framework. It establishes the risk boundaries within which the business will operate, sets stakeholder expectations in regard to the risks being run and assures policyholders, regulator, shareholders and employee that the institution has a comprehensive approach to risk management and is thus well placed to deal with unexpected shocks.

The amount of risk taken by the Group in the ordinary course of its business will be sufficient to meet its customers' reasonable expectation for protection and benefits in line with the capital available while ensuring the level and volatility of shareholder returns are in line with a broadly based risk profile appropriate to a Malaysian Life insurance company.

(c) 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 Bank Negara Malaysia's ("BNM") Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") Policy and Procedure for Insurers and Risk Based Capital Framework ("the RBC Framework").

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**NOTES TO THE FINANCIAL STATEMENTS
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37 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Capital management framework (continued)

The ICAAP Policy and procedure sets out the overall process (including oversight and operational frameworks and processes) where the Company ensures adequate capital to meet its capital requirements on an ongoing basis in line with BNM Guidelines on ICAAP for Insurers, the RBC Framework and BNM Guidelines on Stress Testing for Insurers.

The results of the 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.

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 action that are required for different scenarios and at each specified thresholds.

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 Risk Management Committee ("RMC").

(d) Governance and regulatory framework

The Group is required to comply with the requirements of the relevant Regulations, laws and guidelines including those from Bank Negara Malaysia (BNM), Securities Commission, Life Insurance Association of Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM") and Malaysian Takaful Association ("MTA").

The Company has fully complied with the capital requirement prescribed by BNM during the reported financial year.

(e) Risk Categorization

Under the RMF, the Company adopts a common language in the description of risks to proactively manage a wide spectrum of financial and non-financial risks as summarized in the chart below:

Insurance Risks	Financial Risks	Non-Financial Risks
	Credit Risk	Operational Risk
	Market Risk	Strategic Risk
	Liquidity Risk	

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38 INSURANCE/TAKAFUL RISK

The Group considers insurance/takaful risk to be a combination of the following component risks:

- (a) Product design risk;
- (b) Pricing and underwriting risk;
- (c) Lapse risk; and
- (d) Claims volatility risk.

The Group manages its exposure to insurance/takaful risk across a spectrum of components. The Group have significant underwriting and actuarial resources and have implemented well-defined underwriting and actuarial guidelines and practices. The Group have accumulated substantial experience which assists in the evaluation, pricing and underwriting of its products. The Group's Product Development Committee ("PDC") and Financial Risk Committee ("FRC") play an important oversight role in relation to these insurance/takaful related risks, as discussed below. Insurance/takaful risk exposure is also considered when Financial Risk Committee reviews the strategic asset allocation plan and asset-liability management strategies.

(a) Product design risk

Product design risk refers to potential defects in the development of a particular insurance/takaful product. Product development process is overseen by PDC and FRC, which oversee the pricing guidelines set by AIA Group. The Group seek to manage this risk by completing pre-launch reviews of each new product including product management, actuarial, legal and underwriting. The Group have substantial experience and have developed significant expertise in identifying potential flaws in product development that could expose the Group to excessive risks. The Group monitor 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 policies and new products.

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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(b) Pricing and underwriting risk

Pricing and underwriting risk refer to the possibility of product related income being inadequate to support future obligations arising from an insurance/takaful product. The Group seeks to manage pricing and underwriting risk by adhering to its underwriting guidelines.

The Group maintains a team of professional underwriters who review and select risks consistent with our acceptable risk profile and underwriting strategy. A second layer of underwriting review is conducted at the AIA Group level for complex and large risks. In certain circumstances, such as when the Group enters new lines of business, products or markets and do not have sufficient experience data, it makes use of reinsurance/retakaful to obtain product pricing expertise. The use of reinsurance/retakaful subjects the Group to the risk that the reinsurers/retakaful operators become insolvent or fail to make any payment when due to the Group. The Group 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 Group adheres to a disciplined expense budgeting and management process that controls expenses within the product pricing allowances over the medium to long term.

(c) 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 policies or contracts in circumstances where the acquisition costs incurred are no longer recoverable from future revenue. The Group carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees upon early termination by policyholders, thereby reducing its exposure to lapse risk.

(d) Claims volatility risk

Claims volatility risk refers to the possibility that the frequency or severity of claims arising from insurance/takaful products exceed the levels assumed when the products were priced. Firstly, the Group 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 reinsurance/retakaful needs, product design and pricing. Secondly, the Group 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 Group's exposure to concentration risk. Finally, the Group uses reinsurance/retakaful solutions to help reduce concentration risk.

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**NOTES TO THE FINANCIAL STATEMENTS
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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(i) Life insurances/family takaful contracts

The insurance/takaful risk of life insurance/family takaful contracts consists of mortality/longevity and calamity risks. Mortality/longevity risk represents the risk of loss attributable to positive or negative changes in the assumed medical prognosis for life expectancy, occupational disability, illness and the need for long-term care as well as under-estimation of these probabilities. Calamity risk represents the risk of loss because of strong short-term fluctuation in the mortality rate, for example as a result of war or epidemics.

The table below shows the concentration of actuarial liabilities by types of contract reflects product features of insurance/takaful risk associated.

Group and Company

<u>30 November 2015</u>	Gross			Reinsurance			Net RM'000
	<u>with DPF RM'000</u>	<u>without DPF RM'000</u>	<u>Total RM'000</u>	<u>with DPF RM'000</u>	<u>without DPF RM'000</u>	<u>Total RM'000</u>	
Whole life	17,990,529	1,274,141	19,264,670	12,950	11,745	24,695	19,239,975
Endowment	5,752,582	216,964	5,969,546	245	630	875	5,968,671
Term assurance	91,948	1,978,504	2,070,452	-	21,216	21,216	2,049,236
Riders	385,703	294,328	680,031	853	3,706	4,559	675,472
Others	263,731	218,161	481,892	-	-	-	481,892
Total	24,484,493	3,982,098	28,466,591	14,048	37,297	51,345	28,415,246

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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(i) **Life insurances/family takaful contracts (continued)**

Group and Company (continued)

<u>30 November 2014</u>	<u>Gross</u>			<u>Reinsurance</u>			<u>Net</u> <u>RM'000</u>
	<u>with DPF</u> <u>RM'000</u>	<u>without DPF</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>	<u>with DPF</u> <u>RM'000</u>	<u>without DPF</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>	
Whole life	17,416,685	1,287,193	18,703,878	11,586	10,962	22,548	18,681,330
Endowment	5,528,754	322,498	5,851,252	219	571	790	5,850,462
Term assurance	140,873	1,647,023	1,787,896	-	31,798	31,798	1,756,098
Riders	301,100	312,844	613,944	777	1,691	2,468	611,476
Others	184,564	179,452	364,016	-	-	-	364,016
Total	23,571,976	3,749,010	27,320,986	12,582	45,022	57,604	27,263,382

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**NOTES TO THE FINANCIAL STATEMENTS
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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(i) Life insurances/family takaful contracts (continued)

Key assumptions

Mortality, Total Permanent Disability and Critical Illness

Mortality, total permanent disability and critical illness assumption was derived based on past experience, and expectation of current and future experience. In the absence of credible experience, reference has been made to pricing assumptions.

Expenses

Expenses assumption was based on 100% of expense unit cost factors as derived in the current expense analysis and expense inflation rate was based on expectation of long-term consumer price index. 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 assumptions vary by policy year and product type with different rates for regular and single premium 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 bases will continue to apply in the future.

Discount rate

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

- 1 for policies' duration of less than 15 years: zero-coupon spot yields of Malaysian Government Securities ("MGS") with matching duration; and
- 2 for policies' duration of 15 years or more: zero-coupon spot yields of MGS with 15 years term to maturity

For Australian Dollar-denominated non-participating life policies, the discount rate was based on zero-coupon yield of Australian government securities.

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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(i) Life insurances/family takaful contracts (continued)

Key assumptions (continued)

Discount rate (continued)

Where total guaranteed and non-guaranteed benefits were considered, the discount rate was the current portfolio yield (as at the valuation date) of the participating life funds graded linearly to the long-term interest rate over 9 years. Long-term interest rate refers to the long-term interest assumption for the participating fund, which was determined based on the expected long term asset mix for the participating fund, historical yields on these asset classes over the last 5 years, as well as current market yields and future outlook. The 9-year-graded-period was based on a study of the weighted average term to maturity of the current bond portfolio of the participating fund. The methodology for determining the participating portfolio interest rate, the grading period and the long-term interest rate assumption is consistent with methodology adopted in the insurer's annual bonus investigations.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities included in insurance/takaful contract 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.

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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(i) Life insurances/family takaful contracts (continued)

Key assumptions (continued)

Sensitivities (continued)

	<u>Change in assumption</u>	<u>Group and Company</u>		
		<u>Impact on gross/net actuarial liabilities</u>	<u>Impact on profit before tax</u>	<u>Impact on equity</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>%</u>			
<u>30 November 2015</u>				
Mortality	+10	573,234	(271,487)	(225,743)
Expenses	+10	119,182	(43,366)	(36,059)
Lapse rates	+10	(33,712)	(60,785)	(50,543)
Discount rate	-0.5	331,969	(253,980)	(211,185)
<u>30 November 2014</u>				
Mortality	+10	546,367	(242,977)	(201,821)
Expenses	+10	123,632	(42,092)	(34,962)
Lapse rates	+10	(56,323)	(51,717)	(42,957)
Discount rate	-0.5	324,182	(246,652)	(204,873)

The impact from the changes in the above assumptions to the insurance/takaful contracts with DPF has taken into consideration of flexibility to adjust the policyholders'/certificate holders' bonus or dividends.

(ii) General insurance

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risks represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been definitely settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance (continued)

The table below shows the concentration of General insurance contract liabilities by type of contract.

	30 November 2015			30 November 2014		
	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>Claim liabilities</u>						
Personal Accident	101,921	(9,785)	92,136	103,839	(11,020)	92,819
Medical	8,962	(229)	8,733	27,202	(668)	26,534
Motor	103,963	(1,277)	102,686	103,844	(233)	103,611
Fire	4,300	(164)	4,136	3,593	(207)	3,386
Misc & Liabilities	938	(111)	827	1,777	(476)	1,301
Total general insurance	<u>220,084</u>	<u>(11,566)</u>	<u>208,518</u>	<u>240,255</u>	<u>(12,604)</u>	<u>227,651</u>
<u>Premium liabilities</u>						
Personal Accident	82,702	(3,493)	79,209	47,073	(1,513)	45,560
Medical	7,807	(1,412)	6,395	248,927	(2,172)	246,755
Motor	33,447	(1,086)	32,361	35,554	(1,776)	33,778
Fire	7,266	(659)	6,607	3,228	15	3,243
Misc & Liabilities	673	(48)	625	253	(26)	227
Total general insurance	<u>131,895</u>	<u>(6,698)</u>	<u>125,197</u>	<u>335,035</u>	<u>(5,472)</u>	<u>329,563</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance (continued)

Key assumptions

Expenses

Three elements of management expenses were considered, namely marketing, claims-related and premium-related expense. The premium-related expense is further segregated into two parts, i.e. a one-off expense incurred at the policy issuance and an on-going expense incurred during the policy period. Expenses provision only takes into account the provision for claims-related expenses and the on-going premium-related expenses in outstanding claims liabilities and unexpired premium liabilities, respectively.

Premium liabilities

(a) Other classes:

Premium liabilities for other classes of general insurance is the higher of Unexpired Risk Reserves ("URR") at 75% probability of adequacy or Unearned Premium Reserves ("UPR").

Unexpired risk reserve was assumed as the adjusted unearned premium reserve (net of reinsurance after adjustment for non-qualifying offshore reinsurance but gross of commission) multiplied by the resultant Ultimate Loss Ratio ("ULR") for the most recent loss year.

Provision for claims related expenses and overheads expenses are added to the ultimate unexpired risk reserves plus Provision of Risk Margin for Adverse Deviation ("PRAD") as follows:

- Provision for claims related expense at 6.8% of the unexpired risk to allow for internal claims expenses including staff costs and administrative expenses expected to be incurred in settling claims on the unexpired portion of risk. This rate was based on the most recent financial year's data of claims-related expenses against outstanding claims reserves held at the beginning of the year.
- Provision for overhead expense at 3.3% of the unearned premium reserve (gross of reinsurance and commission) to allow for on-going premium-related expenses including staff costs and administrative expenses not related to settling claims. This rate was based on a historic comparison of management expenses against gross written premiums over the most recent financial year, apportioned to exclude claims expenses and upfront expenses like marketing and underwriting costs.

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**NOTES TO THE FINANCIAL STATEMENTS
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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance (continued)

Key assumption (continued)

Claims liabilities

Claims liabilities include provision for outstanding claims of Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER") claims on best estimate basis using the Link Ratio method with a Bornhuetter-Ferguson adjustment on a paid claims basis for all classes of business. Provision for claims-related expense is included.

We do not make explicit allowance for future inflation; however an implicit allowance is made because they project past development rates of claim inflation contained within the data's historical claim development.

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net claim liabilities included in insurance / takaful contract liabilities, profit before tax and equity. 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) **General insurance (continued)**

Key assumption (continued)

Sensitivities (continued)

	<u>Change in assumption</u> %	<u>Impact on gross insurance contract liabilities</u> RM'000	<u>Impact on net insurance contract liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>30 November 2015</u>					
Expected loss ratio	+10	19,187	18,519	(18,519)	(13,889)
<u>30 November 2014</u>					
Expected loss ratio	+10	42,555	40,979	(40,979)	(30,734)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each Balance Sheet date, together with cumulative payments to-date.

In setting provisions for claims, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance (continued)

Gross General Insurance Contract Liabilities as at 30.11.2015:

<u>Accident year</u>	<u>Before 2009 RM'000</u>	<u>2009 RM'000</u>	<u>2010 RM'000</u>	<u>2011 RM'000</u>	<u>2012 RM'000</u>	<u>2013 RM'000</u>	<u>2014 RM'000</u>	<u>2015 RM'000</u>	<u>Total RM'000</u>
At end of accident year		221,606	211,270	226,907	252,624	276,542	257,497	169,793	
One year later		224,739	218,261	226,234	232,634	280,151	240,380		
Two years later		213,026	216,314	213,045	235,098	278,309			
Three years later		202,535	203,734	213,046	235,778				
Four years later		197,745	203,051	211,271					
Five years later		197,414	202,634						
Six years later		195,679							
Current estimate of cumulative claims incurred		195,679	202,634	211,271	235,778	278,309	240,380	169,793	
At end of accident year		(132,550)	(134,388)	(145,468)	(165,281)	(183,774)	(169,749)	(96,783)	
One year later		(179,961)	(185,808)	(192,443)	(213,998)	(254,384)	(216,580)		
Two years later		(187,915)	(195,788)	(203,070)	(223,788)	(265,715)			
Three years later		(189,883)	(198,566)	(206,614)	(229,496)				
Four years later		(191,513)	(199,591)	(207,633)					
Five years later		(192,592)	(200,268)						
Six years later		(192,818)							
Cumulative payments to-date		(192,818)	(200,268)	(207,633)	(229,496)	(265,715)	(216,580)	(96,783)	
Gross general insurance contract liabilities (Direct)	2,577	2,861	2,366	3,638	6,282	12,594	23,800	73,010	127,128
Treaty inwards and MMIP									58,976
Best estimate of contract liabilities									186,104
Claims handling expenses									5,722
PRAD at 75% confidence level									28,258
Gross general insurance contract liabilities per Statements of Financial Position									220,084

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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance (continued)

Net General Insurance Contract Liabilities as at 30.11.2015:

<u>Accident year</u>	<u>Before 2009 RM'000</u>	<u>2009 RM'000</u>	<u>2010 RM'000</u>	<u>2011 RM'000</u>	<u>2012 RM'000</u>	<u>2013 RM'000</u>	<u>2014 RM'000</u>	<u>2015 RM'000</u>	<u>Total RM'000</u>
At end of accident year		201,481	198,926	212,897	233,328	256,068	248,076	163,819	
One year later		202,663	205,526	210,380	215,201	245,302	230,865		
Two years later		192,696	199,536	200,323	217,684	243,233			
Three years later		183,594	191,637	200,212	217,772				
Four years later		179,442	190,931	198,447					
Five years later		179,142	190,313						
Six years later		177,200							
Current estimate of cumulative claims incurred		177,200	190,313	198,447	217,772	243,233	230,865	163,819	
At end of accident year		(120,507)	(127,456)	(137,790)	(154,111)	(171,511)	(164,546)	(93,632)	
One year later		(164,500)	(175,562)	(181,714)	(198,975)	(223,021)	(209,064)		
Two years later		(171,795)	(184,112)	(191,429)	(208,401)	(232,156)			
Three years later		(173,392)	(186,679)	(194,532)	(211,993)				
Four years later		(174,784)	(187,658)	(195,491)					
Five years later		(175,802)	(188,174)						
Six years later		(176,000)							
Cumulative payments to-date		(176,000)	(188,174)	(195,491)	(211,993)	(232,156)	(209,064)	(93,632)	
Net general insurance contract liabilities (Direct)	1,708	1,200	2,139	2,956	5,779	11,077	21,801	70,187	116,847
Treaty inwards and MMIP									58,976
Best estimate of contract liabilities									175,823
Claims handling expenses									5,260
PRAD at 75% confidence level									27,435
Net general insurance contract liabilities per Statements of Financial Position									208,518

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**NOTES TO THE FINANCIAL STATEMENTS
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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance (continued)

Gross General Insurance Contract Liabilities as at 30.11.2014:

<u>Accident year</u>	<u>Before 2008 RM'000</u>	<u>2008 RM'000</u>	<u>2009 RM'000</u>	<u>2010 RM'000</u>	<u>2011 RM'000</u>	<u>2012 RM'000</u>	<u>2013 RM'000</u>	<u>2014 RM'000</u>	<u>Total RM'000</u>
At end of accident year		168,808	221,606	211,270	226,907	252,624	276,542	257,175	
One year later		202,216	224,739	218,261	226,234	232,634	279,854		
Two years later		198,929	213,026	216,314	213,045	234,935			
Three years later		191,900	202,535	203,734	212,940				
Four years later		187,518	197,745	202,968					
Five years later		184,100	197,318						
Six years later		184,588							
Current estimate of cumulative claims incurred		184,588	197,318	202,968	212,940	234,935	279,854	257,175	
At end of accident year		(112,742)	(132,550)	(134,388)	(145,468)	(165,281)	(183,774)	(169,749)	
One year later		(167,708)	(179,961)	(185,808)	(192,443)	(213,998)	(254,384)		
Two years later		(177,082)	(187,915)	(195,788)	(203,070)	(223,788)			
Three years later		(179,870)	(189,883)	(198,566)	(206,614)				
Four years later		(181,067)	(191,513)	(199,591)					
Five years later		(182,199)	(192,592)						
Six years later		(182,408)							
Cumulative payments to-date		(182,408)	(192,592)	(199,591)	(206,614)	(223,788)	(254,384)	(169,749)	
Gross general insurance contract liabilities (Direct)	4,826	2,180	4,726	3,377	6,326	11,147	25,470	87,426	145,478
Active life reserve									5,288
Treaty inwards and MMIP									55,562
Best estimate of contract liabilities									206,328
Claims handling expenses									20,730
PRAD at 75% confidence level									13,197
Gross general insurance contract liabilities per Statements of Financial Position									240,255

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**NOTES TO THE FINANCIAL STATEMENTS
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38 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance (continued)

Net General Insurance Contract Liabilities as at 30.11.2014:

<u>Accident year</u>	<u>Before 2008 RM'000</u>	<u>2008 RM'000</u>	<u>2009 RM'000</u>	<u>2010 RM'000</u>	<u>2011 RM'000</u>	<u>2012 RM'000</u>	<u>2013 RM'000</u>	<u>2014 RM'000</u>	<u>Total RM'000</u>
At end of accident year		143,148	201,481	198,926	212,897	233,328	256,068	248,463	
One year later		170,891	202,663	205,526	210,380	215,201	245,635		
Two years later		172,050	192,696	199,536	200,323	217,858			
Three years later		167,638	183,594	191,637	200,336				
Four years later		162,828	179,442	191,031					
Five years later		159,425	179,237						
Six years later		160,479							
Current estimate of cumulative claims incurred		160,479	179,237	191,031	200,336	217,858	245,635	248,463	
At end of accident year		(102,820)	(120,507)	(127,456)	(137,790)	(154,111)	(171,511)	(164,546)	
One year later		(145,163)	(164,500)	(175,562)	(181,714)	(198,975)	(223,021)		
Two years later		(153,846)	(171,795)	(184,112)	(191,429)	(208,401)			
Three years later		(156,321)	(173,392)	(186,679)	(194,532)				
Four years later		(157,466)	(174,784)	(187,658)					
Five years later		(157,987)	(175,802)						
Six years later		(158,188)							
Cumulative payments to-date		(158,188)	(175,802)	(187,658)	(194,532)	(208,401)	(223,021)	(164,546)	
Net general insurance contract liabilities (Direct)	3,944	2,291	3,435	3,373	5,804	9,457	22,614	83,917	134,835
Active life reserve									5,151
Treaty inwards and MMIP									55,562
Best estimate of contract liabilities									195,548
Claims handling expenses									19,253
PRAD at 75% confidence level									12,850
Net general insurance contract liabilities per Statements of Financial Position									227,651

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**NOTES TO THE FINANCIAL STATEMENTS
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39 FINANCIAL RISKS

The Group is exposed to a range of financial risks, including credit risk, liquidity risk and market risk. The Group 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 is not further provided and analysed as the financial risks in respect of investment-linked investments are generally wholly borne by the policyholders/participants, and do not directly affect the profit before tax. Furthermore, investment-linked policyholders/participants are responsible for allocation of their policy/certificate values amongst investment options offered by the Group. Although profit before tax is not affected by Investment-linked Investments, the investment return from such financial investments is included in the Group's Income Statement, as the Group has selected the fair value option for all Investment-linked Investments with corresponding change in insurance/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 Group is exposed to credit risk include repayment risk in respect of :

- cash and cash equivalents;
- investments in debt securities;
- loans and receivables (including insurance receivables); and
- reinsurance receivables.

The Group 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 Group manages credit risk consistent with the AIA Investment Philosophy and Risk Appetite, as endorsed by the Board and the Board Of Directors of AIA Group Limited.

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"), Financial Risk Committee ("FRC") and the Board.

The Group Investment (being the investment team in the Company and in 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 FRC. Such tolerances are based on the AIA Group's internal credit ratings framework as approved by the AIA Group FRC (the "AIA Credit Ratings Framework").

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the Statements of Financial Position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

<u>Group</u>	<u>Insurance and shareholders' fund</u>	<u>Investment linked</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>At 30 November 2015</u>			
Available-for-sale financial assets	7,978,051	-	7,978,051
Fair value through profit or loss financial assets	28,175,446	4,141,041	32,316,487
Loan and receivables	4,678,827	9,277	4,688,104
Reinsurance/retakaful assets	88,430	-	88,430
Insurance/takaful receivables	496,695	-	496,695
Cash and cash equivalents	432,915	311,143	744,058
	<u>41,850,364</u>	<u>4,461,461</u>	<u>46,311,825</u>
<u>At 30 November 2014</u>			
Available-for-sale financial assets	8,369,302	-	8,369,302
Fair value through profit or loss financial assets	27,391,118	3,980,263	31,371,381
Loan and receivables	4,517,046	7,096	4,524,142
Reinsurance/retakaful assets	94,963	-	94,963
Insurance/takaful receivables	459,249	-	459,249
Cash and cash equivalents	398,331	169,211	567,542
	<u>41,230,009</u>	<u>4,156,570</u>	<u>45,386,579</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Company</u>	<u>Insurance and shareholders' fund</u> RM'000	<u>Investment linked</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>			
Available-for-sale financial assets	7,916,446	-	7,916,446
Fair value through profit or loss financial assets	28,175,446	4,141,041	32,316,487
Loan and receivables	4,670,092	9,277	4,679,369
Reinsurance assets	88,430	-	88,430
Insurance receivables	496,695	-	496,695
Cash and cash equivalents	402,556	311,143	713,699
	<u>41,749,665</u>	<u>4,461,461</u>	<u>46,211,126</u>
<u>At 30 November 2014</u>			
Available-for-sale financial assets	8,307,340	-	8,307,340
Fair value through profit or loss financial assets	27,376,582	3,980,263	31,356,845
Loan and receivables	4,516,902	7,096	4,523,998
Reinsurance assets	94,963	-	94,963
Insurance receivables	459,249	-	459,249
Cash and cash equivalents	381,264	169,211	550,475
	<u>41,136,300</u>	<u>4,156,570</u>	<u>45,292,870</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Standard and Poor's credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to A are classified as speculative grade.

<u>Group</u>	<u>Neither past due nor impaired</u>		<u>Past due</u>		<u>Investment-linked</u>	<u>Not subject to credit risks</u>	<u>Total</u>
	<u>Investment grade (AAA-A)</u>	<u>Not rated</u>	<u>but not impaired</u>	<u>and impaired/ partially impaired</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 30 November 2015</u>							
<u>AFS financial assets</u>							
Malaysian government securities	-	1,672,532	-	-	-	-	1,672,532
Cagamas papers	469,874	-	-	-	-	-	469,874
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,787,120	2,851,810	-	-	-	-	5,638,930
Deposits with licensed banks	-	102,430	-	-	-	-	102,430
<u>FVTPL financial assets</u>							
Malaysian government securities	-	5,449,107	-	-	114,392	-	5,563,499
Cagamas papers	1,916,540	-	-	-	5,725	-	1,922,265
Equity securities	-	-	-	-	2,327,920	4,642,763	6,970,683
Real estate investment trust	-	-	-	-	3,743	304,870	308,613
Corporate debt securities	7,777,893	7,447,422	-	-	903,401	-	16,128,716
Mutual fund	-	-	-	-	764,637	328,858	1,093,495
Subscription rights	-	-	-	-	-	1,856	1,856
Malaysian government guarantee loans	-	-	-	-	8,000	-	8,000
Deposits with licensed banks	-	51,214	-	-	-	-	51,214

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39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Group (continued)</u>	<u>Neither past due nor impaired</u>		<u>Past due and impaired/ partially impaired</u>		<u>Investment-linked</u>	<u>Not subject to credit risks</u>	<u>Total</u>
	<u>Investment Grade (AAA-A)</u>	<u>Not rated</u>	<u>but not impaired</u>	<u>RM'000</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 30 November 2015 (continued)</u>							
<u>Loans and receivables</u>							
Loan receivables	-	4,255,963	45,503	38,951	-	-	4,340,417
Fixed and call deposits with licensed bank	-	98,100	-	-	-	-	98,100
Other receivables	-	219,636	-	12,268	9,277	-	241,181
Reinsurance/retakaful assets	-	88,430	-	-	-	-	88,430
Insurance/takaful receivables	-	496,695	-	16,994	-	-	513,689
Cash and cash equivalents	-	432,915	-	-	311,143	-	744,058
Accrued interests	-	404,208	-	-	13,223	-	417,431
Allowance for impairment losses	-	-	-	(68,213)	-	-	(68,213)
	<u>12,951,427</u>	<u>23,570,462</u>	<u>45,503</u>	<u>-</u>	<u>4,461,461</u>	<u>5,282,972</u>	<u>46,311,825</u>

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39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Group (continued)</u>	<u>Neither past due nor impaired</u>		<u>but not impaired</u>	<u>Past due and impaired/ partially impaired</u>		<u>Investment- linked</u>	<u>Not subject to credit risks</u>	<u>Total</u>
	<u>Investment grade (AAA-A)</u>	<u>Not rated</u>		<u>RM'000</u>	<u>RM'000</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 30 November 2014</u>								
<u>AFS financial assets</u>								
Malaysian government securities	-	1,758,856	-	-	-	-	-	1,758,856
Cagamas papers	492,547	-	-	-	-	-	-	492,547
Unquoted equity securities	-	-	-	-	-	-	4,625	4,625
Corporate debt securities	3,079,355	2,838,520	-	-	-	-	-	5,917,875
Deposits with licensed banks	-	102,890	-	-	-	-	-	102,890
<u>FVTPL financial assets</u>								
Malaysian government securities	-	6,164,667	-	-	79,943	-	-	6,244,610
Cagamas papers	1,818,590	-	-	-	5,768	-	-	1,824,358
Equity securities	-	-	-	-	2,173,378	5,230,073	-	7,403,451
Real estate investment trust	-	-	-	-	146,794	405,249	-	552,043
Corporate debt securities	6,410,968	6,857,203	-	-	855,184	-	-	14,123,355
Mutual fund	-	-	-	-	700,219	208,208	-	908,427
Deposits with licensed banks	-	52,025	-	-	-	-	-	52,025
Malaysian government guarantee loans	-	-	-	-	8,000	-	-	8,000
Seed capital	-	14,536	-	-	-	-	-	14,536

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39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Group (continued)</u>	<u>Neither past due nor impaired</u>		<u>Past due</u>		<u>Investment-linked</u>	<u>Not subject to credit risks</u>	<u>Total</u>
	<u>Investment grade (AAA-A)</u>	<u>Not rated</u>	<u>but not impaired</u>	<u>and impaired partially impaired</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 30 November 2014 (continued)</u>							
<u>Loans and receivables</u>							
Loan receivables	-	4,081,804	48,896	41,856	-	-	4,172,556
Fixed and call deposits with licensed bank	-	90,000	-	-	-	-	90,000
Other receivables	-	238,318	-	11,038	7,096	-	256,452
Reinsurance/retakaful assets	-	94,963	-	-	-	-	94,963
Insurance/takaful receivables	-	459,249	-	15,199	-	-	474,448
Cash and cash equivalents	17,067	381,264	-	-	169,211	-	567,542
Accrued interests	631	379,505	-	-	10,977	-	391,113
Allowance for impairment losses	-	-	-	(68,093)	-	-	(68,093)
	<u>11,819,158</u>	<u>23,513,800</u>	<u>48,896</u>	<u>-</u>	<u>4,156,570</u>	<u>5,848,155</u>	<u>45,386,579</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Company</u>	<u>Neither past due nor impaired</u>		<u>Past due and impaired/ partially impaired</u>		<u>Investment-linked</u>	<u>Not subject to credit risks</u>	<u>Total</u>
	<u>Investment grade (AAA-A)</u>	<u>Not rated</u>	<u>but not impaired</u>	<u>RM'000</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 30 November 2015</u>							
<u>AFS financial assets</u>							
Malaysian government securities	-	1,667,369	-	-	-	-	1,667,369
Cagamas papers	469,874	-	-	-	-	-	469,874
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,787,120	2,796,054	-	-	-	-	5,583,174
Deposits with licensed banks	-	102,430	-	-	-	-	102,430
<u>FVTPL financial assets</u>							
Malaysian government securities	-	5,449,107	-	-	114,392	-	5,563,499
Cagamas papers	1,916,540	-	-	-	5,725	-	1,922,265
Equity securities	-	-	-	-	2,327,920	4,642,763	6,970,683
Real estate investment trust	-	-	-	-	3,743	304,870	308,613
Corporate debt securities	7,777,893	7,447,422	-	-	903,401	-	16,128,716
Mutual fund	-	-	-	-	764,637	328,858	1,093,495
Deposits with licensed banks	-	51,214	-	-	-	-	51,214
Malaysian government guarantee loans	-	-	-	-	8,000	-	8,000
Subscription rights	-	-	-	-	-	1,856	1,856

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**NOTES TO THE FINANCIAL STATEMENTS
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39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Company</u> (continued)	<u>Neither past due nor impaired</u>		<u>Past due and impaired/ partially impaired</u>		<u>Investment-linked</u>	<u>Not subject to credit risks</u>	<u>Total</u>
	<u>Investment grade (AAA-A)</u>	<u>Not rated</u>	<u>but not impaired</u>	<u>impaired</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 30 November 2015 (continued)</u>							
<u>Loans and receivables</u>							
Loan receivables	-	4,255,963	45,503	38,951	-	-	4,340,417
Fixed and call deposits with licensed bank	-	90,000	-	-	-	-	90,000
Other receivables	-	219,001	-	12,268	9,277	-	240,546
Reinsurance assets	-	88,430	-	-	-	-	88,430
Insurance receivables	-	496,695	-	16,994	-	-	513,689
Cash and cash equivalents	-	402,556	-	-	311,143	-	713,699
Accrued interests	-	403,522	-	-	13,223	-	416,745
Allowance for impairment losses	-	-	-	(68,213)	-	-	(68,213)
	<u>12,951,427</u>	<u>23,469,763</u>	<u>45,503</u>	<u>-</u>	<u>4,461,461</u>	<u>5,282,972</u>	<u>46,211,126</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Company</u>	<u>Neither past due nor impaired</u>		<u>Past due and impaired/ partially impaired</u>		<u>Investment-linked</u>	<u>Not subject to credit risks</u>	<u>Total</u>
	<u>Investment grade (AAA-A)</u>	<u>Not rated</u>	<u>but not impaired</u>	<u>RM'000</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 30 November 2014</u>							
<u>AFS financial assets</u>							
Malaysian government securities	-	1,753,639	-	-	-	-	1,753,639
Cagamas papers	492,547	-	-	-	-	-	492,547
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	3,031,164	2,830,646	-	-	-	-	5,861,810
Deposits with licensed banks	-	102,890	-	-	-	-	102,890
<u>FVTPL financial assets</u>							
Malaysian government securities	-	6,164,667	-	-	79,943	-	6,244,610
Cagamas papers	1,818,590	-	-	-	5,768	-	1,824,358
Equity securities	-	-	-	-	2,173,378	5,230,073	7,403,451
Real estate investment trust	-	-	-	-	146,794	405,249	552,043
Corporate debt securities	6,410,968	6,857,203	-	-	855,184	-	14,123,355
Mutual fund	-	-	-	-	700,219	208,208	908,427
Deposits with licensed banks	-	52,025	-	-	-	-	52,025
Malaysian government guarantee loans	-	-	-	-	8,000	-	8,000

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Company</u> (continued)	<u>Neither past due nor impaired</u>		<u>Past due and impaired/ partially impaired</u>		<u>Investment-linked</u>	<u>Not subject to credit risks</u>	<u>Total</u>
	<u>Investment grade (AAA-A)</u>	<u>Not rated</u>	<u>but not impaired</u>	<u>impaired</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 30 November 2014 (continued)</u>							
<u>Loans and receivables</u>							
Loan receivables	-	4,081,804	48,896	41,856	-	-	4,172,556
Fixed and call deposits with licensed bank	-	90,000	-	-	-	-	90,000
Other receivables	-	238,174	-	11,038	7,096	-	256,308
Reinsurance assets	-	94,963	-	-	-	-	94,963
Insurance receivables	-	459,249	-	15,199	-	-	474,448
Cash and cash equivalents	-	381,264	-	-	169,211	-	550,475
Accrued interests	-	379,456	-	-	10,977	-	390,433
Allowance for impairment losses	-	-	-	(68,093)	-	-	(68,093)
	<u>11,753,269</u>	<u>23,485,980</u>	<u>48,896</u>	<u>-</u>	<u>4,156,570</u>	<u>5,848,155</u>	<u>45,292,870</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

The financial assets are classified according to the credit rating by rating agencies approved by BNM.

The financial assets comprise Malaysian Government Securities and certain corporate debt securities are not rated as these investments are issued by government or guaranteed by government which were exempted from the need of getting rating from rating agencies. Other financial assets which are not rated comprise fixed and call deposits with licensed bank, and loans and receivables as the issuer did not obtain any credit rating from the respective rating agencies. Such financial assets although not rated are issued by companies which have sound financial and high creditworthiness. The creditworthiness of the issuer is monitored on any downgrade news related to any investment in the debt portfolio.

The Group's loans receivable include policy loans, mortgage loans, other secured loans, staff loans and unsecured loans. Policy loans, mortgage loans, other secured loans and secured staff loans are generally secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. The type of collaterals, held by the Group as lender, for which it is entitled to in the event of default is as follows:

		Group and Company	
		30.11.2015	30.11.2014
		RM'000	RM'000
	Type of Collateral		
Policy loans	Cash surrender value	1,567,077	1,518,726
Mortgage loans	Properties	2,178,826	2,062,200
Other secured loans	Properties	17	25
Staff loans			
- Secured loans	Motor vehicles and properties	29,668	24,786
- Unsecured loans	Nil	1,987	5,606
Unsecured loans	Nil	6,891	2,357
		3,784,466	3,613,700

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Age analysis of financial assets past-due but not impaired

<u>Group and Company</u>	<u>< 30 days</u> RM'000	<u>31 to</u> <u>60 days</u> RM'000	<u>61 to</u> <u>90 days</u> RM'000	<u>91 to</u> <u>180 days</u> RM'000	<u>Investment-</u> <u>linked</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>						
Loan and receivables	439	38,469	6,443	152	-	45,503
<u>At 30 November 2014</u>						
Loan and receivables	-	1,015	36,312	11,569	-	48,896

Impaired financial assets

For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than three (3) months. The Group records impairment allowance for loans and receivables and insurance receivables in separate allowance for doubtful debts accounts. A reconciliation of the allowance for impairment losses for loans and receivables and insurance receivables is as follows:

<u>Group and Company</u>	<u>Loan</u> <u>receivables</u>		<u>Other</u> <u>receivables</u>		<u>Insurance/</u> <u>takaful receivables</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
At 1 December	41,856	31,543	11,038	3,095	15,199	7,264
Net (recovery)/charge for the financial year	(2,905)	10,313	1,230	7,943	1,795	7,935
As at 30 November	38,951	41,856	12,268	11,038	16,994	15,199

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NOTES TO THE FINANCIAL STATEMENTS
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39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet the payment obligations to counterparties when they become due. This can arise when internal funds are insufficient to meet cash outflow obligations and where the Group 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 Group is exposed to liquidity risk in respect of insurance/takaful and investment policies/certificates that permit surrender, withdrawal or other forms of early termination for cash surrender value specified in the contractual terms and conditions.

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

The Group continually seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of insurance policies / takaful certificates issued. The Group constantly monitors its liquidity position and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk.

Investment-linked liabilities are repayable or transferable upon notice by policyholders/participants and are disclosed separately under "Investment-linked" column. Liquidity risk of investment-linked liabilities is managed as part of the Group-wide established framework, process and procedures as detailed above. The Group 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 and repurchase agreement ("Repo") as well as catastrophe excess-of-loss reinsurance/retakaful cover.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (liquidity)

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining contractual obligations, including interest/profit payable and receivable. For insurance/takaful contracts liabilities, maturity profiles are determined based on estimated timing of discounted net cash outflows from the recognised insurance/takaful liabilities.

<u>Group</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>> 5 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>								
Available-for-sale financial assets	7,978,051	683,217	1,127,160	1,402,813	9,763,404	-	-	12,976,594
Fair value through profit or loss financial assets	32,316,487	1,887,903	3,459,293	4,388,958	25,894,623	5,278,348	4,141,041	45,050,166
Loans and receivables	4,688,104	463,765	459,431	430,156	4,759,898	-	9,277	6,122,527
Reinsurance/retakaful assets	88,430	88,430	-	-	-	-	-	88,430
Insurance/takaful receivables	496,695	496,695	-	-	-	-	-	496,695
Cash and cash equivalents	744,058	432,915	-	-	-	-	311,143	744,058
Total assets	46,311,825	4,052,925	5,045,884	6,221,927	40,417,925	5,278,348	4,461,461	65,478,470
Insurance/takaful contract liabilities:								
With DPF	26,620,017	680,382	1,285,868	1,329,561	21,221,447	2,102,759	-	26,620,017
Without DPF	9,030,524	667,123	242,591	118,495	3,602,915	-	4,399,400	9,030,524
Insurance/takaful payables	5,273,062	5,273,062	-	-	-	-	-	5,273,062
Other payables	1,030,941	1,030,941	-	-	-	-	-	1,030,941
Total liabilities	41,954,544	7,651,508	1,528,459	1,448,056	24,824,362	2,102,759	4,399,400	41,954,544

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39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (liquidity) (continued)

Maturity Profiles (continued)

<u>Group</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>> 5 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2014</u>								
Available-for-sale financial assets	8,369,302	520,611	1,356,580	1,255,556	9,986,118	5,965	-	13,124,830
Fair value through profit or loss financial assets	31,371,381	1,188,922	3,278,344	3,954,841	20,725,432	5,858,065	3,980,263	38,985,867
Loans and receivables	4,524,142	467,581	446,790	423,302	5,049,744	-	7,096	6,394,513
Reinsurance/retakaful assets	94,963	94,963	-	-	-	-	-	94,963
Insurance/takaful receivables	459,249	459,249	-	-	-	-	-	459,249
Cash and cash equivalents	567,542	390,100	-	-	-	8,232	169,210	567,542
Total assets	45,386,579	3,121,426	5,081,714	5,633,699	35,761,294	5,872,262	4,156,569	59,626,964
Insurance/takaful contract liabilities:								
With DPF	26,210,599	468,331	1,243,390	1,282,848	20,630,775	2,585,255	-	26,210,599
Without DPF	8,667,269	778,587	267,187	82,729	3,402,778	-	4,135,988	8,667,269
Insurance/takaful payables	4,792,881	4,792,881	-	-	-	-	-	4,792,881
Other payables	1,393,353	1,384,081	2,028	1,661	5,583	-	-	1,393,353
Total liabilities	41,064,102	7,423,880	1,512,605	1,367,238	24,039,136	2,585,255	4,135,988	41,064,102

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (liquidity) (continued)

Maturity Profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>> 5 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2015</u>								
Available-for-sale financial assets	7,916,446	683,217	1,127,160	1,402,813	9,763,404	-	-	12,976,594
Fair value through profit or loss financial assets	32,316,487	1,887,903	3,459,293	4,388,958	25,894,623	5,278,348	4,141,041	45,050,166
Loans and receivables	4,679,369	455,331	459,431	430,156	4,759,898	-	9,277	6,114,093
Reinsurance assets	88,430	88,430	-	-	-	-	-	88,430
Insurance receivables	496,695	496,695	-	-	-	-	-	496,695
Cash and cash equivalents	713,699	402,556	-	-	-	-	311,143	713,699
Total assets	46,211,126	4,014,132	5,045,884	6,221,927	40,417,925	5,278,348	4,461,461	65,439,677
Insurance contract liabilities:								
With DPF	26,595,340	680,382	1,261,191	1,329,561	21,221,447	2,102,759	-	26,595,340
Without DPF	9,030,524	667,123	242,591	118,495	3,602,915	-	4,399,400	9,030,524
Insurance payables	5,273,062	5,273,062	-	-	-	-	-	5,273,062
Other payables	1,018,376	1,018,376	-	-	-	-	-	1,018,376
Total liabilities	41,917,302	7,638,943	1,503,782	1,448,056	24,824,362	2,102,759	4,399,400	41,917,302

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39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (liquidity) (continued)

Maturity Profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>> 5 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked</u> RM'000	<u>Total</u> RM'000
<u>At 30 November 2014</u>								
Available-for-sale financial assets	8,307,340	520,611	1,356,580	1,248,640	9,937,037	-	-	13,062,868
Fair value through profit or loss financial assets	31,356,845	1,188,922	3,278,344	3,954,841	20,725,432	5,843,530	3,980,263	38,971,332
Loans and receivables	4,523,998	467,436	446,790	423,302	5,049,744	-	7,096	6,394,368
Reinsurance assets	94,963	94,963	-	-	-	-	-	94,963
Insurance receivables	459,249	459,249	-	-	-	-	-	459,249
Cash and cash equivalents	550,475	381,265	-	-	-	-	169,210	550,475
Total assets	45,292,870	3,112,446	5,081,714	5,626,783	35,712,213	5,843,530	4,156,569	59,533,255
Insurance contract liabilities:								
With DPF	26,186,375	468,331	1,219,166	1,282,848	20,630,775	2,585,255	-	26,186,375
Without DPF	8,667,269	778,587	267,187	82,729	3,402,778	-	4,135,988	8,667,269
Insurance payables	4,792,881	4,792,881	-	-	-	-	-	4,792,881
Other payables	1,375,774	1,366,502	2,028	1,661	5,583	-	-	1,375,774
Total liabilities	41,022,299	7,406,301	1,488,381	1,367,238	24,039,136	2,585,255	4,135,988	41,022,299

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

39 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 interest/profit rates, equity market prices, foreign exchange rates and real estate property market prices. The Group manages the risk of market-based fluctuations in the value of the Group's investments, as well as liabilities with exposure to market risk.

The Group 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 Group routinely conducts sensitivity analysis of its fixed income portfolios to estimate its exposure to movements in interest/profit rates. The Group'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 Group's risk management policy after taking cognizance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Interest rate risk

Interest/profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rate yield.

The Group's exposure to interest/profit rate risk predominantly arises from the Group's duration gap between the liabilities and assets for interest/profit rate sensitive products, especially those providing interest/profit rate guarantees. For other products, including those with participation or investment-linked features, interest/profit rate risk is significantly reduced due to the non-guaranteed nature of additional policyholder/certificate holder benefits.

The Group manages its interest/profit rate risk by investing in financial instruments with tenors that match the duration of its liabilities as much as practicable and appropriate. The Group also considers the effect of interest/profit rate risk in its overall product strategy. Certain products such as investment-linked, universal life and participating business, inherently have lower interest rate risk as their design provides flexibility as to crediting rates and policyholder dividend scales. For new products, the Group emphasises flexibility in product design and generally designs products to avoid excessive long-term interest/profit rate guarantees. For in-force policies/certificates, bonus payout and credit interest/profit rates applicable to policyholder/participant account balances are regularly adjusted considering, among others, the earned yields and policyholders'/participants' communications and reasonable expectations.

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39 FINANCIAL RISKS (CONTINUED)

(c) **Market risk (continued)**

(i) **Interest rate risk (continued)**

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of floating rate/yield financial instruments), AFS fair value reserves and unallocated surplus of contract with DPF included in insurance/takaful contract liabilities (that reflects re-valuing fixed rate/yield financial assets of life/family takaful fund) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Group

<u>Change in variable</u>	<u>Impact on profit before tax</u>	<u>Impact on insurance/ takaful contract liabilities</u>	<u>Impact on equity</u>
	RM'000	RM'000	RM'000
<u>At 30 November 2015</u>			
+50 basis points shift in yield curves	-	(774,273)	(245,332)
- 50 basis points shift in yield curves	-	825,778	260,789
<u>At 30 November 2014</u>			
+50 basis points shift in yield curves	-	(774,741)	(227,401)
- 50 basis points shift in yield curves	-	825,529	241,943

Company

At 30 November 2015

+50 basis points shift in yield curves	-	(772,719)	(243,896)
- 50 basis points shift in yield curves	-	823,656	257,567

At 30 November 2014

+50 basis points shift in yield curves	-	(774,741)	(227,401)
- 50 basis points shift in yield curves	-	825,529	241,943

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

39 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Equity market price risk

Equity market price risk arises from changes in the market value of equity securities and equity funds. The investment in equity assets on a long-term basis is expected to provide diversification benefits and return enhancements which can improve the risk adjusted return of the portfolios.

The Group 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 Group complies with BNM stipulated limits during the financial year 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 profit before tax (due to changes in fair value of financial assets whose changes in fair values are recorded in Income Statements) and unallocated surplus included in insurance/takaful contract liabilities (due to changes in fair value of financial assets and liabilities of life/family takaful fund whose changes in fair values are retained in life insurance/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, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Group

<u>Change in variable</u>		<u>Impact on profit before tax</u> RM'000	<u>Impact on insurance/ takaful contract liabilities</u> RM'000	<u>Impact on equity</u> RM'000
<u>At 30 November 2015</u>				
Equity price	+10%	46,754	385,605	35,766
	-10%	(46,754)	(385,605)	(35,766)
<u>At 30 November 2014</u>				
Equity price	+10%	46,774	439,063	35,726
	-10%	(46,774)	439,063)	(35,726)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

39 FINANCIAL RISKS (CONTINUED)

(c) **Market risk (continued)**

(ii) **Equity market price risk (continued)**

Company

<u>Change in variable</u>	<u>Change in variable</u>	<u>Impact on profit before tax</u> RM'000	<u>Impact on insurance/takaful contract liabilities</u> RM'000	<u>Impact on equity</u> RM'000
<u>At 30 November 2015</u>				
Equity price	+10%	46,754	385,605	35,766
	-10%	(46,754)	(385,605)	(35,766)
<u>At 30 November 2014</u>				
Equity price	+10%	46,774	439,063	35,726
	-10%	(46,774)	(439,063)	(35,726)

(iii) **Currency risks**

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in currencies other than Ringgit Malaysia ("RM"), will fluctuate because of movements in foreign exchange rates vis-à-vis RM. The Group's primary transactions are carried out in RM and its exposure to foreign exchange risk arises principally with respect to Australian Dollar ("AUD"), United State Dollar ("USD"), Great Britain Pound ("GBP"), EURO, Hong Kong Dollar ("HKD"), Singapore Dollar ("SGD"), Chinese Yuan ("CNY"), South Korean Won ("KRW") and Taiwan Dollar ("TWD").

The AUD denominated asset which has corresponding matching AUD liability to the extent possible. The Group manages foreign exchange risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments.

The Group has invested in assets denominated in currencies that match the related liabilities, to the extent possible and appropriate, to avoid currency mismatches.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of foreign currency financial instruments) and unallocated surplus included in insurance/takaful contract liabilities (due to changes in fair value of foreign currency financial instruments of life/family takaful fund are retained in life insurance/family takaful contract liabilities). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)****39 FINANCIAL RISKS (CONTINUED)****(c) Market risk (continued)****(iii) Currency risks (continued)****Group and Company**

		<u>Change in variable</u>	<u>Impact on profit before tax</u> RM'000	<u>Impact on insurance/ takaful contract liabilities</u> RM'000	<u>Impact on equity</u> RM'000
<u>At 30 November 2015</u>					
AUD	10% Strenghtening		2,660	5,114	2,035
USD	10% Strenghtening		1,798	20,923	1,376
EUR	10% Strenghtening		603	1,663	461
HKD	10% Strenghtening		4,762	16,131	3,643
SGD	10% Strenghtening		1,487	3,696	1,137
KRW	10% Strenghtening		-	3,726	-
TWD	10% Strenghtening		2,171	6,446	1,661
GBP	10% Strenghtening		-	6,543	-
<u>At 30 November 2014</u>					
AUD	10% Strenghtening		4,344	6,988	9,817
USD	10% Strenghtening		800	11,489	611
EUR	10% Strenghtening		656	1,812	501
HKD	10% Strenghtening		5,068	10,349	3,871
SGD	10% Strenghtening		1,263	2,725	965
TWD	10% Strenghtening		2,993	5,368	2,286
GBP	10% Strenghtening		-	3,362	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

40 NON FINANCIAL RISKS

Non-financial risks cover the potential for the Company's business to suffer through either key control failures, changes in the business environment or inadequate planning or management of infrastructure. While ultimately all losses are financial, in the case of non-financial risks the loss may initially take the form of damage to the Company's reputation. The risk of such damage, or reputational risk, is that negative publicity regarding a company's business practices, whether true or not, could have adverse consequences, including but not limited to a loss of customers, financial loss, sanction by regulators, damage to the brand and litigation.

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

(i) Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, personnel and systems or from external events. Operational risk is broken down into a common classification which is used across the Company and classified as Key Operational Risks (KORs). The ORC reviews these risks regularly.

The Risk and Control Assessment (RCA) process is used to identify and assess the impact of operational risks. The RCA is an exercise whereby management considers possible or actual risk events, ascribes likelihood of occurrence and potential severity, and then agrees mitigation strategies to reduce these risks. These strategies are then monitored and the exercise repeated, with the results stored in a dedicated operational risk database.

(ii) Strategic risk

Strategic risk refers to adverse impacts from unexpected changes to the Company's operating and market environment. Strategic risk is addressed as part of the business planning process and ongoing monitoring of and response to social, economic, political, regulatory, competitive and technical changes that may impact the Company's business.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

41 SHARE-BASED PAYMENT

During the financial year, the AIA Group made further grants of share options, restricted share units and restricted share purchase units to certain employees, directors and officers of the Group under the Share Option (“SO”) Scheme, the Restricted Share Unit (“RSU”) Scheme and Employee Share Purchase Plan (“ESPP”).

(a) Restricted Share Unit (“RSU”) Scheme

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the AIA Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. If the RSU grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of vesting period depending on the actual achievement of the performance conditions. During the vesting period, the eligible participants are not entitled to dividends of the underlying shares. The maximum number of shares that can be granted under the RSU scheme is 301,100,000 (2014: 301,100,000), representing 2.5% (2014: 2.5%) of the number of shares in issue at 30 November 2015.

Movement:

	Group		Company	
	30.11.2015	30.11.2014	30.11.2015	30.11.2014
	Number of	Number of	Number of	Number of
	shares	shares	shares	shares
Restricted Shares Unit				
Outstanding at beginning of financial year	3,258,708	3,719,973	3,148,363	3,609,628
Granted	912,370	1,062,301	912,370	1,062,301
Vested	(715,590)	(1,145,290)	(715,590)	(1,145,290)
Transferred in	289,807	415,090	289,807	415,090
Transferred out	(1,219,516)	(231,694)	(1,219,516)	(231,694)
Forfeited or expired	(512,249)	(561,672)	(512,249)	(561,672)
Outstanding at end of financial year	<u>2,013,530</u>	<u>3,258,708</u>	<u>1,903,185</u>	<u>3,148,363</u>

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NOTES TO THE FINANCIAL STATEMENTS
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41 SHARE-BASED PAYMENT (CONTINUED)

(b) Share Option (“SO”) Scheme

The objectives of the SO Scheme are to align eligible participants’ interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period, during which, the eligible participants are required to remain in employment with the AIA Group. If the SO grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. The granted share options expire ten years from the date of grant. The total number of shares under options that can be granted under the scheme is 301,100,000 (2014: 301,100,000), representing 2.5 per cent (2014: 2.5 per cent) of the number of shares in issue of AIAGL at 30 November 2015.

Information about options outstanding and options exercisable by the Company’s employees and directors as at the end of the reporting period is as follows:

	<u>2015</u>		<u>2014</u>
	<u>Number</u> <u>of</u> <u>share</u> <u>options</u>	<u>Weighted</u> <u>average</u> <u>exercise</u> <u>price</u> <u>(HK\$)</u>	<u>Number</u> <u>of</u> <u>share</u> <u>options</u>
			<u>Weighted</u> <u>average</u> <u>exercise</u> <u>price</u> <u>(HK\$)</u>
Group and Company			
Outstanding at beginning of financial year	2,073,332	31.15	2,420,520
Granted	366,534	47.73	407,671
Exercise	-	-	(754,859)
Transferred out	(2,439,866)	(33.64)	-
	<u> </u>	<u> </u>	<u> </u>
Outstanding at end of financial year	<u> </u>	<u> </u>	<u> </u>
Share options exercisable end of financial year	-	-	83,678
	<u> </u>	<u> </u>	<u> </u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

41 SHARE-BASED PAYMENT (CONTINUED)

(b) Share Option (“SO”) Scheme (continued)

The range of exercise prices for the share options outstanding as of 30 November 2014 is summarised in the table below.

	Year ended 30 November 2014	
	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price		
HK\$26 - HK\$35	1,665,661	7.22
HK\$36 – HK\$45	407,671	9.26
Outstanding at end of financial year	2,073,332	7.62

(c) Employee Share Purchase Plan (“ESPP”)

Under the plan, eligible employees of the Company can purchase ordinary shares of AIAGL with qualified employee contributions and the AIA Group will award one matching restricted stock purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. The level of qualified employee contribution is limited to not more than 5% of the annual basic salary subject to a maximum. For the year ended 30 November 2015, eligible employees paid US\$673,921 (2014: US\$515,995) to purchase 110,402 (2014: 98,905) ordinary shares of AIAGL.

Valuation methodology

The Company utilises a binomial lattice model to calculate the fair value of the share options grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, and ESPP, taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of implied volatility of AIAGL’s shares which is based on an analysis of historical data since they are traded in the Stock Exchange of Hong Kong and takes into consideration the historical volatility of peer companies. The expected life of the options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company’s employees. The estimate of market condition for performance based RSUs is based on one-year historical data preceding the grant date.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

41 SHARE-BASED PAYMENT (CONTINUED)

(c) Employee Stock Purchase Plan ("ESPP") (continued)

Valuation methodology (continued)

<u>Assumptions</u>	<u>Share Options</u>	<u>Restricted Shares Units</u>	<u>ESPP Restricted Stock Purchase Units</u>
			2015
Group and Company			
Risk free interest rate	1.61%	0.8%*	0.51% - 0.90%
Volatility	20%	20%	20% - 25%
Dividend yield	1.20%	1.20%	1.20%
Option life (in years)	10	N/A	N/A
Exercise price (HK\$)	47.73	N/A	N/A
Expected life (in years)	7.94	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK\$)	10.15	46.03	40.64
			2014
Risk free interest rate	2.22%	0.54%*	0.37% - 0.94%
Volatility	25%	25%	25% - 26%
Dividend yield	1.20%	1.20%	1.2%
Option life (in years)	10	N/A	N/A
Exercise price (HK\$)	37.56	N/A	N/A
Expected life (in years)	7.54	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK\$)	10.40	30.51	37.43

* *Applicable to RSU with market condition.*

The weighted average share price for share option valuation is HK\$ 47.73 (2014: HK\$37.56).

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme, SO Scheme and ESPP by the Group and the Company for the financial year ended 30 November 2015 are RM11,067,000 (2014: 13,754,000) and RM11,002,000 (2014: RM13,512,000) respectively.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

42 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 November 2015, as prescribed under the Framework is provided below:

	<u>30.11.2015</u>	<u>Company</u> <u>30.11.2014</u>
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	767,438	767,438
Share premium	683,452	683,452
Reserves, including retained earnings	12,791,090	12,978,236
	<u>14,241,980</u>	<u>14,429,126</u>
Tier 2 Capital		
Available-for-sale fair value reserves	(6,863)	58,963
	<u>(6,863)</u>	<u>58,963</u>
Amount deducted from Capital	(262,876)	(203,326)
Total Capital Available	<u>13,972,241</u>	<u>14,284,763</u>

43 INSURANCE/TAKAFUL FUNDS

The Group's principal activities are organised by funds and segregated into Shareholders, General, Life, Family Takaful and Investment-linked funds in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996.

The Group's Statements of Financial Position, Income Statements and information on cash flow have been further analysed by funds and the Shareholders' and General Funds have been presented together as one fund.

The life insurance/family takaful business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment as well as Investment-linked products.

The General insurance business offers general insurance products which include Personal Accident, Medical, Motor and Fire.

Individual fund revenue, expense, assets and liabilities are those amounts resulting from the operating activities of the respective funds that are directly attributable to the respective funds and the relevant portion that can be allocated on a reasonable basis to the respective funds. Individual fund revenue, expense, assets and fund liabilities are determined before inter-fund balances and inter-fund transactions are eliminated as part of the consolidation process.

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43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**STATEMENTS OF FINANCIAL POSITION BY FUNDS
AS AT 30 NOVEMBER 2015**

<u>AT 30 NOVEMBER 2015</u>	<u>Shareholders' and General Fund</u>	<u>Life/ Family Takaful Fund</u>	<u>Inter-fund Elimination</u>	<u>Total</u>
<u>Group</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Assets</u>				
Property, plant and equipment	1,355	297,961	-	299,316
Investment properties	-	324,228	-	324,228
Prepaid land lease payments	607	617	-	1,224
Intangible assets	6,104	66,384	-	72,488
Investment in associate	26,691	24,786	-	51,477
Available-for-sale financial assets	1,755,306	6,222,745	-	7,978,051
Fair value through profit or loss financial assets	-	32,316,487	-	32,316,487
Loans and receivables	3,544,602	4,588,989	(3,445,487)	4,688,104
Reinsurance/retakaful assets	18,264	70,166	-	88,430
Insurance/takaful receivables	72,846	423,849	-	496,695
Cash and cash equivalents	79,719	664,339	-	744,058
Total assets	5,505,494	45,000,551	(3,445,487)	47,060,558
<u>Equity and liabilities</u>				
Total equity	4,609,466	-	-	4,609,466
Insurance/takaful contract liabilities	351,979	35,298,562	-	35,650,541
Deferred tax liabilities	460,533	(19,058)	-	441,475
Insurance/takaful payables	29,836	5,243,226	-	5,273,062
Current tax liabilities	10,720	44,353	-	55,073
Other payables	42,960	4,433,468	(3,445,487)	1,030,941
Total liabilities	896,028	45,000,551	(3,445,487)	42,451,092
Total equity and liabilities	5,505,494	45,000,551	(3,445,487)	47,060,558

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS
AS AT 30 NOVEMBER 2014 (CONTINUED)

<u>AT 30 NOVEMBER 2014</u>	<u>Shareholders'</u> <u>and</u>	<u>Life/</u> <u>Family</u>	<u>Inter-fund</u>	<u>Total</u>
<u>Group</u>	<u>General Fund</u>	<u>Takaful Fund</u>	<u>Elimination</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Assets</u>				
Property, plant and equipment	1,888	308,643	(67)	310,464
Investment properties	-	334,180	-	334,180
Prepaid land lease payments	615	635	-	1,250
Intangible assets	829	57,669	-	58,498
Investment in associate	29,917	24,333	-	54,250
Available-for-sale financial assets	2,324,013	6,045,289	-	8,369,302
Fair value through profit or loss financial assets	14,535	31,356,846	-	31,371,381
Loans and receivables	3,279,297	4,443,168	(3,198,323)	4,524,142
Reinsurance/retakaful assets	18,076	76,887	-	94,963
Insurance/takaful receivables	127,643	331,606	-	459,249
Cash and cash equivalents	44,202	523,340	-	567,542
Total assets	5,841,015	43,502,596	(3,198,390)	46,145,221
<u>Equity and liabilities</u>				
Total equity	4,524,034	-	(67)	4,523,967
Insurance/takaful contract liabilities	575,290	34,302,578	-	34,877,868
Deferred tax liabilities	440,036	42,945	-	482,981
Insurance/takaful payables	30,098	4,762,783	-	4,792,881
Current tax liabilities	27,973	46,198	-	74,171
Other payables	243,584	4,348,092	(3,198,323)	1,393,353
Total liabilities	1,316,981	43,502,596	(3,198,323)	41,621,254
Total equity and liabilities	5,841,015	43,502,596	(3,198,390)	46,145,221

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS
AS AT 30 NOVEMBER 2015 (CONTINUED)

<u>AT 30 NOVEMBER 2015</u>	<u>Shareholders'</u> <u>and</u>	<u>Life/</u> <u>Family</u>	<u>Inter-fund</u>	<u>Total</u>
<u>Company</u>	<u>General Fund</u>	<u>Takaful Fund</u>	<u>Elimination</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Assets</u>				
Property, plant and equipment	902	297,982	-	298,884
Investment properties	-	324,228	-	324,228
Prepaid land lease payments	607	617	-	1,224
Intangible assets	5,576	66,384	-	71,960
Investment in subsidiaries	153,000	-	-	153,000
Investment in associate	-	88	-	88
Available-for-sale financial assets	1,693,701	6,222,745	-	7,916,446
Fair value through profit or loss financial assets	-	32,316,487	-	32,316,487
Loans and receivables	3,535,867	4,588,989	(3,445,487)	4,679,369
Reinsurance/retakaful assets	18,264	70,166	-	88,430
Insurance/takaful receivables	72,846	423,849	-	496,695
Cash and cash equivalents	49,360	664,339	-	713,699
Total assets	5,530,123	44,975,874	(3,445,487)	47,060,510
<u>Equity and liabilities</u>				
Total equity	4,646,445	-	-	4,646,445
Insurance/takaful contract liabilities	351,979	35,273,885	-	35,625,864
Deferred tax liabilities	460,533	(19,058)	-	441,475
Insurance/takaful payables	29,836	5,243,226	-	5,273,062
Current tax liabilities	10,935	44,353	-	55,288
Other payables	30,395	4,433,468	(3,445,487)	1,018,376
Total liabilities	883,678	44,975,874	(3,445,487)	42,414,065
Total equity and liabilities	5,530,123	44,975,874	(3,445,487)	47,060,510

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS
AS AT 30 NOVEMBER 2014 (CONTINUED)

<u>AT 30 NOVEMBER 2014</u>	Shareholders' and General Fund	Life/ Family Takaful Fund	Inter-fund Elimination	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Property, plant and equipment	990	308,664	-	309,654
Investment properties	-	334,180	-	334,180
Prepaid land lease payments	615	635	-	1,250
Intangible assets	75	57,669	-	57,744
Investment in subsidiaries	143,000	-	-	143,000
Investment in associate	-	88	-	88
Available-for-sale financial assets	2,262,051	6,045,289	-	8,307,340
Fair value through profit or loss financial assets	-	31,356,845	-	31,356,845
Loans and receivables	3,279,153	4,443,168	(3,198,323)	4,523,998
Reinsurance/retakaful assets	18,076	76,887	-	94,963
Insurance/takaful receivables	127,643	331,606	-	459,249
Cash and cash equivalents	27,134	523,341	-	550,475
Total assets	5,858,737	43,478,372	(3,198,323)	46,138,786
<u>Equity and liabilities</u>				
Total equity	4,559,173	-	-	4,559,173
Insurance/takaful contract liabilities	575,290	34,278,354	-	34,853,644
Deferred tax liabilities	440,036	42,945	-	482,981
Insurance/takaful payables	30,098	4,762,783	-	4,792,881
Current tax liabilities	28,135	46,198	-	74,333
Other payables	226,005	4,348,092	(3,198,323)	1,375,774
Total liabilities	1,299,564	43,478,372	(3,198,323)	41,579,613
Total equity and liabilities	5,858,737	43,478,372	(3,198,323)	46,138,786

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015

<u>30 NOVEMBER 2015</u>	<u>Shareholders'</u> <u>and</u>	<u>Life/</u> <u>Family</u>	<u>Inter-fund</u>	<u>Total</u>
<u>Group</u>	<u>General Fund</u>	<u>Takaful Fund</u>	<u>Elimination</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross earned premiums/contributions	343,043	7,345,240	-	7,688,283
Premiums/contributions ceded to reinsurers/retakaful operators	(33,158)	(338,576)	-	(371,734)
Net earned premiums/contributions revenue	309,885	7,006,664	-	7,316,549
Investment income	88,720	1,922,064	-	2,010,784
Net realised losses	(8,765)	(6,327)	-	(15,092)
Fair value gains/(losses)	26	(572,182)	-	(572,156)
Other operating (expenses)/income	(34,586)	24,609	(350)	(10,327)
Total net revenue	355,280	8,374,828	(350)	8,729,758
Gross benefits and claims paid	(178,612)	(5,361,318)	-	(5,539,930)
Claims ceded to reinsurers/retakaful operators	11,673	205,915	-	217,588
Gross change to insurance/takaful contract liabilities	18,371	(792,513)	-	(774,142)
Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators	(1,037)	(6,722)	-	(7,759)
Net insurance/takaful benefits and claims	(149,605)	(5,954,638)	-	(6,104,243)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

<u>30 NOVEMBER 2015</u>	Shareholders'	Life/	Inter-fund	Total
<u>Group (continued)</u>	and	Family	Elimination	RM'000
	<u>General Fund</u>	<u>Takaful Fund</u>	<u>RM'000</u>	<u>RM'000</u>
	RM'000	RM'000	RM'000	RM'000
Fee and commission expenses	(62,504)	(769,626)	-	(832,130)
Management expenses	(98,787)	(672,008)	350	(770,445)
Other expenses	(161,291)	(1,441,634)	350	(1,602,575)
Profit before share of loss from associate	44,384	978,556	-	1,022,940
Share of (loss)/gain from associate	(3,110)	453	-	(2,657)
Profit before tax	41,274	979,009	-	1,020,283
Tax expense attributable to policyholders and unitholders	-	(48,551)	-	(48,551)
Profit before tax attributable to shareholders	41,274	930,458	-	971,732
Transfer from Revenue Accounts	930,458	(930,458)	-	-
Profit before tax attributable to shareholders	971,732	-	-	971,732
Tax expense attributable to shareholders	(181,963)	-	-	(181,963)
Profit for the financial year	789,769	-	-	789,769

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015**

<u>30 NOVEMBER 2015</u>	Shareholders' and General Fund	Life/ Family Takaful Fund	Inter-fund Elimination	Total
Group (continued)	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	789,769	-	-	789,769
Other comprehensive gain:				
Item that may be subsequently reclassified to profit or loss				
Change in available-for-sale fair value reserves:				
Net losses arising during the financial year	(90,157)	-	-	(90,157)
Net realised losses transferred to Income Statement	15,296	-	-	15,296
Deferred taxation	17,562	-	-	17,562
Share of other comprehensive loss from associate	(116)	-	-	(116)
Items that will not be subsequently reclassified to profit or loss				
Post employment benefit obligations:				
Remeasurements	2,601	-	-	2,601
Deferred taxation	(456)	-	-	(456)
Other comprehensive loss – net of of tax, for the financial year	(55,270)	-	-	(55,270)
Total comprehensive income for the financial year	734,499	-	-	734,499

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2014

<u>30 NOVEMBER 2014</u>	Shareholders' and General Fund	Life/ Family Takaful Fund	Inter-fund Elimination	Total
<u>Group</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross earned premiums/contributions	516,373	6,697,023	-	7,213,396
Premiums/contributions ceded to reinsurers/retakaful operators	(36,461)	(162,867)	-	(199,328)
Net earned premiums/contributions revenue	479,912	6,534,156	-	7,014,068
Wakalah fee income	10,398	-	(10,398)	-
Investment income	90,520	1,757,828	-	1,848,348
Net realised losses	(2,267)	(22,994)	-	(25,261)
Fair value gains	873	398,948	-	399,821
Gain on disposal of Takaful business transferred	33,333	-	-	33,333
Other operating expense	(13,007)	(27,650)	(4,272)	(44,929)
Total net revenue	599,762	8,640,288	(14,670)	9,225,380
Gross benefits and claims paid	(280,911)	(4,557,507)	-	(4,838,418)
Claims ceded to reinsurers/retakaful operators	24,833	180,064	-	204,897
Gross change to insurance/takaful contract liabilities	(10,308)	(1,975,988)	-	(1,986,296)
Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators	(2,846)	(1,583)	-	(4,429)
Net insurance/takaful benefits and claims	(269,232)	(6,355,014)	-	(6,624,246)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2014 (CONTINUED)**

<u>30 NOVEMBER 2014</u>	Shareholders' and General Fund	Life/ Family Takaful Fund	Inter-fund Elimination	Total
<u>Group (continued)</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Wakalah fee expense	-	(10,398)	10,398	-
Fee and commission expenses	(79,323)	(797,710)	-	(877,033)
Management expenses	(132,486)	(569,613)	4,272	(697,827)
Other expenses	(211,809)	(1,377,721)	14,670	(1,574,860)
Profit before share of loss from associate	118,721	907,553	-	1,026,274
Share of loss from associate	(3,496)	1,988	-	(1,508)
Profit before tax	115,225	909,541	-	1,024,766
Tax expense attributable to policyholders and unitholders	-	(125,249)	-	(125,249)
Profit before tax attributable to shareholders	115,225	784,292	-	899,517
Transfer from Revenue Accounts	784,292	(784,292)	-	-
Profit before tax attributable to shareholders	899,517	-	-	899,517
Tax expense attributable to shareholders	(127,670)	-	-	(127,670)
Profit for the financial year	771,847	-	-	771,847

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2014**

<u>30 NOVEMBER 2014</u>	Shareholders' and General Fund	Life/ Family Takaful Fund	Inter-fund Elimination	Total
<u>Group (continued)</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the financial year	771,847	-	-	771,847
Other comprehensive gain:				
Item that may be subsequently <u>reclassified to profit or loss</u>				
Change in available-for-sale fair value reserves:				
Net gains arising during the financial year	96,994	-	-	96,994
Net realised gains transferred to Income Statement	26,108	-	-	26,108
Deferred taxation	(29,604)	-	-	(29,604)
Share of other comprehensive income from associate	80	-	-	80
Items that will not be subsequently <u>reclassified to profit or loss</u>				
Post employment benefit obligations:				
Remeasurements	(1,507)	-	-	(1,507)
Deferred taxation	66	-	-	66
Other comprehensive gain – net of of tax, for the financial year	92,137	-	-	92,137
Total comprehensive income for the financial year	863,984	-	-	863,984

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015**

<u>30 NOVEMBER 2015</u>	Shareholders' and		Inter-fund	Total
Company (continued)	General Fund	Life Fund	Elimination	RM'000
	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	343,043	7,345,240	-	7,688,283
Premiums ceded to reinsurers	(33,158)	(338,576)	-	(371,734)
Net earned premiums	309,885	7,006,664	-	7,316,549
Investment income	85,260	1,922,064	-	2,007,324
Net realised losses	(8,832)	(6,348)	-	(15,180)
Fair value losses	-	(572,182)	-	(572,182)
Other operating (expenses)/income	(36,045)	24,609	-	(11,436)
Total net revenue	350,268	8,374,807	-	8,725,075
Gross benefits and claims paid	(178,612)	(5,361,318)	-	(5,539,930)
Claims ceded to reinsurers	11,673	205,915	-	217,588
Gross change to insurance contract liabilities	18,371	(792,060)	-	(773,689)
Change in insurance contract liabilities ceded to reinsurers	(1,037)	(6,722)	-	(7,759)
Net insurance benefits and claims	(149,605)	(5,954,185)	-	(6,103,790)
Fee and commission expenses	(61,578)	(769,626)	-	(831,204)
Management expenses	(96,426)	(672,007)	-	(768,433)
Other expenses	(158,004)	(1,441,633)	-	(1,599,637)
Profit before tax	42,659	978,989	-	1,021,648
Tax expense attributable to policyholders and unitholders	-	(48,551)	-	(48,551)
Profit before tax attributable to shareholders	42,659	930,438	-	973,097
Transfer from Revenue Accounts	930,438	(930,438)	-	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

<u>30 NOVEMBER 2015</u>	<u>Shareholders' and General Fund</u>	<u>Life Fund</u>	<u>Inter-fund Elimination</u>	<u>Total</u>
<u>Company (continued)</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit before tax attributable to shareholders	973,097	-	-	973,097
Tax expense attributable to shareholders	(182,303)	-	-	(182,303)
Profit for the financial year	<u>790,794</u>	<u>-</u>	<u>-</u>	<u>790,794</u>

**STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015**

	<u>Shareholders' and General Fund</u>	<u>Life Fund</u>	<u>Inter-fund Elimination</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the financial year	790,794	-	-	790,794
Other comprehensive loss:				
Item that may be subsequently <u>reclassified to profit or loss</u>				
Change in available-for-sale fair value reserves:				
Net losses arising during the financial year	(89,525)	-	-	(89,525)
Net realised gains transferred to Income Statement	15,296	-	-	15,296
Deferred taxation	17,562	-	-	17,562
Items that will not be subsequently <u>reclassified to profit or loss</u>				
Post employment benefit obligations:				
Remeasurements	2,601	-	-	2,601
Deferred taxation	(456)	-	-	(456)
Other comprehensive loss - net of tax, for the financial year	<u>(54,522)</u>	<u>-</u>	<u>-</u>	<u>(54,522)</u>
Total comprehensive income for the financial year	<u>736,272</u>	<u>-</u>	<u>-</u>	<u>736,272</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2014**

<u>30 NOVEMBER 2014</u>	Shareholders' and		Inter-fund	Total
<u>Company (continued)</u>	<u>General Fund</u>	<u>Life Fund</u>	<u>Elimination</u>	<u>RM'000</u>
	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	516,373	6,673,999	-	7,190,372
Premiums ceded to reinsurers	(36,461)	(162,398)	-	(198,859)
Net earned premiums	479,912	6,511,601	-	6,991,513
Investment income	88,073	1,756,656	-	1,844,729
Net realised gains	(3,704)	(22,994)	-	(26,698)
Fair value gains	-	399,130	-	399,130
Other operating expenses	(13,515)	(27,361)	-	(40,876)
Total net revenue	550,766	8,617,032	-	9,167,798
Gross benefits and claims paid	(280,911)	(4,551,695)	-	(4,832,606)
Claims ceded to reinsurers	24,833	180,064	-	204,897
Gross change to insurance contract liabilities	(10,308)	(1,967,002)	-	(1,977,310)
Change in insurance contract liabilities ceded to reinsurers	(2,846)	(1,583)	-	(4,429)
Net insurance benefits and claims	(269,232)	(6,340,216)	-	(6,609,448)
Fee and commission expenses	(74,093)	(797,710)	-	(871,803)
Management expenses	(117,837)	(569,629)	-	(687,466)
Other expenses	(191,930)	(1,367,339)	-	(1,559,269)
Profit before tax	89,604	909,477	-	999,081
Tax expense attributable to policyholders and unitholders	-	(125,185)	-	(125,185)
Profit before tax attributable to shareholders	89,604	784,292	-	873,896
Transfer from Revenue Accounts	784,292	(784,292)	-	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)**

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2014 (CONTINUED)**

<u>30 NOVEMBER 2014</u>	<u>Shareholders' and General Fund</u>	<u>Life Fund</u>	<u>Inter-fund Elimination</u>	<u>Total</u>
<u>Company (continued)</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit before tax attributable to shareholders	873,896	-	-	873,896
Tax expense attributable to shareholders	(127,129)	-	-	(127,129)
Profit for the financial year	<u>746,767</u>	<u>-</u>	<u>-</u>	<u>746,767</u>

**STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2014**

	<u>Shareholders' and General Fund</u>	<u>Life Fund</u>	<u>Inter-fund Elimination</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the financial year	746,767	-	-	746,767
Other comprehensive loss:				
Item that may be subsequently reclassified to profit or loss				
Change in available-for-sale fair value reserves:				
Net losses arising during the financial year	96,460	-	-	96,460
Net realised gains transferred to Income Statement	27,545	-	-	27,545
Deferred taxation	(30,125)	-	-	(30,125)
Items that will not be subsequently reclassified to profit or loss				
Post employment benefit obligations:				
Remeasurements	(1,507)	-	-	(1,507)
Deferred taxation	66	-	-	66
Other comprehensive loss - net of tax, for the financial year	<u>92,439</u>	<u>-</u>	<u>-</u>	<u>92,439</u>
Total comprehensive income for the financial year	<u>839,206</u>	<u>-</u>	<u>-</u>	<u>839,206</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION FOR INVESTMENT-LINKED FUNDS
AS AT 30 NOVEMBER 2015

	<u>Group and Company</u>	
	<u>2015</u>	<u>2014</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Assets</u>		
Fair value through profit and loss financial assets	4,141,041	3,980,263
Other receivables	9,277	7,096
Tax recoverable	-	4,371
Cash and cash equivalents	311,143	169,210
Total assets	4,461,461	4,160,940
<u>Less: Liabilities</u>		
Other payables	42,665	7,556
Deferred tax liabilities	17,251	17,396
Current tax liabilities	2,145	-
Total liabilities	62,061	24,952
Net asset value of funds	4,399,400	4,135,988

INCOME STATEMENTS FOR INVESTMENT-LINKED FUNDS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2015

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Investment income	135,194	114,086	135,194	113,824
Fair value gains	49,767	150,726	49,767	150,532
Other operating revenue	7,169	3,320	7,169	3,411
	192,130	268,132	192,130	267,767
Management expenses	(45,812)	(41,808)	(45,812)	(41,808)
Profit before taxation	146,318	226,324	146,318	225,959
Taxation	(6,083)	(13,487)	(6,083)	(13,446)
Profit for the financial year	140,235	212,837	140,235	212,513