

Company No.

935955	M
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AIA PUBLIC TAKAFUL BHD.  
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016

Company No.

935955

M

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016**

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**AIA PUBLIC TAKAFUL BHD.**  
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## DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Company for the financial year ended 30 November 2016.

### PRINCIPAL ACTIVITIES

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

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

### RESULTS

	RM'000
Loss for the financial year	(7,342)

### DIVIDEND

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

### RESERVE AND PROVISIONS

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

### PROVISION FOR OUTSTANDING CLAIMS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for incurred claims, including incurred but not reported ('IBNR') claims.

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that 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 allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

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## DIRECTORS' REPORT (CONTINUED)

### CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that 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 Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

### VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

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 Company to meet their obligations when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from Takaful contracts in the ordinary course of business of the Company.

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

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

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

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## DIRECTORS' REPORT (CONTINUED)

### SIGNIFICANT AND SUBSEQUENT EVENTS

On 21st December 2016, the Company underwent a capital injection exercise by its existing shareholders based on current shareholding structure with the aim of strengthening the Company's capital position. 66,666,667 ordinary shares at par value of RM1.00 each were issued and paid-up for cash consideration.

### DIRECTORS

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

Dato' Thomas Mun Lung Lee (Chairman)  
Dato' Chang Kat Kiam  
Abu Hassan Assari bin Ibrahim  
Dato' Mohammed Najeeb bin Abdullah (Appointed on 16.05.2016)  
Dato' Majid bin Mohamad  
Mohd Daruis bin Zainuddin  
Anusha a/p Thavarajah  
Dato' Haji Abdul Aziz bin Dato' Dr. Omar (Resigned on 16.05.2016)

### DIRECTORS' BENEFITS

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 any benefit (other than Directors' remuneration as shown in Note 7 to the financial statements) 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.

### DIRECTORS' INTEREST

According to the Register of Directors' shareholdings, the interests of the Directors in the 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:-

	Number of ordinary shares of USD1.00 each			
	As at 1.12.2015	Bought	Sold	As at 30.11.2016
<u>AIA Group Limited</u>				
Direct interest:				
Anusha a/p Thavarajah	44,805	38,320	-	83,125
Dato' Thomas Mun Lung Lee	15,000	1,000	-	16,000

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## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTEREST (CONTINUED)

	Number of matching restricted stock purchase unit over ordinary shares of USD1.00 each under Employee Share Purchase Plan			
	As at 1.12.2015	Granted	Exercised	As at 30.11.2016
<u>AIA Group Limited</u> Anusha a/p Thavarajah	2,602	1,144	1,360	2,386

	Number of restricted share unit over ordinary shares of USD1.00 each			
	As at 1.12.2015	Granted	Exercised	As at 30.11.2016
<u>AIA Group Limited</u> Anusha a/p Thavarajah	155,093	48,000	55,089	148,004

	Number of share option over ordinary share of USD1.00 each			
	As at 1.12.2015	Granted	Exercised	As at 30.11.2016
<u>AIA Group Limited</u> Anusha a/p Thavarajah	-	42,542	-	42,542

Matching restricted stock purchase units, restricted share unit 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.

### ULTIMATE HOLDING COMPANIES

The Directors regard AIA Group Limited ("AIAGL"), a Corporation incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited as its ultimate holding company.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE**

The Company has taken concerted steps to ensure compliance with Bank Negara Malaysia's ("BNM") and Shariah Governance Framework for Islamic Financial Institutions.

**(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 Islamic Financial Services Act, 2013 ("the Act"), Corporate Governance Policy Document and Shariah Governance Framework for Islamic Financial Institutions 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 and two Non-Independent Non-Executive Directors to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board met nine 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 meetings.

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

	<u>No. of attendance</u>
Dato' Thomas Mun Lung Lee Chairman (Independent Non-Executive)	9/9
Dato' Chang Kat Kiam Member (Non-Independent Non-Executive)	8/9
Abu Hassan Assari bin Ibrahim Member (Non-Independent Non-Executive)	9/9
Dato' Mohammed Najeeb bin Abdullah (Appointed on 16.05.2016) Member (Independent Non-Executive)	6/6
Dato' Majid bin Mohamad Member (Independent Non-Executive)	9/9
Mohd Daruis bin Zainuddin Member (Independent Non-Executive)	9/9
Anusha a/p Thavarajah Member (Executive Director)	9/9
Dato' Haji Abdul Aziz bin Dato' Dr. Omar (Resigned on 16.05.2016) Member (Independent Non-Executive)	1/3

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

## AIA PUBLIC TAKAFUL BHD.

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## DIRECTORS' REPORT (CONTINUED)

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Nominating Committee

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

Dato' Majid bin Mohamad	Chairman (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Dato' Mohammed Najeeb bin Abdullah	Member (Independent Non-Executive) (Appointed on 16.05.2016)
Anusha a/p Thavarajah	Member (Executive Director)
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	Member (Independent Non-Executive) (Resigned on 16.05.2016)

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

The principal duties and responsibilities of NC are:

- (a) establishing minimum requirements for the Board, the CEO and Shariah Committee members 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 and Shariah Committee members position. This includes assessing Directors, the CEO and Shariah Committee members 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 and Shariah Committee members. 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 or Shariah Committee member if he is ineffective, errant or negligent in discharging his responsibilities;
- (e) ensuring that all Directors undergo appropriate induction programmes and receive continuous training; and



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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)**

Nominating Committee (continued)

- (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 the 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>No. of attendance</u>
Dato' Majid bin Mohamad Chairman (Independent Non-Executive)	5/5
Mohd Daruis bin Zainuddin Member (Independent Non-Executive)	5/5
Dato' Chang Kat Kiam Member (Non-Independent Non-Executive)	5/5
Dato' Mohammed Najeeb bin Abdullah (Appointed on 16.05.2016) Member (Independent Non-Executive)	3/3
Anusha a/p Thavarajah Member (Executive Director)	5/5
Dato' Haji Abdul Aziz bin Dato' Dr. Omar (Resigned on 16.05.2016) Member (Independent Non-Executive)	1/2

Remuneration committee

The Remuneration Committee ("RC") comprises three members as follows:

Dato' Majid bin Mohamad	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non Executive) (Appointed on 20.05.2016)
Anusha a/p Thavarajah	Member (Executive Director) (Resigned 21.11.2016)

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

The principal duties and responsibilities of RC are:

- (a) recommending a framework for the remuneration of Directors, the CEO, KSOs and Shariah Committee members. The remuneration policy should:
- be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;

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## DIRECTORS' REPORT (CONTINUED)

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Remuneration committee (continued)

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

- (a) recommending a framework for the remuneration of Directors, the CEO, KSOs and Shariah Committee members. The remuneration policy should (continued):
- reflect the experience and level of responsibility borne by individual Directors, the CEO, KSOs and Shariah Committee members;
  - be sufficient to attract and retain Directors, CEO, KSOs and Shariah Committee members of calibre needed to manage the Company successfully; and
  - be balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages and should not create incentives for irresponsible behaviour or insider excesses.
- (b) recommending specific remuneration packages for Directors, CEO, KSOs and Shariah Committee members. The remuneration packages should:
- be based on objective considerations and approved by the full Board;
  - take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Directors, CEO, KSOs or Shariah Committee members concerned;
  - not be decided by the exercise of sole discretion by any one individual or restricted group of individuals; and
  - be competitive and consistent with the Company's culture, objectives and strategy.

During the financial year, the RC held one meeting 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>No. of attendance</u>
Dato' Majid bin Mohamad Chairman (Independent Non-Executive)	1/1
Dato' Chang Kat Kiam - Member (Non-Independent Non-Executive) Member (Non-Independent Non-Executive)	1/1
Mohd Daruis bin Zainuddin (Appointed on 20.05.2016) Member (Independent Non-Executive)	0/0
Anusha a/p Thavarajah (Resigned on 20.11.2016) Member (Executive Director)	1/1

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)**

Risk Management Committee

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

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Dato' Majid bin Mohamad	Member (Independent Non-Executive)
Dato' Chang Kat Kiam	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 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;

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>No. of attendance</u>
Mohd Daruis bin Zainuddin Chairman (Independent Non-Executive)	4/4
Dato' Majid bin Mohamad Member (Independent Non-Executive)	4/4
Dato' Chang Kat Kiam Member (Non-Independent Non-Executive)	4/4

## AIA PUBLIC TAKAFUL BHD.

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## DIRECTORS' REPORT (CONTINUED)

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Audit Committee

The Audit Committee ("AC") comprises three members as follows:

Dato' Mohammed Najeeb bin Abdullah	Chairman (Independent Non-Executive) (Appointed on 16.05.2016)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	Member (Independent Non-Executive) (Resigned on 16.05.2016)

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

The principal duties and responsibilities of AC are:

- (a) ensuring that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;
- (b) reviewing and concurring the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;
- (c) ensuring that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;
- (d) reviewing various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgment or independence in respect of the Company;
- (e) reviewing with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter for the audits;
- (f) reviewing with the external auditors the financial statements, audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;
- (g) ensuring that management's remediation efforts with respect to all findings and recommendations are resolved effectively and in a timely manner;
- (h) approving the provision of non-audit services by the external auditors and ensuring that the level of provision of non-audit services is compatible with maintaining auditor independence;
- (i) reviewing the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report;

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)**

Audit Committee (continued)

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

During the financial year, the AC held four 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>No. of attendance</u>
Dato' Mohammed Najeeb bin Abdullah (Appointed on 16.05.2016) Chairman (Independent Non-Executive)	3/3
Dato' Chang Kat Kiam Member (Non-Independent Non-Executive)	4/4
Mohd Daruis bin Zainuddin Member (Independent Non-Executive)	4/4
Dato' Haji Abdul Aziz bin Dato' Dr. Omar (Resigned on 16.05.2016) Chairman (Independent Non-Executive)	1/1

**(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 67 of the Act.

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

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(C) CORPORATE INDEPENDENCE**

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

**(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.

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 MFRS, IFRS and comply with the provisions of the Companies Act, 1965. 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.

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(H) AUDIT COMMITTEE

The Company's financial reporting and internal control system are overseen by the Audit Committee, which comprises two 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, BNM's guidelines, the Companies Act, 1965 and other regulations.

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 17 February 2017.



DATO' MOHAMMED NAJEEB BIN ABDULLAH  
DIRECTOR  
Kuala Lumpur, Malaysia



ANUSHA A/P THAVARAJAH  
DIRECTOR

Company No.

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AIA PUBLIC TAKAFUL BHD.  
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STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Mohammed Najeeb bin Abdullah and Anusha a/p Thavarajah, two of the Directors of AIA PUBLIC Takaful Bhd., state that, in the opinion of the Directors, the accompanying financial statements set out on pages 20 to 111 are drawn up so as to show a true and fair view of the state of affair of the Company as at 30 November 2016 and of the results and cash flows of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors passed on 17 February 2017.



DATO' MOHAMMED NAJEEB BIN ABDULLAH  
DIRECTOR  
Kuala Lumpur, Malaysia



ANUSHA A/P THAVARAJAH  
DIRECTOR



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

I, Sze Yuet Ping, the officer primarily responsible for the financial management of AIA PUBLIC Takaful Bhd., do solemnly and sincerely declare that the financial statements for the financial year ended 30 November 2016 set out on pages 20 to 111 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.



SZE YUET PING

Subscribed and solemnly declared by the above named Sze Yuet Ping at Kuala Lumpur in the Federal Territory on 17 February 2017.

Before me,

COMMISSIONER FOR OATHS



Tingkat 20 Ambank Group Building  
55 Jln. Raja Chulan, 50200 Kuala Lumpur

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## SHARIAH COMMITTEE'S REPORT

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

### SHARIAH COMMITTEE MEMBERS

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

<u>Name of Shariah Committee Members</u>		<u>No. of attendance</u>
Emeritus Prof. Dato' Paduka Dr. Mahmood Zuhdi Haji Ab. Majid	Chairman	9/9
Associate Prof. Dr. Abdul Bari Awang	Member	9/9
Assistant Prof. Dr. Mohd Afandi Awang Hamat	Member	9/9
Associate Prof. Datin Dr. Rusnah Muhamad	Member	9/9
Mohd Ridzuan Awang (retired w.e.f. 21 March 2016)	Member	1/2
Associate Prof. Dr. Mohamad Asmadi Abdullah (appointed w.e.f. 1 April 2016)	Member	6/6

### SHARIAH COMMITTEE'S REPORT

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 30 November 2016. We have also conducted our review to form an opinion as to whether the Company has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as decisions made by us.

The Management of the Company is responsible for ensuring that the Company conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Company, and to report to you.

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

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

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## AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

### SHARIAH COMMITTEE'S REPORT (CONTINUED)

In our opinion:

1. The products' structure and contracts offered, and the transactions and dealings entered into by the Company during the financial year ended 30 November 2016 that we have reviewed are in compliance with the Shariah principles;
2. The allocation of profit and/or charging of losses relating to various funds conform to the basis that had been approved by us in accordance with the Shariah principles;
3. The distribution of surplus arising from the Participants' Risk Fund (i.e. *Tabarru'* fund) conforms with the respective internal policies that had been approved by us;
4. The provision of loan from the Shareholders' Fund to certain Participants' Risk Fund to cover the deficit is in accordance with the principle of *al-qard al-hasan*;
5. The gain arising from disposal of reclassified shares has been earmarked for charitable activities in the next financial year for the purpose of purification;
6. Based on the periodical disclosure made by the Management and our perusal on the incidents that were identified and reported during this financial year, there is no Shariah non-compliant event noted; and
7. The Company is not in a position to pay *zakat* as yet for this financial year.

We, the members of the Shariah Committee of AIA PUBLIC Takaful Bhd do hereby confirm that the operations of the Company for the financial year ended 30 November 2016 have been conducted in conformity with the Shariah principles.

Signed for and on behalf of the Shariah Committee,

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

  
ASSISTANT PROF. DR. MOHD AFANDI AWANG HAMAT  
Member, Shariah Committee



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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIA PUBLIC Takaful Bhd. on pages 20 to 111 which comprise the statement of financial position as at 30 November 2016 of the Company, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 2 to 32.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of the 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 the 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 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 MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 935955-M)

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 Company as of 30 November 2016 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions 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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over the printed name.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Jayarajan A/L U. Rathinasamy', written over the printed name.

JAYARAJAN A/L U. RATHINASAMY  
02059/06/2018 J  
Chartered Accountant

Kuala Lumpur  
17 February 2017

Company No.

935955

M

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016**

	Note	2016		2015		
		Shareholders' fund RM'000	Family Takaful fund RM'000	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross earned contributions	3(a)	-	476,701	-	281,185	281,185
Contributions ceded to retakaful	3(b)	-	(7,473)	-	(6,232)	(6,232)
Net earned contributions			469,228		274,953	274,953
Investment income	4	2,890	17,574	3,350	12,311	15,661
Fees and commission income	5	163,670	20	101,108	4	4
Surplus sharing from Family Takaful funds		11,154	-	7,150	-	-
Fair value gains/ (losses)	6	406	(8,144)	446	(3,167)	(2,721)
Other operating income		1,101	450	2,641	428	3,069
Total revenue		179,221	479,128	114,695	284,529	290,966
Gross benefits and claims paid		-	(165,575)	-	(96,507)	(96,507)
Claims ceded to retakaful operator		-	8,281	-	7,030	7,030
Gross change to certificate liabilities		-	(150,100)	-	(83,544)	(83,544)
Change in takaful contract liabilities ceded to retakaful operator		-	-	-	-	-
Net benefits and claims		-	(307,394)	-	(173,021)	(173,021)

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

Company No.

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**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

	Note	2016		2015		
		Shareholders' fund RM'000	Family Takaful fund RM'000	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Fees and commission expenses	5	(100,171)	(163,670)	(56,326)	(101,108)	(56,326)
Surplus attributable to Takaful operator		-	(11,154)	-	(7,150)	-
Management expenses	7	(78,457)	-	(66,758)	-	(66,758)
Other operating expenses		7	(897)	(550)	(4,787)	(5,337)
Change to expense liability		760	-	(931)	-	(931)
Other expenses		(177,861)	(175,721)	(124,565)	(113,045)	(129,352)
Profit/ (loss) before taxation		1,360	(3,987)	(9,870)	(1,537)	(11,407)
Tax expense attributable to participants		-	(328)	-	(790)	(790)
Profit/ (loss) before taxation attributable to shareholders		1,360	(4,315)	(9,870)	(2,327)	(12,197)
Taxation	8	-	(328)	-	(790)	(790)
Tax expense attributable to participants		-	328	-	790	790
Tax expense attributable to shareholders	8	(4,387)	-	1,666	-	1,666
Net loss for the year		(3,027)	(4,315)	(8,204)	(2,327)	(10,531)
Loss per share (sen):						
Basic and diluted	20			(5.51)		(7.90)

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

Company No.

935955	M
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**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016**

	Note	2016		2015		
		Shareholders' fund RM'000	Family Takaful fund RM'000	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Net loss for the year		(3,027)	(4,315)	(8,204)	(2,327)	(10,531)
Other comprehensive income / (loss):						
<u>Items that may be subsequently reclassified to profit or loss</u>						
Fair value change of available-for-sale financial assets, net of tax		(330)	651	(503)	(100)	(603)
Change in takaful contract liabilities arising from unrealised net fair value changes	15	-	(326)	-	138	138
Other comprehensive (loss)/ income for the year		(330)	325	(503)	38	(465)
Total comprehensive loss for the year		(3,357)	(3,990)	(8,707)	(2,289)	(10,996)

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



Company No.

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**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 NOVEMBER 2016**

	Note	2016		2015		
		Shareholders' fund RM'000	Family Takaful fund RM'000	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>ASSETS</b>						
Property and equipment	9	895	-	794	-	794
Intangible assets	10	2,148	-	2,312	-	2,312
Financial assets - available-for-sale	11	54,060	10,505	53,560	32,973	86,533
Financial assets - fair value through profit or loss	11	7,939	420,063	7,873	283,070	290,943
Loan and receivables	12	3,050	66,272	530	59,151	59,681
Qard receivable		9,485	-	5,170	-	-
Other receivables	13	34,776	3,382	20,456	5,109	15,604
Retakaful assets	15	-	9,790	-	10,364	10,364
Takaful certificates receivables	14	-	15,799	-	21,783	21,783
Tax recoverables		1,747	(1,386)	-	-	-
Deferred tax assets	17	-	418	1,666	129	1,795
Cash and bank balances		17,534	68,877	31,090	26,284	57,374
<b>Total assets</b>		<b>131,634</b>	<b>593,720</b>	<b>123,451</b>	<b>438,863</b>	<b>547,183</b>
<b>EQUITY</b>						
Share capital		133,333	-	133,333	-	133,333
General reserves	19	(33,333)	-	(33,333)	-	(33,333)
Accumulated losses		(36,519)	(9,485)	(33,492)	(5,170)	(38,662)
Available-for-sale fair value reserves		(835)	(263)	(504)	(589)	(1,093)
<b>Total equity</b>		<b>62,646</b>	<b>(9,748)</b>	<b>66,004</b>	<b>(5,759)</b>	<b>60,245</b>

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

Company No.

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**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 NOVEMBER 2016 (CONTINUED)**

	Note	2016		2015	
		Shareholders' fund RM'000	Family Takaful fund RM'000	Shareholders' fund RM'000	Family Takaful fund RM'000
					Company RM'000
<b>LIABILITIES</b>					
Expense liabilities		10,005	-	10,765	-
Takaful contract liabilities	15	-	512,903	-	373,331
Takaful certificates payables	16	-	9,548	-	7,134
Qard payable		-	9,485	-	5,170
Other payables	18	58,983	71,532	46,428	58,515
Taxation		-	-	254	472
<b>Total liabilities</b>		<b>68,988</b>	<b>603,468</b>	<b>57,447</b>	<b>444,622</b>
<b>Total equity and liabilities</b>		<b>131,634</b>	<b>593,720</b>	<b>123,451</b>	<b>438,863</b>

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

Company No.

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**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016**

	Share capital RM'000	General reserves RM'000	Non- distributable available- for-sale fair value reserves RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 December 2015	133,333	(33,333)	(1,093)	(38,662)	60,245
Total comprehensive loss for the financial year	-	-	(5)	(7,342)	(7,347)
At 30 November 2016	<u>133,333</u>	<u>(33,333)</u>	<u>(1,098)</u>	<u>(46,004)</u>	<u>52,898</u>
At 1 December 2014	133,333	(33,333)	(628)	(28,131)	71,241
Total comprehensive loss for the financial year	-	-	(465)	(10,531)	(10,996)
At 30 November 2015	<u>133,333</u>	<u>(33,333)</u>	<u>(1,093)</u>	<u>(38,662)</u>	<u>60,245</u>

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

Company No.

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**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016**

	<u>2016</u> RM'000	<u>2015</u> RM'000
<b>Cash flows from operating activities</b>		
<b>Loss before taxation for the financial year</b>	(2,627)	(11,407)
Adjustments for:		
Depreciation of property and equipment	362	472
Amortisation of intangible assets	1,464	1,922
Net accretion of discounts on investments	323	301
Profit income	(17,845)	(13,817)
Dividend income	(2,942)	(2,145)
Fair value loss on FVTPL financial assets	7,922	3,012
Operating loss before working capital changes	<u>(13,343)</u>	<u>(21,662)</u>
Increase in loans and receivables	(9,440)	(8,820)
Decrease/(increase) in other receivables	5,492	(3,343)
Decrease in takaful certificates receivables	5,984	13,303
Increase in net takaful contract liabilities	139,572	83,390
Increase in takaful certificates payables	2,414	1,280
Increase in other payables	8,061	40,430
(Decrease)/increase in expenses liabilities	(760)	931
Increase in financial assets	(123,183)	(88,070)
<b>Cash (used in)/generated from operating activities</b>	14,797	17,439
Income tax paid	(4,425)	(517)
Profit income received	17,635	12,498
Dividend received	2,793	2,156
<b>Net cash generated from operating activities</b>	<u>30,800</u>	<u>31,576</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(463)	(236)
Purchase of intangible assets	(1,300)	(2,098)
<b>Net cash used in investing activities</b>	<u>(1,763)</u>	<u>(2,334)</u>

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

Company No.

935955	M
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AIA PUBLIC TAKAFUL BHD.  
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

	<u>2016</u> RM'000	<u>2015</u> RM'000
<b>Net increase in cash and cash equivalents</b>	29,037	29,242
<b>Cash and cash equivalents at the beginning of year</b>	57,374	28,132
<b>Cash and cash equivalents at the end of year</b>	<u>86,411</u>	<u>57,374</u>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances of:		
Shareholders' fund	17,534	31,090
Family Takaful fund	68,877	26,284
Company	<u>86,411</u>	<u>57,374</u>

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

Company No.

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AIA PUBLIC TAKAFUL BHD.  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016

### 1 CORPORATE INFORMATION

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

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

#### **Principal place of business**

Level 14, Menara AIA  
99 Jalan Ampang  
50450 Kuala Lumpur

#### **Registered office**

Level 29, Menara AIA  
99 Jalan Ampang  
50450 Kuala Lumpur

The ultimate holding company of the Company is AIA Group Limited, a Corporation incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 February 2017.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of Companies Act, 1965 in Malaysia.

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

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

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- (a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company’s financial year beginning on or after 1 December 2015

There are no new accounting standards, amendments to published standards and interpretations that are effective for the first time for the financial year beginning on 1 December 2015.

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

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

Financial year beginning on/after 1 December 2016

- Amendments to MFRS 101 ‘Presentation of Financial Statements - Disclosure Initiative’ (effective from 1 January 2016) provide clarifications on a number of issues, including:

Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

Disaggregation and subtotals – line items specified in MFRS/FRS 101 may need to be disaggregated where this is relevant to an understanding of the entity’s financial position or performance. There is also new guidance on the use of subtotals.

Notes – confirmation that the notes do not need to be presented in a particular order.

Other Comprehensive Income (“OCI”) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of OCI.

- Annual Improvements to MFRSs 2012 – 2014 Cycle
  - Amendments to MFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”
  - MFRS 7 “Financial Instruments: Disclosures”, MFRS 119 “Employee Benefits”
  - MFRS 134 “Interim Financial Reporting”

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Financial year beginning on/after 1 December 2017

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary differences on assets carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

Financial year beginning on/after 1 December 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 MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and 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.



AIA PUBLIC TAKAFUL BHD.  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Financial year beginning on/after 1 December 2018 (continued)

MFRS 9 introduces an 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.

MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few. As with any new standard, there are also increased disclosures.

## AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 2.1 Basis of preparation (continued)

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

Financial year beginning on/after 1 December 2019

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company 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 Company has not finalised any impact on the financial statements on 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 2016 are not relevant to the Company.

## 2.2 Shareholder fund and its Takaful fund

The Company's financial statements reflects the financial position and results of the Shareholder's fund ("SHF") and Takaful fund presented as a single economic entity for the respective financial years disclosed. Interfund balances and transactions are eliminated in arriving at the Company's financial statements.

The inclusion of separate financial information of the Takaful fund and the SHF together with the financial information of the Company as a whole in the statement of financial position, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of Bank Negara Malaysia Guideline BNM/RH/GL 004-06: Guidelines on Financial Reporting for SHF to separate assets, liabilities, income and expenses of the Takaful fund from its own. The accounting policies adopted for the SHF and Takaful funds are uniform for like transactions and events in similar circumstances.

## AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 2.3 Summary of significant accounting policies

## (a) Property and equipment and depreciation

Property 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred. The cost of major renovations is included in work in progress and will be transferred once it is complete when it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the Company.

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

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 profit or loss of the respective funds.

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, summarised as follows:

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

## (b) Impairment of Non-Financial Assets

Property and equipment and other non-financial assets 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 net selling price and 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 profit or loss. 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 profit or loss of the respective funds immediately.

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

2.3 Summary of significant accounting policies (continued)

(c) Financial Instruments

The Company classifies its financial assets into financial assets at fair value through profit or loss ("FVTPL"), loans and other receivables ("LAR") and available-for-sale financial assets ("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 and re-evaluates this at every reporting date.

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

FVTPL

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

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

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

Financial assets at FVTPL are initially recorded at fair value. Subsequent to initial recognition, financial assets at FVTPL are re-measured at fair value. Fair value adjustments and realised gain and losses on de-recognition are recognised in profit or loss of the respective funds. Transaction costs in respect of financial assets at FVTPL are expensed as they are incurred.

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

LAR

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(c) Financial Instruments (continued)

LAR (continued)

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

AFS

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

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

Profit income from debt securities classified as AFS is recognised in profit or loss of the respective funds 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 available for sale investments, such as debt securities, and impairment of AFS financial assets are recognised in profit or loss of the respective funds.

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

On derecognition, the cumulative fair value gains and losses previously reported in equity are transferred to profit or loss of the respective funds.

Financial Liabilities

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

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

2.3 Summary of significant accounting policies (continued)

(d) Fair value of Financial Instruments

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

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

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

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit / placement and accrued profit. The fair value of fixed profit / yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value of a financial asset cannot be measured reliably, the asset is measured at cost, being the fair value of the consideration paid for the acquisition of the asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(e) Impairment of Financial Instruments

General

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

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

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- 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 Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

2.3 Summary of significant accounting policies (continued)

(e) Impairment of Financial Instruments (continued)

Financial Assets Carried at Amortised Cost

For assets carried at amortised cost, impairment is considered to have taken place if it is probable that the Company will not be able to collect principal and/or profit due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to profit or loss of the respective funds. 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 profit or loss of the respective fund.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss of the respective funds, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognised in 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 profit or loss. The Company generally considers an AFS debt security for evidence of impairment when it is identified as credit impaired. In the absence of any other evidence of credit impairment, a debt security would be assessed for impairment when there is a significant decline in fair value.

If the fair value of a debt instrument classified as AFS increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss of the SHF.

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

(f) Derecognition of Financial Assets

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



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

2.3 Summary of significant accounting policies (continued)

(g) Equity Instruments

Ordinary Share Capital

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

Dividends on Ordinary Share Capital

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the date of Statement of Financial Position. A dividend proposed or declared after the date of Statement of Financial Position, but before the financial statements are authorised for issue, is not recognised as a liability at the date of Statement of Financial Position but as an appropriation from retained earnings to a "proposed dividend reserve". Upon the dividend becoming payable, it will be accounted for as a liability.

(h) Product Classification

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

Investment contracts are those contracts without significant Takaful risk.

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

Certain contracts has discretionary participating features ("DPF") which are distinct from other Takaful and investment contracts as the Company has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or surplus sharing:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(h) Product Classification (continued)

- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the Income Statement of the Company, fund or other entity that issues the contract.

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

(i) Family Takaful contracts

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

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

Any actuarial deficit in the Family Takaful risk fund will be made good by the SHF via a benevolent loan or Qard. Actuarial deficit arising during the financial year is reported as loss in the separate financial statements of Family Takaful fund and the Company.

Gross contribution

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

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

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

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

2.3 Summary of significant accounting policies (continued)

(i) Family Takaful contracts (continued)

Management Expenses, Commission Expenses and Wakalah Fees

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

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

Benefits and Claims

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

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

- (i) maturity or other 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) benefit payable under Investment-linked business include net cancellation of units are recognised as surrender; and
- (iv) share of surplus on Family Takaful risk upon its declaration.

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

2.3 Summary of significant accounting policies (continued)

(i) Family Takaful contracts (continued)

Family Takaful Contracts Liabilities

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

(i) Claims liabilities

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

(ii) Actuarial liabilities

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

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

Actuarial liabilities are valued, where appropriate by using a prospective actuarial valuation based on the sum of the present value of future gross benefits, less the present value of future gross tabarru arising from the 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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(i) Family Takaful contracts (continued)

Family Takaful Contracts Liabilities (continued)

(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) AFS fair value adjustment

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

(v) Unallocated surplus

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

(j) Retakaful contracts

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

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

Fee income derived from retakaful operators in the course of retakaful are credited to profit or loss of Takaful fund in the financial year in which they are earned.

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

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

2.3 Summary of significant accounting policies (continued)

(j) Retakaful contracts (continued)

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

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

(k) Takaful receivables

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

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

(l) Other financial liabilities and Takaful payables

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

(m) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of Statement of Financial Position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(n) 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 purpose. The Company classifies the cash flows for the purchase and disposal of investment in financial asset in its operating cash flows as the purchases are funded from the cash flows associated with the origination of Takaful contracts, net of the cash flows for payments of Takaful benefits and claims benefits.

(o) Employee benefits

(i) Short term benefits

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

(ii) Post retirement benefit obligations

Defined Contribution Plans

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

(p) Foreign currency

(i) Functional and presentation currency

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

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

2.3 Summary of significant accounting policies (continued)

(p) Foreign currency (continued)

(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 profit or loss of respective funds.

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

(q) Taxation

Income tax on profit or loss 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 Statement of Financial Position.

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of Statement of Financial Position. Deferred tax is recognised in profit or loss of the respective funds, except when it arises from a transaction which is recognised directly in equity.

(r) Other revenue recognition

Gains and losses on disposal of investments are arrived at after accounting for cost of investments and credited or charged to profit or loss of the respective funds. Cost is determined by specific identification.



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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(s) Measurement and impairment of Qard

Any deficit in the Takaful risk fund will be made good via a benevolent loan, or Qard, granted by the Shareholders' fund to the Takaful risk fund. Qard shall be repaid from future surplus of the Takaful risk fund.

Qard is accounted for as receivable and payable in the financial information of the Shareholders' fund and Takaful fund respectively. Qard receivable is stated at cost and as of date of the Statement of Financial Position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable in the near term. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.3(b) on impairment of non-financial assets.

(t) Intangible assets

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

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

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

Amortisation is charged to the profit or loss.

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(t) Intangible assets (continued)

(i) Software development in progress

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

(ii) Computer software and licences

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

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

(u) Balances with related company

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

(v) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating leases - company as lessee

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(w) Zakat

This represents an obligatory amount payable by the Company to comply with the principles of Shariah. As approved by the Shariah Committee, the method to calculate *zakat* for the Company is based on the Company's profit before tax. Due to the loss before tax position of the Company, there is no *zakat* obligation on the Company for this financial year.

2.4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Judgments made in applying accounting policies

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

(b) Key source of estimation uncertainty

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

Actuarial liabilities of Family Takaful contracts

The estimation of the actuary liabilities of Family Takaful is made in accordance with the guidelines issued by BNM.

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

For Family Takaful fund, the cash flow reserves were set up using a discounted cash flow method, with sufficient Provision of Risk Margin for Adverse Deviation ("PRAD"), to ensure that any future negative cash flow resulting from insufficiency of tabarru charges to meet expected Family Takaful contract benefits are eliminated.

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- 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- 2.4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)
- (b) Key source of estimation uncertainty (continued)

Uncertainty in accounting estimates for Shareholders' Fund expense liabilities

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

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

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

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

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

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

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3 NET EARNED CONTRIBUTIONS

	<u>2016</u> RM'000	<u>2015</u> RM'000
<u>Family Takaful fund</u>		
(a) Gross contributions: Takaful contracts	476,701	281,185
(b) Contributions ceded: Takaful contracts	(7,473)	(6,232)
Net earned contributions	<u>469,228</u>	<u>274,953</u>

4 INVESTMENT INCOME

	<u>Shareholders'</u> <u>fund</u> RM'000	<u>Family</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Company</u> RM'000
<u>2016</u>			
Financial assets - available-for-sale ("AFS"):			
Profit income	2,348	1,018	3,366
Net amortisation of premiums on investments	(56)	(52)	(108)
Financial assets - fair value through profit or loss ("FVTPL"):			
Profit income	-	12,104	12,104
Net amortisation of premiums on investments	-	(215)	(215)
Dividend income	432	2,510	2,942
Loans and receivables:			
Profit income	166	2,209	2,375
	<u>2,890</u>	<u>17,574</u>	<u>20,464</u>

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4 INVESTMENT INCOME (CONTINUED)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2015</u>			
Financial assets - available-for-sale ("AFS"):			
Profit income	3,107	1,429	4,536
Net amortisation of premiums on investments	(80)	(80)	(160)
Financial assets - fair value through profit or loss ("FVTPL"):			
Profit income	-	7,400	7,400
Net amortisation of premiums on investments	-	(141)	(141)
Dividend income	215	1,930	2,145
Loans and receivables:			
Profit income	108	1,773	1,881
	<u>3,350</u>	<u>12,311</u>	<u>15,661</u>

5 FEES AND COMMISSION INCOME/(EXPENSES)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>			
Fees and commission income			
Wakalah fees income	160,462	-	-
Certificate fees	3,208	-	-
Commission earned on retakaful contract	-	20	20
	<u>163,670</u>	<u>20</u>	<u>20</u>
Fees and commission expense			
Commission paid to agents	(100,171)	-	(100,171)
Wakalah fees expense	-	(160,462)	-
Certificate fees	-	(3,208)	-
	<u>(100,171)</u>	<u>(163,670)</u>	<u>(100,171)</u>

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5 FEES AND COMMISSION INCOME/ (EXPENSES) (CONTINUED)

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>2015</u>			
Fees and commission income			
Wakalah fees income	100,431	-	-
Certificate fees	677	-	-
Commission earned on retakaful contract	-	4	4
	<u>101,108</u>	<u>4</u>	<u>4</u>
Fees and commission expense			
Commission paid to agents	(56,326)	-	(56,326)
Wakalah fees expense	-	(100,431)	-
Certificate fees	-	(677)	-
	<u>(56,326)</u>	<u>(101,108)</u>	<u>(56,326)</u>

6 FAIR VALUE GAINS/ (LOSSES)

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>2016</u>			
FVTPL – designated upon initial recognition			
- realised	339	(155)	184
- unrealised	67	(7,989)	(7,922)
	<u>406</u>	<u>(8,144)</u>	<u>(7,738)</u>
<u>2015</u>			
FVTPL – designated upon initial recognition			
- realised	73	218	291
- unrealised	373	(3,385)	(3,012)
	<u>446</u>	<u>(3,167)</u>	<u>(2,721)</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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7 **MANAGEMENT EXPENSES**

	<u>2016</u> RM'000	<u>2015</u> RM'000
<b>Shareholders' fund/Company</b>		
Employee benefits expense (Note 7(a))	12,814	10,832
Directors' remuneration (Note 7(b))	428	419
Auditors' remuneration		
- statutory audit	290	295
- prior year audit	35	-
Management fees	26,290	18,629
Office rental	976	1,021
Depreciation of property and equipment	361	472
Amortisation of intangible assets	1,464	1,922
Travelling expenses	211	292
Advertisement and promotion	587	1,811
Professional and legal fees	2,292	1,749
Market training expenses	90	126
Printing and stationeries	838	769
Repair and maintenance	94	163
Integration cost	-	20
Marketing expenses	21,854	22,804
IT, communication and postage expenses	2,217	706
Other expenses	7,616	4,728
	<u>78,457</u>	<u>66,758</u>
(a) Employee benefits expense		
Salaries, bonus and other related costs	11,069	9,343
Pension costs – EPF	1,745	1,489
	<u>12,814</u>	<u>10,832</u>

(b) **Directors' remuneration**

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

	<u>2016</u> RM'000	<u>2015</u> RM'000
Fees	367	360
Allowances	61	59
	<u>428</u>	<u>419</u>



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**7 MANAGEMENT EXPENSES (CONTINUED)**

(b) Directors' remuneration (continued)

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

	<u>2016</u>	<u>2015</u>
<b>Number of directors</b>		
<b>Non-executive directors</b>		
RM20,001 - RM100,000	3	2
RM100,001 – RM200,000	2	2
	<u>          </u>	<u>          </u>

(c) Chief executive officer's remuneration

	<u>2016</u> RM'000	<u>2015</u> RM'000
Salaries, bonus and other related costs	1,056	852
Pension costs - EPF	165	130
	<u>          </u>	<u>          </u>
	<u>1,221</u>	<u>982</u>

**8 TAXATION**

	<u>Shareholders'</u> <u>fund</u> RM'000	<u>Family</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Company</u> RM'000
<u>2016</u>			
Tax expense:			
- current	2,721	914	3,635
- over provision in prior financial year	-	(297)	(297)
- deferred (Note 17)	1,666	(289)	1,377
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>4,387</u>	<u>328</u>	<u>4,715</u>
 <u>2015</u>			
Tax expense:			
- current	-	768	768
- under provision in prior financial year	-	111	111
- deferred (Note 17)	(1,666)	(89)	(1,755)
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>(1,666)</u>	<u>790</u>	<u>(876)</u>

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**8 TAXATION (CONTINUED)**

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

<b>Company</b>	<u>2016</u> RM'000	<u>2015</u> RM'000
Loss before taxation	(2,627)	(11,407)
Taxation at Malaysian statutory tax rate of 24%	(630)	(2,852)
Impact of tax expense on investment income attributable to participants	2,812	2,093
Expenses not deductible for tax purposes	43,498	23,589
Income not subject to tax	(38,833)	(25,612)
(Over)/under provision of tax expense in prior financial years	(297)	111
Other temporary differences not recognised in prior years	(1,835)	1,795
Tax expense for the financial year	<u>4,715</u>	<u>(876)</u>

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**9 PROPERTY AND EQUIPMENT**

**Shareholders' fund/Company**

**Cost**

At 1 December 2015  
Additions

At 30 November 2016

**Accumulated depreciation**

At 1 December 2015  
Depreciation charge for the year

At 30 November 2016

**Net carrying amount**

At 30 November 2016

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
At 1 December 2015	1,382	839	140	733	3,094
Additions	131	-	-	332	463
At 30 November 2016	1,513	839	140	1,065	3,557
At 1 December 2015	1,315	399	140	446	2,300
Depreciation charge for the year	61	159	-	142	362
At 30 November 2016	1,376	558	140	588	2,662
At 30 November 2016	137	281	-	477	895

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**9 PROPERTY AND EQUIPMENT (CONTINUED)**

**Shareholders' fund/Company**

<b>Cost</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Renovation RM'000</b>	<b>Total RM'000</b>
At 1 December 2014	1,346	992	140	733	3,211
Additions	36	200	-	-	236
Disposals	-	(353)	-	-	(353)
At 30 November 2015	1,382	839	140	733	3,094
<b>Accumulated depreciation</b>					
At 1 December 2014	1,135	283	128	308	1,854
Depreciation charge for the year	180	142	12	138	472
Disposals	-	(26)	-	-	(26)
At 30 November 2015	1,315	399	140	446	2,300
<b>Net carrying amount</b>					
At 30 November 2015	67	440	-	287	794

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

10 INTANGIBLE ASSETS

	Computer software and licenses <u>RM'000</u>
<b>Shareholders' fund/Company</b>	
<b>Cost</b>	
At 1 December 2015	9,150
Additions	1,300
	<u>10,450</u>
At 30 November 2016	<u>10,450</u>
<b>Accumulated amortisation</b>	
At 1 December 2015	6,838
Amortisation charge for the financial year	1,464
	<u>8,302</u>
At 30 November 2016	<u>8,302</u>
<b>Net carrying amount</b>	
At 30 November 2016	<u>2,148</u>
<b>Cost</b>	
At 1 December 2014	7,052
Additions	2,098
	<u>9,150</u>
At 30 November 2015	<u>9,150</u>
<b>Accumulated amortisation</b>	
At 1 December 2014	4,916
Amortisation charge for the financial year	1,922
	<u>6,838</u>
At 30 November 2015	<u>6,838</u>
<b>Net carrying amount</b>	
At 30 November 2015	<u>2,312</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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11 FINANCIAL ASSETS

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

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>			
Financial assets - available-for-sale (AFS):			
Government investment issues	23,089	2,360	25,449
Unquoted corporate sukus	30,269	8,042	38,311
Accrued profit	702	103	805
	<u>54,060</u>	<u>10,505</u>	<u>64,565</u>
Financial assets at FVTPL:			
Government investment issues	-	50,271	50,271
Unquoted corporate sukus	7,939	262,536	270,475
Shariah approved shares	-	96,044	96,044
Shariah approved unit trusts	-	6,755	6,755
Accrued profit	-	4,457	4,457
	<u>7,939</u>	<u>420,063</u>	<u>428,002</u>
<u>2015</u>			
Financial assets - available-for-sale (AFS):			
Government investment issues	27,897	23,181	51,078
Unquoted corporate sukus	25,178	9,603	34,781
Accrued profit	485	189	674
	<u>53,560</u>	<u>32,973</u>	<u>86,533</u>
Financial assets at FVTPL:			
Government investment issues	-	51,945	51,945
Unquoted corporate sukus	7,873	163,995	171,868
Shariah approved shares	-	59,561	59,561
Shariah approved unit trusts	-	4,849	4,849
Accrued profit	-	2,720	2,720
	<u>7,873</u>	<u>283,070</u>	<u>290,943</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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11 FINANCIAL ASSETS (CONTINUED)

(b) Movement in carrying values

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>AFS</u>			
At 1 December 2014	68,503	45,107	113,610
Purchases	21,989	-	21,989
Disposals at amortised cost	(37,481)	(11,926)	(49,407)
Fair value losses recorded in:			
Other comprehensive income	503	(39)	464
Amortisation of premiums – net	(80)	(80)	(160)
Movement of investment income due and accrued	126	(89)	37
At 30 November 2015	<u>53,560</u>	<u>32,973</u>	<u>86,533</u>
Purchases	15,639	-	15,639
Disposals at amortised cost	(15,630)	(22,005)	(37,635)
Fair value losses recorded in:			
Other comprehensive income	330	(325)	5
Amortisation of premiums – net	(56)	(52)	(108)
Movement of investment income due and accrued	217	(86)	131
At 30 November 2016	<u>54,060</u>	<u>10,505</u>	<u>64,565</u>

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11 FINANCIAL ASSETS (CONTINUED)

(b) Movement in carrying values (continued)

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>FVTPL</u>			
At 1 December 2014	-	178,297	178,297
Purchases	7,500	157,134	164,634
Disposals at amortised cost	-	(52,529)	(52,529)
Fair value gains recorded in:			
Profit or loss	51	(941)	(890)
Accretion at discounts – net	322	(141)	181
Movement of investment income due and accrued	-	1,250	1,250
At 30 November 2015	<u>7,873</u>	<u>283,070</u>	<u>290,943</u>
Purchases	-	246,452	246,452
Disposals at amortised cost	-	(67,399)	(67,399)
Fair value gains recorded in:			
Profit or loss	66	(43,582)	(43,516)
Accretion at discounts – net	-	(215)	(215)
Movement of investment income due and accrued	-	1,737	1,737
At 30 November 2016	<u>7,939</u>	<u>420,063</u>	<u>428,002</u>



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11 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy

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

	<u>2016</u> RM'000	<u>2015</u> RM'000
<u>AFS</u>		
SHF		
Valuation techniques – market observable inputs (Level 2)	54,060	53,560
	<hr/>	<hr/>
Family Takaful fund		
Valuation techniques – market observable inputs (Level 2)	10,505	32,973
	<hr/>	<hr/>
Company		
Valuation techniques – market observable inputs (Level 2)	64,565	86,533
	<hr/>	<hr/>
<u>FVTPL</u>		
SHF		
Valuation techniques – market observable inputs (Level 2)	7,939	7,873
	<hr/>	<hr/>
Family Takaful fund		
Quoted market price (Level 1)	102,819	61,140
Valuation techniques – market observable inputs (Level 2)	317,244	221,930
	<hr/>	<hr/>
	420,063	283,070
	<hr/>	<hr/>

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11 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>2016</u> RM'000	<u>2015</u> RM'000
<u>FVTPL</u>		
Company		
Quoted market price (Level 1)	102,819	61,140
Valuation techniques – market observable inputs (Level 2)	325,183	221,930
	<u>428,002</u>	<u>290,943</u>

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

Level 1:

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

Level 2:

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

Level 3:

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

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NOTES TO THE FINANCIAL STATEMENTS  
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11 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

Interests in structured entities

The Company has determined that the investment funds, such as mutual funds that the Company has interest are structured entities.

The following table summarises the Company's interest in unconsolidated structured entities as at 30 November 2016:

	Investment Funds(1) RM'000
Equity securities at fair value through profit or loss	6,755
Total	<u>6,755</u>

*Notes*

(1) *Balance represents the Company interests in mutual funds.*

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

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12 LOAN AND RECEIVABLES

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2016</u>			
Loans and receivables:			
Islamic investment accounts	3,020	65,940	68,960
Accrued profit	30	332	362
	<u>3,050</u>	<u>66,272</u>	<u>69,322</u>
<u>2015</u>			
Loans and receivables:			
Islamic investment accounts	530	58,990	59,520
Accrued profit	-	161	161
	<u>530</u>	<u>59,151</u>	<u>59,681</u>

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

	Shareholders' fund <u>%</u>	Family Takaful fund <u>%</u>	<u>Company</u> <u>%</u>
<u>2016</u>			
Loans and receivables:			
Islamic investment accounts	3.50	3.50	3.50
	<u>3.50</u>	<u>3.50</u>	<u>3.50</u>
<u>2015</u>			
Loans and receivables:			
Islamic investment accounts	3.40	3.78	3.78
	<u>3.40</u>	<u>3.78</u>	<u>3.78</u>

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13 OTHER RECEIVABLES

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

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2016</u>			
Due from Family Takaful fund (Note 18)	27,472	-	-
Due from fellow subsidiaries	219	-	219
Other receivables and deposits	7,085	3,382	10,467
	<u>34,776</u>	<u>3,382</u>	<u>10,686</u>
<u>2015</u>			
Due from Family Takaful fund (Note 18)	9,961	-	-
Other receivables and deposits	10,495	5,109	15,604
	<u>20,456</u>	<u>5,109</u>	<u>15,604</u>

14 TAKAFUL CERTIFICATES RECEIVABLES

	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>
<u>Family Takaful fund/Company</u>		
Outstanding contribution	15,799	21,783
Amount due from retakaful operator	-	-
	<u>15,799</u>	<u>21,783</u>
Net amount of financial assets presented in the statement of financial position	<u>15,799</u>	<u>21,783</u>

There are no financial liabilities subjected to an enforceable master netting arrangement or similar agreement, financial instrument received as collateral, nor any cash collateral pledged or received as at 30 November 2016 (2015 : Nil).

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15 TAKAFUL CONTRACT LIABILITIES

Family Takaful fund/Company

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>2016</u>			
Participants' Risk Fund			
Claims liabilities	25,170	(8,780)	16,390
Actuarial liabilities	113,358	(1,010)	112,348
Net asset value attributable to certificate holders	324,783	-	324,783
AFS fair value adjustment	(263)	-	(263)
Underwriting profit attributable to participants	10,000	-	10,000
Unallocated surplus	39,855	-	39,855
	<u>512,903</u>	<u>(9,790)</u>	<u>503,113</u>
<u>2015</u>			
Participants' Risk Fund			
Claims liabilities	18,714	(4,438)	14,276
Actuarial liabilities	110,618	(5,926)	104,692
Net asset value attributable to certificate holders	197,556	-	197,556
AFS fair value adjustment	(589)	-	(589)
Underwriting profit attributable to participants	6,408	-	6,408
Unallocated surplus	40,624	-	40,624
	<u>373,331</u>	<u>(10,364)</u>	<u>362,967</u>

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15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

<u>Family Takaful fund/Company</u>	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>2016</u>			
Movement of Takaful contract liabilities:			
At 1 December 2015	373,331	(10,364)	362,967
Increase in claims liabilities	6,456	(4,342)	2,114
Policy movement	2,740	4,916	7,656
Increase in net asset value attributable to certificate holders	127,227	-	127,227
Decrease in AFS fair value adjustment	326	-	326
Increase in underwriting profit distributable to participants	3,592	-	3,592
Unallocated surplus	(769)	-	(769)
At 30 November 2016	<u>512,903</u>	<u>(9,790)</u>	<u>503,113</u>
<u>2015</u>			
Movement of Takaful contract liabilities:			
At 1 December 2014	289,941	(2,442)	287,499
Increase in claims liabilities	10,222	(1,996)	8,226
Policy movement	(1,961)	(5,926)	(7,887)
Increase in net asset value attributable to certificate holders	61,914	-	61,914
Decrease in AFS fair value adjustment	(138)	-	(138)
Increase in underwriting profit distributable to participants	4,404	-	4,404
Unallocated surplus	8,949	-	8,949
At 30 November 2015	<u>373,331</u>	<u>(10,364)</u>	<u>362,967</u>

16 TAKAFUL CERTIFICATES PAYABLES

<u>Family Takaful fund/Company</u>	<u>2016</u> RM'000	<u>2015</u> RM'000
Amount due to retakaful	3,547	1,124
Amount due to participants	325	320
Deposit contribution	5,676	5,690
	<u>9,548</u>	<u>7,134</u>

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17 DEFERRED TAX ASSETS

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>As at 30 November 2016</u>			
Presented after appropriate offsetting as follows;			
Deferred tax assets	-	418	418
	<u>          </u>	<u>          </u>	<u>          </u>
<u>As at 30 November 2015</u>			
Presented after appropriate offsetting as follows:			
Deferred tax assets	1,666	129	1,795
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Company</u>	Unutilised business losses RM'000	Available-for sale fair value reserves RM'000	Total RM'000
<u>As at 30 November 2016</u>			
Deferred tax assets at 1 December 2015	1,666	129	1,795
Recognised in:			
Income Statement (Note 8)	(1,666)	289	(1,377)
	<u>          </u>	<u>          </u>	<u>          </u>
Deferred tax assets at 30 November 2016	-	418	418
	<u>          </u>	<u>          </u>	<u>          </u>
<u>As at 30 November 2015</u>			
Deferred tax assets at 1 December 2014	-	41	41
Recognised in:			
Income Statement (Note 8)	1,666	88	1,754
	<u>          </u>	<u>          </u>	<u>          </u>
Deferred tax assets at 30 November 2015	1,666	129	1,795
	<u>          </u>	<u>          </u>	<u>          </u>



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18 OTHER PAYABLES

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>30.11.2016</u>			
Sundry payables	10,473	24,525	34,998
Accruals and provisions	13,150	19,282	32,432
Due to shareholders' fund (Note 13)	-	27,472	-
Due to fellow subsidiaries	35,360	253	35,613
	<u>58,983</u>	<u>71,532</u>	<u>103,043</u>
<u>30.11.2015</u>			
Sundry payables	2,837	29,144	31,981
Accruals and provisions	13,942	19,070	33,012
Due to shareholders' fund (Note 13)	-	9,961	-
Due to fellow subsidiaries	29,649	340	29,989
	<u>46,428</u>	<u>58,515</u>	<u>94,982</u>

19 SHARE CAPITAL

	<u>30.11.2016</u>		<u>30.11.2015</u>	
	No. of shares ( '000)	Amount RM'000	No. of shares ( '000)	Amount RM'000
<b>Authorised:</b>				
Ordinary shares of RM1 each at the beginning of financial year	200,000	200,000	200,000	200,000
Issuance of new ordinary shares of RM1 each during the financial year	-	-	-	-
Ordinary shares of RM1 each at the end of financial year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
<b>Issued and paid-up:</b>				
Ordinary shares of RM1 each at the beginning of financial year	133,333	133,333	133,333	133,333
Issued during the financial year	-	-	-	-
Ordinary shares of RM1 each at the end of financial year	<u>133,333</u>	<u>133,333</u>	<u>133,333</u>	<u>133,333</u>

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20 LOSS PER SHARE

	<u>2016</u> RM'000	<u>2015</u> RM'000
Loss attributable to the Company	(7,342)	(10,531)
Weighted average number of shares in issue during the financial year	133,333	133,333
Basic loss per share (sen)	(5.51)	(7.90)

21 SEGMENTAL INFORMATION ON CASH FLOW

	<u>Shareholders'</u> <u>fund</u> RM'000	<u>Family</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Company</u> RM'000
<u>30.11.2016</u>			
Net cash flows generated from/(used in):			
Operating activities	(11,793)	42,593	30,800
Investing activities	(1,763)	-	(1,763)
	<u>(13,556)</u>	<u>42,593</u>	<u>29,037</u>
Net increase in cash and cash equivalents	(13,556)	42,593	29,037
At 1 December 2015	<u>31,090</u>	<u>26,284</u>	<u>57,374</u>
As 30 November 2016	<u><u>17,534</u></u>	<u><u>68,877</u></u>	<u><u>86,411</u></u>
<u>30.11.2015</u>			
Net cash flows generated from/(used in):			
Operating activities	31,903	(327)	31,576
Investing activities	(2,334)	-	(2,334)
	<u>29,569</u>	<u>(327)</u>	<u>29,242</u>
Net increase in cash and cash equivalents	29,569	(327)	29,242
At 1 December 2014	<u>1,521</u>	<u>26,611</u>	<u>28,132</u>
As 30 November 2015	<u><u>31,090</u></u>	<u><u>26,284</u></u>	<u><u>57,374</u></u>

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22 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 November 2016, as prescribed under RBC Framework.

Company	<u>2016</u> RM'000	<u>2015</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	133,333	133,333
Accumulated losses	(36,519)	(33,492)
Valuation surplus maintained in the Takaful funds	34,220	38,751
	<u>131,034</u>	<u>138,592</u>
<u>Tier 2 Capital</u>		
General reserves	(33,333)	(33,333)
Available for sale reserves	(1,098)	(1,093)
Qard Hassan	9,485	5,170
Total capital available	<u>(24,946)</u>	<u>(29,256)</u>
Amount deducted from capital	11,632	5,169
Total Capital Available	<u><u>94,456</u></u>	<u><u>104,322</u></u>

23 CAPITAL COMMITMENTS

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

	<u>2016</u> RM'000	<u>2015</u> RM'000
Capital expenditure:		
Approved and contracted for:		
Intangible assets	193	2,099
	<u><u>193</u></u>	<u><u>2,099</u></u>

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24 OPERATING LEASE ARRANGEMENTS

The Company as lessee

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

Future minimum lease rental payments:

	<u>2016</u> RM'000	<u>2015</u> RM'000
<u>Shareholders' fund</u>		
Rental of office premises:		
Not later than 1 year	363	878
Later than 1 year and not later than 5 years	28	402
	<u>391</u>	<u>1,280</u>

25 RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company, and certain members of senior management of the Company.

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25 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances

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

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<b>Significant transactions with related parties during the financial year:</b>			
<u>30.11.2016</u>			
<b>Expenses/(income):</b>			
AIA Bhd. (a fellow subsidiary)			
Outsourcing fees	26,083	-	26,083
Rental of office premises	684	-	684
AIA Health Services Sdn Bhd (a fellow subsidiary)			
Outsourcing fees	2,815	-	2,815
AIA Shared Services Sdn Bhd (a fellow subsidiary)			
Outsourcing fees	272	-	272
Public Islamic Bank Berhad (a corporate shareholder)			
Fee and commission expenses	12,263	-	12,263
Profit from placement of funds	(197)	-	(197)

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25 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances (continued)

	Shareholders' <u>fund</u> RM'000	Family Takaful <u>fund</u> RM'000	<u>Company</u> RM'000
<u>30.11.2015</u>			
<b>Expenses/(income):</b>			
AIA Bhd. (a fellow subsidiary)			
Outsourcing fees	15,388	-	15,388
Rental of office premises	692	-	692
Group Insurance (reversal)	(2)	-	(2)
TM Campaign (internal call center)	2,948	-	2,948
Print & computer supplies	21	-	21
AIA Health Services Sdn Bhd (a fellow subsidiary)			
Outsourcing fees	286	-	286
AIA Shared Services Sdn Bhd (a fellow subsidiary)			
Outsourcing fees	270	-	270
Public Islamic Bank Berhad (a corporate shareholder)			
Fee and commission expenses	6,345	-	6,345
Public Mutual Berhad (a related company of corporate shareholder)			
Fee and commission expenses	9	-	9

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25 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances (continued)

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<b>Balances with related parties at financial year end:</b>			
<u>30.11.2016</u>			
<b>(Payables)/receivables:</b>			
AIA Bhd.			
Amount due to a fellow subsidiary	(27,894)	-	(27,894)
AIA Health Services Sdn Bhd			
Amount due to a fellow subsidiary	(7,363)	(10)	(7,373)
Green Health Certification Berhad			
Amount due from/(to) a fellow subsidiary	219	(243)	(24)
AIA Shared Services Sdn Bhd			
Amount due to a fellow subsidiary	(103)	-	(103)
Public Islamic Bank Berhad (a corporate shareholder)			
Cash and bank balances	14,345	25,428	39,773
Islamic investment accounts	-	9,520	9,520
<u>30.11.2015</u>			
<b>(Payables)/receivables:</b>			
AIA Bhd.			
Amount due to a fellow subsidiary	(24,359)	-	(24,359)
AIA Health Services Sdn Bhd			
Amount due to a fellow subsidiary	(5,153)	-	(5,153)
Green Health Certification Berhad			
Amount due from a fellow subsidiary	6,108	340	6,448
AIA Shared Services Sdn Bhd			
Amount due to a fellow subsidiary	(244)	-	(244)
Public Islamic Bank Berhad (a corporate shareholder)			
Cash and bank balances	26,556	-	26,556

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25 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

	<u>2016</u> RM'000	<u>2015</u> RM'000
Non-executive directors' remuneration		
Fees (Note 7 (b))	367	360
Allowances (Note 7 (b))	61	59
Chief executive officer's remuneration (Note 7(c))	1,221	982
Other key management personnel:		
Salaries, bonus & other related cost	1,989	1,337
Pension costs – EPF	319	224
Allowances	92	82
	<u>4,049</u>	<u>3,044</u>

All Directors, Chief Executive Officer and Senior Management Officers are collectively referred to as key management personnel.

26 RISK MANAGEMENT FRAMEWORK

(a) Risk management framework

The management and acceptance of risk is fundamental to the Company's Takaful business model. The Company's risk management framework seeks to effectively manage, rather than eliminate, the risks the Company faces. The risk management framework requires all operations to establish processes for identifying, evaluating and managing the key risks faced by the organisation. The risk management framework encompasses an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial, operational, strategic and shariah risks.



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26 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital management

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") Risk- Based Capital Framework for Takaful Operators ("the RBCT Framework") which specifies elements of active management of capital adequacy covering:

- (i) Determining an individual target capital level ("ITCL") that reflects the risk profile and risk management practices, which is set by conducting appropriate stress and scenario tests;
- (ii) A capital management plan that takes into account its strategic business direction and changing business environment; and
- (iii) Processes that monitor and ensure maintenance at all times of an appropriate level of capital that commensurate with its risk profile.

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

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 plan sets and capture important capital levels such as Operating Capital Level ("OCL"), ITCL and Supervisory Target Capital Level ("STCL") together with the corresponding corrective actions that are triggered by each threshold.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

#### 26 RISK MANAGEMENT FRAMEWORK (CONTINUED)

##### (c) Governance and regulatory framework

The Company is required to comply with the requirements of the relevant Regulations, laws and guidelines including those from Bank Negara Malaysia ("BNM"), Securities Commission and Malaysian Takaful Association ("MTA").

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

##### (d) Operational Risks

Operational risk is defined as the potential direct or indirect loss (including reputational loss) resulting from inadequate or failed internal processes, personnel and systems; or from external events. Consequences from such control inadequacies or failures may cause one or a combination of the following: financial loss, operational disruption, damage to reputation, risk to employees as well as legal and regulatory implications.

The Company performs operational risk management to manage operational risk via the process of:

- (i) pro-actively identifying and monitoring operational risks via operational risk checklists, key risk indicators and risk event reporting;
- (ii) ensuring transparency through a sustainable framework for assessing and measuring such risks; and
- (iii) providing decision-making methodologies and tools for mitigating risk exposure and improving business processes.

A holistic risk governance and reporting structure has been established encompassing the Board, Management and operational functions, providing oversight of the operational risk management activities within the Company to ensure operational risk management policies and programmes are implemented appropriately, timely and consistently.

#### 27 TAKAFUL RISKS

##### (a) Family Takaful Contracts

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

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

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27 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful Contracts (continued)

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

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

	<u>Net</u> RM'000
<u>2016</u>	
<b>Family Takaful fund</b>	
Family Takaful plans	5,784
Investment-linked Takaful plans	129,685
Credit Takaful plans	114,212
Group credit Takaful plans	25,354
	<hr/> 275,035 <hr/>
<u>2015</u>	
<b>Family Takaful fund</b>	
Family Takaful plans	18,065
Investment-linked Takaful plans	81,490
Credit Takaful plans	110,144
Group credit Takaful plans	22,815
	<hr/> 232,514 <hr/>

Product design risk

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

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27 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful contracts (continued)

Pricing and underwriting risk

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

Lapse risk

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

Claims volatility risk

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

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27 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful contracts (continued)

Sensitivities

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Changes in <u>variable</u>	Impact on gross <u>liabilities</u> RM'000	Impact on net <u>liabilities</u> RM'000
<u>30.11.2016</u>			
<b>Family Takaful fund</b>			
Mortality Rates	+10%	3,772	2,243
	-10%	(3,501)	(1,961)
Lapse and surrender Rates	+10%	686	710
	-10%	(744)	(768)
Discount Rates	+100bps	(3,703)	(3,677)
	-100bps	5,422	5,394
<u>30.11.2015</u>			
<b>Family Takaful fund</b>			
Mortality Rates	+10%	5,038	1,707
	-10%	(4,815)	(1,465)
Lapse and surrender Rates	+10%	739	953
	-10%	(794)	(1,023)
Discount Rates	+100bps	(4,104)	(3,810)
	-100bps	4,610	4,283

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28 FINANCIAL RISKS

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

Financial risks of investment-linked investment is not further provided and analysed as the financial risks in respect of investment-linked investments are generally wholly borne by the participants, and do not directly affect the profit before tax. Furthermore, investment-linked participants are responsible for allocation of their certificate values amongst investment options offered by the Company.

(a) Credit risk

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

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

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

The Company manages credit risk consistent with the AIA 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") and Management Risk Management Committee ("MRMC").

The Group Investment (being the investment team in AIA Bhd. 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 MRMC. 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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## 28 FINANCIAL RISKS (CONTINUED)

## (a) Credit risk (continued)

## Credit exposure

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

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>30.11.2016</u>			
AFS Financial assets:			
Government investment issues	23,089	2,360	25,449
Unquoted corporate sukuks	30,269	8,042	38,311
Income due and accrued	702	103	805
FVTPL financial assets:			
Government investment issues	-	50,271	50,271
Unquoted corporate sukuks	7,939	262,536	270,475
Shariah approved shares	-	96,044	96,044
Shariah approved unit trusts	-	6,755	6,755
Income due and accrued	-	4,457	4,457
Loan and receivables:			
Islamic investment accounts with licensed Islamic bank	3,020	65,940	68,960
Income due and accrued	30	332	362
Other receivables	34,776	3,382	10,686
Retakaful assets	-	9,790	9,790
Takaful certificates receivables	-	15,799	15,799
Cash and bank balance	17,534	68,877	86,411
	<u>117,359</u>	<u>594,688</u>	<u>684,575</u>

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## 28 FINANCIAL RISKS (CONTINUED)

## (a) Credit risk (continued)

## Credit exposure (continued)

	Shareholders' fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000
<u>30.11.2015</u>			
AFS Financial assets:			
Government investment issues	27,897	23,181	51,078
Unquoted corporate sukuks	25,178	9,603	34,781
Income due and accrued	485	189	674
FVTPL financial assets:			
Government investment issues	-	51,945	51,945
Unquoted corporate sukuks	7,873	163,995	171,868
Shariah approved shares	-	59,561	59,561
Shariah approved unit trusts	-	4,849	4,849
Income due and accrued	-	2,720	2,720
Loan and receivables:			
Islamic investment accounts with licensed Islamic bank	530	58,990	59,520
Income due and accrued	-	161	161
Other receivables	20,456	5,109	15,604
Retakaful assets	-	10,364	10,364
Takaful certificates receivables	-	21,783	21,783
Cash and bank balance	31,090	26,284	57,374
	<u>113,509</u>	<u>438,734</u>	<u>542,282</u>



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28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

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

	Neither past due nor impaired					Not subject to credit risk RM'000	Investment- Linked RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000	Past-due RM'000			
<u>30.11.2016</u>								
<b>Shareholders' fund</b>								
AFS financial asset	-	-	-	23,089	-	-	-	23,089
Government investment issues	5,018	23,459	-	1,792	-	-	-	30,269
Unquoted corporate sukuk	89	359	-	254	-	-	-	702
Income due and accrued	-	-	-	-	-	-	-	-
FVTPL financial assets:								
Unquoted corporate sukuk	-	7,939	-	-	-	-	-	7,939
Loan and receivables:								
Islamic investment accounts	-	-	-	3,020	-	-	-	3,020
with licensed Islamic bank	-	-	-	30	-	-	-	30
Income due and accrued	-	-	-	34,776	-	-	-	34,776
Other receivables	17,534	-	-	-	-	-	-	17,534
Cash and bank balances	22,641	31,757	-	62,961	-	-	-	117,359

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28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired					Not subject to credit risk RM'000	Past-due RM'000	Investment- Linked RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000					
30.11.2016 (continued)									
<b>Family fund</b>									
AFS financial assets:									
Government investment issues	-	-	-	2,360	-	-	-	2,360	
Unquoted corporate sukuk	3,488	3,565	989	-	-	-	-	8,042	
Income due and accrued	37	36	1	29	-	-	-	103	
FVTPL financial assets:									
Government investment issues-									
Unquoted corporate sukuk	64,686	79,440	-	48,725	-	-	1,546	50,271	
Shariah approved shares	-	-	-	93,115	-	-	25,295	262,536	
Shariah approved unit trust	-	-	-	-	33,519	-	62,525	96,044	
Income due and accrued	964	1,423	-	-	67	-	6,755	6,755	
Loan and receivables				1,418	-	-	585	4,457	
Islamic investment accounts with licensed Islamic banks									
Income due and accrued	-	-	-	65,940	-	-	-	65,940	
Retakaful assets	-	-	-	332	-	-	-	332	
Other receivables	-	8,780	-	1,010	-	-	-	9,790	
Takaful certificates receivables*	-	-	-	3,371	-	-	11	3,382	
Cash and bank balances	54,858	-	-	7,395	1,875	-	-	15,799	
	124,033	93,244	990	223,695	35,461	6,529	110,736	594,688	

\* The Takaful certificates receivables comprised of balances which are neither past due nor impaired and past due and impaired. The details are shown in the age analysis of Takaful certificates receivables in the following disclosure.

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28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

30.11.2016 (continued)	Neither past due nor impaired					Not subject to credit risk RM'000	Past-due RM'000	Investment-Linked RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000					
<b>Company</b>									
<b>AFS financial assets:</b>									
Government investment issues	-	-	-	25,449	-	-	-	-	25,449
Unquoted corporate sukuk	8,506	27,024	989	1,792	-	-	-	-	38,311
Income due and accrued	126	395	1	283	-	-	-	-	805
<b>FVTPL financial assets:</b>									
Government investment issues	-	-	-	48,725	-	-	-	1,546	50,271
Unquoted corporate sukuk	64,686	87,379	-	93,115	-	-	-	25,295	270,475
Shariah approved shares	-	-	-	-	33,519	-	-	62,525	96,044
Shariah approved unit trust	-	-	-	-	-	-	-	6,755	6,755
Income due and accrued	964	1,423	-	1,418	67	-	-	585	4,457
<b>Loan and receivables</b>									
Islamic investment accounts with licensed Islamic bank	-	-	-	68,960	-	-	-	-	68,960
Income due and accrued	-	-	-	362	-	-	-	-	362
Retakaful assets	-	8,780	-	1,010	-	-	-	-	9,790
Other receivables	-	-	-	10,675	-	-	-	11	10,686
Takaful certificates receivables*	-	-	-	7,395	1,875	-	6,529	-	15,799
Cash and bank balances	72,392	-	-	-	-	-	-	14,019	86,411
	146,674	125,001	990	259,184	35,461	6,529	110,736	684,575	

\* The Takaful certificates receivables comprised of balances which are neither past due nor impaired and past due and impaired. The details are shown in the age analysis of Takaful certificates receivables in the following disclosure.

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28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired					Not subject to credit risk RM'000	Past-due RM'000	Investment- Linked RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000					
30.11.2015									
<b>Shareholders' fund</b>									
AFS financial assets:									
Government investment issues	-	-	-	27,897	-	-	-	-	27,897
Unquoted corporate sukuk	5,028	18,860	-	1,290	-	-	-	-	25,178
Income due and accrued	87	243	-	155	-	-	-	-	485
FVTPL financial assets:									
Unquoted corporate sukuk	-	7,873	-	-	-	-	-	-	7,873
Loan and receivables:									
Islamic investment accounts with licensed Islamic bank	-	-	-	530	-	-	-	-	530
Income due and accrued	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	20,456	-	-	-	-	20,456
Cash and bank balances	31,090	-	-	-	-	-	-	-	31,090
	36,205	26,976	-	50,328	-	-	-	-	113,509

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28

**FINANCIAL RISKS (CONTINUED)**

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired					Not subject to credit risk RM'000	Past-due RM'000	Investment- Linked RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000					
30.11.2015 (continued)									
<b>Family fund</b>									
<b>AFS financial assets:</b>									
Government investment issues	-	-	-	23,181	-	-	-	-	23,181
Unquoted corporate sukuk	4,000	5,603	-	-	-	-	-	-	9,603
Income due and accrued	37	60	-	92	-	-	-	-	189
<b>FVTPL financial assets:</b>									
Government investment issues	-	-	-	50,868	-	-	1,077	1,077	51,945
Unquoted corporate sukuk	30,777	52,773	-	62,817	-	-	17,628	163,995	
Shariah approved shares	-	-	-	-	18,845	-	40,716	59,561	
Shariah approved unit trust	-	-	-	-	-	-	4,849	4,849	
Income due and accrued	379	1,005	-	1,040	-	-	296	2,720	
<b>Loan and receivables:</b>									
Islamic investment accounts with licensed Islamic bank	-	-	-	51,010	-	-	7,980	58,990	
Income due and accrued	-	-	-	157	-	-	4	161	
Retakaful assets	-	4,438	-	5,926	-	-	-	10,364	
Other receivables	-	-	-	4,139	-	-	970	5,109	
Takaful certificates receivables*	-	-	-	489	3,431	-	-	21,783	
Cash and bank balances	25,965	-	-	-	-	-	319	26,284	
	61,158	63,879	-	199,719	22,276	17,863	73,839	438,734	

\* The Takaful certificates receivables comprised of balances which are neither past due nor impaired and past due and impaired. The details are shown in the age analysis of Takaful certificates receivables in the following disclosure.

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28

**FINANCIAL RISKS (CONTINUED)**

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

30.11.2015 (continued)	Neither past due nor impaired				Not subject to credit risk RM'000	Past-due RM'000	Investment-Linked RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000				
<b>Company</b>								
<b>AFS financial assets:</b>								
Government investment issues	-	-	-	51,078	-	-	-	51,078
Unquoted corporate sukuk	9,028	24,463	-	1,290	-	-	-	34,781
Income due and accrued	124	303	-	247	-	-	-	674
<b>FVTPL financial assets:</b>								
Government investment issues	-	-	-	50,868	-	-	1,077	51,945
Unquoted corporate sukuk	30,777	60,646	-	62,817	-	-	17,628	171,868
Shariah approved shares	-	-	-	-	18,845	-	40,716	59,561
Shariah approved unit trusts	-	-	-	-	-	-	4,849	4,849
Income due and accrued	379	1,005	-	1,040	-	-	296	2,720
<b>Loan and receivables:</b>								
Islamic investment accounts with licensed Islamic bank	-	-	-	51,540	-	-	7,980	59,520
Income due and accrued	-	-	-	157	-	-	4	161
Retakaful assets	-	4,438	-	5,926	-	-	-	10,364
Other receivables	-	-	-	15,573	-	-	31	15,604
Takaful certificates receivables*	-	-	-	489	3,431	-	-	21,783
Cash and bank balances	57,055	-	-	-	-	-	319	57,374
	97,363	90,855	-	241,025	22,276	17,863	72,900	542,282

\* The Takaful certificates receivables comprised of balances which are neither past due nor impaired and past due and impaired. The details are shown in the age analysis of Takaful certificates receivables in the following disclosure.

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

(a) Credit risk (continued)

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

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

Age analysis of Takaful certificates receivables are as follows:

	61 to 90 days RM'000	91 to 180 days RM'000	181 to 365 days RM'000	365 days RM'000	Impaired RM'000	Total RM'000
<u>30.11.2016</u>						
<b>Family Takaful fund</b>						
Takaful certificates receivables	1,180	1,925	3,558	1,841	(1,975)	6,529
<u>30.11.2015</u>						
<b>Family Takaful fund</b>						
Takaful certificates receivables	563	4,988	2,232	12,332	(2,252)	17,863

At the reporting date, all other financial assets are neither past-due nor impaired.

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**28 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 Company is unable to obtain funding at market rates or liquidate assets at fair value resulting in the forced liquidation of assets at depressed prices. The Company is exposed to liquidity risk in respect of Takaful and investment certificates that permit surrender, withdrawal or other forms of early termination for cash surrender value specified in the contractual terms and conditions.

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

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

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

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



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**28 FINANCIAL RISKS (CONTINUED)**

**(b) Liquidity risk (continued)**

30.11.2016

**Shareholders' fund**

	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
<b>AFS financial assets:</b>								
Government investment issue	23,089	975	3,901	9,752	13,954	-	-	28,582
Unquoted corporate sukks	30,269	1,450	5,799	14,497	17,027	-	-	38,773
Income due and accrued	702	702	-	-	-	-	-	702
<b>FVTPL financial assets:</b>								
Unquoted corporate sukks	7,939	-	-	-	-	7,939	-	7,939
<b>Loan and receivables:</b>								
Islamic investment accounts with licensed Islamic bank	3,020	3,020	-	-	-	-	-	3,020
Income due and accrued	30	30	-	-	-	-	-	30
Other receivables	34,776	34,776	-	-	-	-	-	34,776
Cash and bank balances	17,534	17,534	-	-	-	-	-	17,534
	<u>117,359</u>	<u>58,487</u>	<u>9,700</u>	<u>24,249</u>	<u>30,981</u>	<u>7,939</u>	<u>-</u>	<u>131,356</u>
<b>Expense liabilities</b>	<u>10,005</u>	<u>-</u>	<u>4,364</u>	<u>518</u>	<u>5,123</u>	<u>-</u>	<u>-</u>	<u>10,005</u>
<b>Other payables</b>	<u>58,983</u>	<u>58,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,983</u>
	<u>68,988</u>	<u>58,983</u>	<u>4,364</u>	<u>518</u>	<u>5,123</u>	<u>-</u>	<u>-</u>	<u>68,988</u>

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28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
<u>30.11.2016 (continued)</u>								
<b>Family Takaful fund</b>								
AFS financial assets:								
Government investment issues	2,360	95	382	955	1,933	-	-	3,365
Unquoted corporate sukuk	8,042	351	1,405	3,514	3,965	-	-	9,235
Income due and accrued	103	103	-	-	-	-	-	103
FVTPL financial assets:								
Government investment issues	50,271	2,089	8,357	20,892	39,328	-	1,569	72,235
Unquoted corporate sukuk	262,536	11,704	46,814	117,036	233,958	4,446	25,745	439,703
Shariah approved shares	96,044	-	-	-	-	33,519	62,525	96,044
Shariah approved unit trusts	6,755	-	-	-	-	-	6,755	6,755
Income due and accrued	4,457	3,872	-	-	-	-	585	4,457
Loan and receivables:								
Islamic investment accounts								
with licensed Islamic bank	65,940	65,940	-	-	-	-	-	65,940
Income due and accrued	332	332	-	-	-	-	-	332
Other receivables	3,382	3,371	-	-	-	-	11	3,382
Retakaful assets	9,790	9,790	-	-	-	-	-	9,790
Takaful certificates receivables	15,799	15,799	-	-	-	-	-	15,799
Cash and bank balances	68,877	54,858	-	-	-	-	14,019	68,877
	594,688	168,304	56,958	142,397	279,184	37,965	111,209	796,017

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28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
<u>30.11.2016 (continued)</u>								
<b>Family Takaful fund</b>								
Takaful contract liabilities	512,903	-	19,249	1,247	100,633	283,330	108,444	512,903
Takaful certificates payables	9,548	8,716	-	-	-	-	832	9,548
Other payables	71,532	70,234	-	-	-	-	1,298	71,532
	<u>593,983</u>	<u>78,950</u>	<u>19,249</u>	<u>1,247</u>	<u>100,633</u>	<u>283,330</u>	<u>110,574</u>	<u>593,983</u>
<b>Company</b>								
AFS financial assets:								
Government investment issues	25,449	1,070	4,283	10,707	15,887	-	-	31,947
Unquoted corporate sukus	38,311	1,801	7,204	18,011	20,992	-	-	48,008
Income due and accrued	805	805	-	-	-	-	-	805
FVTPL financial assets:								
Government investment issues	50,271	2,089	8,357	20,892	39,328	-	1,569	72,235
Unquoted corporate sukus	270,475	11,704	46,814	117,036	233,958	12,385	25,745	447,642
Shariah approved shares	96,044	-	-	-	-	33,519	62,525	96,044
Shariah approved unit trusts	6,755	-	-	-	-	-	6,755	6,755
Income due and accrued	4,457	3,872	-	-	-	-	585	4,457

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**28 FINANCIAL RISKS (CONTINUED)**

(b) Liquidity risk (continued)

30.11.2016 (continued)

**Company (continued)**

Loan and receivables:  
Islamic investment accounts  
with licensed Islamic bank  
Income due and accrued  
Other receivables  
Retakaful assets  
Takaful certificates receivables  
Cash and bank balances

	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
	68,960	68,960	-	-	-	-	-	68,960
	362	362	-	-	-	-	-	362
	10,686	10,675	-	-	-	-	11	10,686
	9,790	9,790	-	-	-	-	-	9,790
	15,799	15,799	-	-	-	-	-	15,799
	86,411	72,392	-	-	-	-	14,019	86,411
	684,575	199,319	66,658	166,646	310,165	45,904	111,209	899,901
	10,005	-	4,364	518	5,123	-	-	10,005
	512,903	-	19,249	1,247	100,633	283,330	108,444	512,903
	9,548	8,716	-	-	-	-	832	9,548
	103,043	101,745	-	-	-	-	1,298	103,043
	635,499	110,461	23,613	1,765	105,756	283,330	110,574	635,499

Expense liabilities  
Takaful contract liabilities  
Takaful certificates payables  
Other payables

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**28 FINANCIAL RISKS (CONTINUED)**

**(b) Liquidity risk (continued)**

30.11.2015

**Shareholders' fund**

AFS financial assets:  
Government investment issue  
Unquoted corporate sukuk  
Income due and accrued  
FVTPL financial assets:  
Unquoted corporate sukuk  
Loan and receivables:  
Islamic investment accounts  
with licensed Islamic bank  
Income due and accrued  
Other receivables  
Cash and bank balances

Expense liabilities  
Other payables

	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
	27,897	1,140	4,558	11,396	16,940	-	-	34,034
	25,178	1,197	4,786	11,966	15,480	-	-	33,429
	485	485	-	-	-	-	-	485
	7,873	-	-	-	-	7,873	-	7,873
	530	530	-	-	-	-	-	530
	20,456	20,456	-	-	-	-	-	20,456
	31,090	31,090	-	-	-	-	-	31,090
	113,509	54,898	9,344	23,362	32,420	7,873	-	127,897
	10,765	-	2,680	700	7,385	-	-	10,765
	46,428	46,428	-	-	-	-	-	46,428
	57,193	46,428	2,680	700	7,385	-	-	57,193

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

**28 FINANCIAL RISKS (CONTINUED)**

**(b) Liquidity risk (continued)**

	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
<u>30.11.2015 (continued)</u>								
<b>Family Takaful fund</b>								
AFS financial assets:								
Government investment issues	23,181	884	3,536	8,840	13,839	-	-	27,099
Unquoted corporate sukus	9,603	420	1,679	4,197	5,052	-	-	11,348
Income due and accrued	189	189	-	-	-	-	-	189
FVTPL financial assets:								
Government investment issues	51,945	1,901	7,605	19,012	32,857	-	1,085	62,460
Unquoted corporate sukus	163,995	7,149	28,597	71,493	138,224	-	17,894	263,357
Shariah approved shares	59,561	-	-	-	-	18,845	40,716	59,561
Shariah approved unit trusts	4,849	-	-	-	-	-	4,849	4,849
Income due and accrued	2,720	2,424	-	-	-	-	296	2,720
Loan and receivables:								
Islamic investment accounts with licensed Islamic bank	58,990	51,010	-	-	-	-	7,980	58,990
Income due and accrued	161	157	-	-	-	-	4	161
Other receivables	5,109	4,139	-	-	-	-	970	5,109
Retakaful assets	10,364	10,364	-	-	-	-	-	10,364
Takaful certificates receivables	21,783	21,783	-	-	-	-	-	21,783
Cash and bank balances	26,284	25,965	-	-	-	-	319	26,284
	<u>438,734</u>	<u>126,385</u>	<u>41,417</u>	<u>103,542</u>	<u>189,972</u>	<u>18,845</u>	<u>74,113</u>	<u>554,274</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
<u>30.11.2015 (continued)</u>								
<b>Family Takaful fund</b>								
Takaful contract liabilities	373,331	-	14,960	1,361	97,453	187,908	71,649	373,331
Takaful certificates payables	7,134	6,302	-	-	-	-	832	7,134
Other payables	58,515	57,575	-	-	-	-	940	58,515
	<u>438,980</u>	<u>63,877</u>	<u>14,960</u>	<u>1,361</u>	<u>97,453</u>	<u>187,908</u>	<u>73,421</u>	<u>438,980</u>
<b>Company</b>								
AFS financial assets:								
Government investment issues	51,078	2,024	8,094	20,236	30,779	-	-	61,133
Unquoted corporate sukuk	34,781	1,617	6,465	16,163	20,532	-	-	44,777
Income due and accrued	674	674	-	-	-	-	-	674
FVTPL financial assets:								
Government investment issues	51,945	1,901	7,605	19,012	32,857	-	1,085	62,460
Unquoted corporate sukuk	171,868	7,149	28,597	71,493	138,224	7,873	17,894	271,230
Shariah approved shares	59,561	-	-	-	-	18,845	40,716	59,561
Shariah approved unit trusts	4,849	-	-	-	-	-	4,849	4,849
Income due and accrued	2,720	2,424	-	-	-	-	296	2,720

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

**28 FINANCIAL RISKS (CONTINUED)**

**(b) Liquidity risk (continued)**

30.11.2015 (continued)

**Company** (continued)

Loan and receivables:  
Islamic investment accounts  
with licensed Islamic bank  
Income due and accrued  
Other receivables  
Retakaful assets  
Takaful certificates receivables  
Cash and bank balances

	Carrying value RM'000	Up to a year RM'000	1 – 5 years RM'000	6 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment Linked RM'000	Total RM'000
	59,520	51,540	-	-	-	-	7,980	59,520
	161	157	-	-	-	-	4	161
	15,604	15,573	-	-	-	-	31	15,604
	10,364	10,364	-	-	-	-	-	10,364
	21,783	21,783	-	-	-	-	-	21,783
	57,374	57,055	-	-	-	-	319	57,374
	<u>542,282</u>	<u>172,261</u>	<u>50,761</u>	<u>126,904</u>	<u>222,392</u>	<u>26,718</u>	<u>73,174</u>	<u>672,210</u>
	10,765	-	2,680	700	7,385	-	-	10,765
	373,331	-	14,960	1,361	97,453	187,908	71,649	373,331
	7,134	6,302	-	-	-	-	832	7,134
	94,982	94,042	-	-	-	-	940	94,982
	<u>486,212</u>	<u>100,344</u>	<u>17,640</u>	<u>2,061</u>	<u>104,838</u>	<u>187,908</u>	<u>73,421</u>	<u>486,212</u>

Expense liabilities  
Takaful contract liabilities  
Takaful certificates payables  
Other payables



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

28 **FINANCIAL RISKS (CONTINUED)**

(b) **Liquidity risk (continued)**

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

	2016		2015	
	Current* RM'000	Non-current RM'000	Current* RM'000	Non-current RM'000
<b>Shareholders' fund</b>				
Property and equipment	-	895	-	794
Intangible assets	-	2,148	-	2,312
AFS financial assets:				
Government investment issues	-	23,089	-	27,897
Unquoted corporate sukuks	-	30,269	-	25,178
Income due and accrued	702	-	485	-
FVTPL financial assets:				
Unquoted corporate sukuks	-	7,939	-	7,873
Loans and receivables				
Islamic investment accounts with licensed Islamic bank	3,020	-	530	-
Income due and accrued	30	-	-	-
Other receivables	34,776	-	20,456	-
Cash and bank balances	17,534	-	31,090	-
	<u>56,062</u>	<u>64,340</u>	<u>52,561</u>	<u>64,054</u>

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

	2016		2015	
	Current* RM'000	Non-current RM'000	Current* RM'000	Non-current RM'000
<b>Family Takaful fund</b>				
AFS financial assets:				
Government investment issues	-	2,360	-	23,181
Unquoted corporate sukuks	-	8,042	-	9,603
Income due and accrued	103	-	189	-
FVTPL financial assets:				
Government investment issues	-	50,271	-	51,945
Unquoted corporate sukuks	-	262,536	-	163,995
Shariah approved shares	-	96,044	-	59,561
Shariah approved unit trust fund	-	6,755	-	4,849
Income due and accrued	4,457	-	2,720	-
Loan and receivables:				
Islamic investment accounts with licensed Islamic bank	65,940	-	58,990	-
Income due and accrued	332	-	161	-
Other receivables	3,382	-	5,109	-
Retakaful assets	9,790	-	10,364	-
Takaful certificate receivables	15,799	-	21,783	-
Cash and bank balances	68,877	-	26,284	-
	<u>168,680</u>	<u>426,008</u>	<u>125,600</u>	<u>313,134</u>

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

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

Company	2016		2015	
	Current* RM'000	Non-current RM'000	Current* RM'000	Non-current RM'000
Property and equipment	-	895	-	794
Intangible assets	-	2,148	-	2,312
AFS financial assets:				
Government investment issues	-	25,449	-	51,078
Unquoted corporate sukuks	-	38,311	-	34,781
Income due and accrued	805	-	674	-
FVTPL financial assets:				
Government investment issues	-	50,271	-	51,945
Unquoted corporate sukuks	-	270,475	-	171,868
Shariah approved shares	-	96,044	-	59,561
Shariah approved unit trust fund	-	6,755	-	4,849
Income due and accrued	4,457	-	2,720	-
Loan and receivables:				
Islamic investment accounts with licensed Islamic bank	68,960	-	59,520	-
Income due and accrued	362	-	161	-
Other receivables	10,686	-	25,565	-
Retakaful assets	9,790	-	10,364	-
Takaful certificate receivables	15,799	-	21,783	-
Cash and bank balances	86,411	-	57,374	-
	<u>197,270</u>	<u>490,348</u>	<u>178,161</u>	<u>377,188</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

The table below summarises the expected settlement of liabilities:

	2016		2015	
	Current* RM'000	Non-current RM'000	Current* RM'000	Non-current RM'000
<b>Shareholders' fund</b>				
Expense liabilities	-	10,005	-	10,765
Other payables	58,983	-	46,428	-
	<u>58,983</u>	<u>10,005</u>	<u>46,428</u>	<u>10,765</u>
<b>Family Takaful fund</b>				
Takaful contract liabilities	-	512,903	-	373,331
Takaful certificates payables	9,548	-	7,134	-
Other payables	71,532	-	58,515	-
	<u>81,080</u>	<u>512,903</u>	<u>65,649</u>	<u>373,331</u>
<b>Company</b>				
Expense liabilities	-	10,005	-	10,765
Takaful contract liabilities	-	512,903	-	373,331
Takaful certificates payables	9,548	-	7,134	-
Other payables	103,043	-	94,982	-
	<u>112,591</u>	<u>522,908</u>	<u>102,116</u>	<u>384,096</u>

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

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28 **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 Company manages the risk of market-based fluctuations in the value of the Company's investments, as well as liabilities with exposure to market risk.

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

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

(i) **Profit rate risk**

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

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

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

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

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## 28 FINANCIAL RISKS (CONTINUED)

## (c) Market risk (continued)

## (i) Profit rate risk (continued)

Sensitivity analysis:

	<u>Changes in basis points</u> %	<u>Effect on net income/ (loss) for the period</u> RM'000	<u>Effect on equity</u> RM'000
<u>30.11.2016</u>			
<b>Shareholders' fund</b>			
Profit rates	+50 bps	-	(932)
	-50 bps	-	959
<b>Family Takaful fund</b>			
Profit rates	+50 bps	(11,625)	-
	-50 bps	12,449	-
<b>Company</b>			
Profit rates	+50 bps	(11,625)	(932)
	-50 bps	12,449	959
<u>30.11.2015</u>			
<b>Shareholders' fund</b>			
Profit rates	+50 bps	-	(981)
	-50 bps	-	1,011
<b>Family Takaful fund</b>			
Profit rates	+50 bps	(7,301)	-
	-50 bps	7,766	-
<b>Company</b>			
Profit rates	+50 bps	(7,301)	(981)
	-50 bps	7,766	1,011

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

28 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

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

(iii) Statement of income and expenditure

Sensitivity analysis:

Management's best estimate of the effect on the net income for the year and equity due to a reasonably possible change in the FTSE Bursa Malaysia KLCI Index ("FBMKLCI") with all other variables held constant is indicated in the table below:

	Changes in FBMKLCI %	Effect on insurance contract liabilities RM'000	Effect on equity RM'000
<u>30.11.2016</u>			
<b>Family Takaful fund/Company</b>			
Market indices:			
FBMKLCI	+5%	1,745	278
FBMKLCI	-5%	(1,745)	(278)
<u>30.11.2015</u>			
<b>Family Takaful fund/Company</b>			
Market indices:			
FBMKLCI	+5%	866	275
FBMKLCI	-5%	(866)	(275)

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)**

29 INVESTMENT-LINKED TAKAFUL FUNDS

(a) Statement Of Income And Expenditure

	<u>2016</u> RM'000	<u>2015</u> RM'000
Investment income	2,958	2,174
Net fair value gains	(3,558)	(854)
	<u>(600)</u>	<u>1,320</u>
Other operating expenses	(1,020)	(691)
Profit before taxation	(1,620)	629
Taxation	256	54
Profit after taxation	<u>(1,364)</u>	<u>683</u>
Undistributed income brought forward	<u>3,010</u>	<u>2,327</u>
Undistributed income carried forward	<u>1,646</u>	<u>3,010</u>

(b) Statement Of Financial Position

	<u>2016</u> RM'000	<u>2015</u> RM'000
<b>ASSETS</b>		
FVTPL financial assets:		
Government investment issues	1,546	1,077
Unquoted corporate sukuks	25,295	17,628
Shariah approved shares	62,525	40,716
Shariah approved unit trust fund	6,755	4,849
Income due and accrued	585	296
Loan and receivables:		
Islamic investment accounts with licensed Islamic bank	-	7,980
Income due and accrued	-	4
Other receivables	11	970
Deferred tax assets	160	-
Cash and bank balances	14,019	319
Total assets	<u>110,896</u>	<u>73,839</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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29 INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)

(b) Statement Of Financial Position (continued)

	<u>2016</u> RM'000	<u>2015</u> RM'000
<b>LIABILITIES</b>		
Takaful certificates payable	832	832
Other payables	1,299	940
Deferred tax liabilities	-	129
Current tax liabilities	321	289
Total liabilities	<u>2,452</u>	<u>2,190</u>
Represented by:		
Net asset value of funds	<u>108,444</u>	<u>71,649</u>
Value of units	106,798	68,639
Undistributed income carried forward	1,646	3,010
Net asset value of funds	<u>108,444</u>	<u>71,649</u>

30 GENERAL RESERVES

There is a Takaful business transfer from Green Health Certification Berhad to AIA PUBLIC Takaful Bhd. on 25 February 2014 which is accounted for as a business combination under common control. Arising from this business transfer, there is a general reserves amounting to RM 33,333,000.

31 SUBSEQUENT EVENT

On 21st December 2016, the Company underwent a capital injection exercise by its existing shareholders based on current shareholding structure with the aim of strengthening the Company's capital position. 66,666,667 ordinary shares at par value of RM1.00 each were issued and paid-up for cash consideration.



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**NOTES TO THE FINANCIAL STATEMENTS  
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**32 SHARIAH NON-COMPLIANCE RISK**

Shariah Non-Compliance risk refers to possible failure to meet the obligation of Shariah principles. When controls fail to perform, Shariah non-compliance risk can cause reputational and operational damage, have regulatory implications or can even lead to financial loss and finally, impediment from Allah's barakah or blessing. The Company expects to mitigate such risk by initiating, monitoring and responding to robust Shariah control framework. The available controls include effective oversight of the Shariah Committee, supported by internal Shariah Department in all aspects of the Company's operations. Other relevant controls include implementation of Shariah Compliance Manual, staff awareness training and internal operating policies, processes and guidelines, including internal Shariah review and the assurance provided by the internal audit. In this regard, there is no Shariah non-compliant event noted in this financial year. Additionally, earnings realised from disposal of reclassified shares have been earmarked for charitable activities for the purpose of purification.