Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

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

Company No.

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

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the annual audited financial statements of the Group and of the Company for the financial year ended 30 November 2016.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group RM'000	Company RM'000
Profit after tax for the financial year	894,724	897,608

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

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

SIGNIFICANT AND SUBSEQUENT EVENTS

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

DIVIDEND

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

	RM'000
In respect of the financial year ended 30 November 2015:	
Final single tier dividend of 98.0% (RM0.98 per ordinary share) on 767,438,174 ordinary shares, paid on 9 May 2016 and 10 May 2016	752,000

As at 23 February 2017, the Directors have not recommended any final dividend to be paid for the financial year under review.

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DIRECTORS' REPORT (CONTINUED)

SHARE CAPITAL

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

DIRECTORS

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

Dato' Thomas Mun Lung Lee
Mohd Daruis bin Zainuddin
Dato' Wee Hoe Soon @ Gooi Hoe Soon
Ching Yew Chye @ Chng Yew Chye
William Lisle
Anusha a/p Thavarajah

DIRECTORS' BENEFITS AND INTEREST

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

	Number of ordinary shares of US$1.00 each			
	As at 1 December 2015	**Bought**	**Sold**	**As at 30 November 2016**
AIA Group Limited				
Direct Interest				
William Lisle	8,577	903,186	(416,037)	495,726
Anusha a/p Thavarajah	44,805	38,320	-	83,125
Dato' Thomas Mun Lung Lee	15,000	1,000	-	16,000
Indirect Interest				
Ching Yew Chye @ Chng Yew Chye	181,800	40,000	-	221,800

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS AND INTEREST (CONTINUED)

	Number of matching restricted stock purchase unit over ordinary shares of US$1.00 each under Employee Share Purchase Plan			
	As at 1 December 2015	**Granted**	**Vested**	**As at 30 November 2016**
AIA Group Limited				
William Lisle	2,797	1,284	(1,423)	2,658
Anusha a/p Thavarajah	2,602	1,144	(1,360)	2,386

	Number of restricted share units over ordinary shares of US$1.00 each			
	As at 1 December 2015	**Granted**	**Vested**	**As at 30 November 2016**
AIA Group Limited				
William Lisle	973,504	216,579	(511,737)	678,346
Anusha a/p Thavarajah	155,093	48,000	(55,089)	148,004

	Number of share options over ordinary shares of US$1.00 each			
	As at 1 December 2015	**Granted**	**Exercised**	**As at 30 November 2016**
AIA Group Limited				
William Lisle	1,948,609	575,855	-	2,524,464
Anusha a/p Thavarajah	-	42,542	-	42,542

Matching restricted stock purchase units, restricted share units and share options are granted to certain employees, Directors and officers of the Company under the Employee Share Purchase Plan, Restricted Share Unit Scheme and Share Option Scheme of AIA Group Limited respectively. Details of the employee share purchase plan, restricted share units and share options are set out in Note 41 to the financial statements.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

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

STATEMENT ON CORPORATE GOVERNANCE

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

(A) BOARD RESPONSIBILITIES AND OVERSIGHT

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

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

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

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

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

Name of Directors		No. of attendance
Anusha a/p Thavarajah	Member (Executive)	7/7
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)	7/7
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	7/7
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	7/7
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	7/7
William Lisle	Member (Executive)	6/7

DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

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

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

Nominating Committee

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

Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
William Lisle	Member (Executive)
Anusha a/p Thavarajah	Member (Executive)

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

The principal duties and responsibilities of the NC are:

(a) establishing the minimum requirements of the Directors and senior management at the time of appointment and on a continuing basis;

(b) establishing and regularly reviewing succession plans for senior management and the Board to promote the Board's renewal and address any vacancies;

(c) establishing a rigorous process for the appointment and removal of Directors, CEO and senior officers. The process must involve the assessment of candidates against the minimum requirements as set out in the Corporate Governance Policy Document to maintain the engagement between a candidate and the Committee and to ascertain the suitability of each candidate for the Board;

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

(e) recommending and assessing the appointment and reappointment of Directors and senior management as per the minimum requirements as set out in the Corporate Governance Policy Document before an application for approval is submitted to BNM;

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Nominating Committee (continued)

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

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

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

During the financial year, the NC held two 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:

Name of members		**No. of attendance**
Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)	2/2
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	2/2
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	2/2
William Lisle	Member (Executive)	2/2
Anusha a/p Thavarajah	Member (Executive)	2/2
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	2/2

Remuneration Committee

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

Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
William Lisle	Member (Executive)

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

DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Remuneration Committee (continued)

The principal duties and responsibilities of the RC are to review and assess:

(a) the remuneration policy of the Company which must be approved by the Board, which must be subject to periodic Board's review, including when material changes are made to the policy.

(b) the remuneration for each Director, members of senior management and other material risk taker must be approved by the Board annually. The Company must maintain and regularly review a list of officers who fall within the definition of "other material risk takers".

(c) the overall remuneration system for the Company which must:

- (i) be subject to the Board's active oversight to ensure that the system operates as intended;
- (ii) be in line with the business and risk strategies, corporate values and long-term interests of the Company;
- (iii) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of its customers; and
- (iv) be designed and implemented with input from the control functions and the Board's Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.

(d) the remuneration for individuals which must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that:

- (i) remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgment;
- (ii) the size of the bonus pool is linked to the overall performance of the Company;
- (iii) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;
- (iv) bonuses are not guaranteed, except in the context of sign-on bonuses; and
- (v) for members of senior management and other material risk takers:
  - a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and
  - the variable portion of remuneration increases along with the individual's level of accountability.

(e) the remuneration payout schedules which must reflect the time horizon of risks and take account of the potential for financial risks to crystallise over a longer period of time. As such, the Company must adopt a multi-year framework to measure the performance of members of senior management and other material risk takers. Such a framework must provide for:

- (i) the deferment of payment of a portion of variable remuneration to the extent that risks are realised over long periods, with these deferred portions increasing along with the individual's level of accountability;
- (ii) the calibration of an appropriate mix of cash, shares, share-linked instruments, and other forms of remuneration to reflect risk alignment; and
- (iii) adjustments to the vested and unvested portions of variable remuneration (through malus, clawbacks and other reversals or downward revaluations of awards) in the event of bad performance of the business unit or institution attributable to the individual or if he commits serious legal, regulatory or internal policy breaches.

DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Remuneration Committee (continued)

The principal duties and responsibilities of the RC are to review and assess: (continued)

(f) the incentive structure to ensure that:

(i) variables used to measure risk and performance outcomes of an individual relate closely to the level of accountability of that individual;

(ii) the determination of performance measures and variable remuneration considers that certain indicators (such as share prices) may be influenced in the short term by factors like market sentiment or general economic conditions which are not specifically related to the Company's performance or an individual's actions, and the use of such indicators does not create incentives for individuals to take on excessive risk in the short term; and

(iii) members of senior management and other material risk takers commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

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

Name of members		No. of attendance
Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)	2/2
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	2/2
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	2/2
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	2/2
William Lisle	Member (Executive)	2/2

Risk Management Committee

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

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
William Lisle	Member (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.

DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Risk Management Committee (continued)

The principal duties and responsibilities of the RMC are:

(a) ensuring that the Company's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities;

(b) providing effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework;

(c) ensuring senior management oversight in the day-to-day management of the financial institution's activities is consistent with the risk strategy, including the risk appetite and policies approved by the Board;

(d) ensuring that the risk management framework enables the identification, measurement and continuous monitoring of all relevant and material risks on a group and firm-wide basis, supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across the institution. The sophistication of the Company's risk management framework must keep pace with any changes in the institution's risk profile (including its business growth and complexity) and the external risk environment;

(e) ensuring that the risk management is well-integrated throughout the organisation and embedded into the culture and business operations of the institution;

(f) establishing an independent senior risk executive role (chief risk officer or its equivalent) with distinct responsibility for the risk management function and the institution's risk management framework across the entire organisation. The executive must have sufficient stature, authority and seniority within the organisation to meaningfully participate in and be able to influence decisions that affect the Company's exposures to risk;

(g) establishing and maintaining an effective risk management function with sufficient authority, stature, independence, resources and access to the Board;

(h) effectively implementing the risk management framework that is reinforced with an effective compliance function and subjected to an independent internal audit review;

(i) ensuring that the Company has appropriate mechanisms in place for communicating risks across the organisation and for reporting risk developments to the Board and senior management;

(j) ensuring that the executive remuneration is aligned with prudent risk-taking and appropriately adjusted for risks. The Board must actively oversee the institution's remuneration structure and its implementation, and must monitor and review the remuneration structure to ensure that it operates as intended;

DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Risk Management Committee (continued)

The principal duties and responsibilities of the RMC are: (continued)

(k) ensuring that the Board and senior management are aware of and understand the Company's operational and organisational structure and the risks it poses and be satisfied that it is not overly complex or opaque such that it hampers effective risk management by the Company;

(l) ensuring that the Board and senior management understand the purpose, structure and unique risks of operations when the Company operates through special-purpose structures. Appropriate measures must be undertaken to mitigate the risks identified; and

(m) exercising oversight over its subsidiaries with appropriate established processes to monitor the subsidiaries' compliance to the Group's risk management policies.

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:

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

Audit Committee

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

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Indpendent Non-Executive)

DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Audit Committee (continued)

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

The principal duties and responsibilities of the AC are:

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

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

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

(d) reviewing and concurring with the appointment, removal and remuneration of the external auditors recommended by Group Audit Committee;

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

(f) maintaining regular, timely, open and honest communication with the external auditors, and require the external auditors to report to the AC on significant matters;

(g) 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;

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

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

(j) 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;

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

(l) 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;

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

DIRECTORS' REPORT (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Audit Committee (continued)

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

(n) monitoring compliance with the Board's conflict of interest policy which would include monitoring the items set out below:

- (i) identifying circumstances which constitute or may give rise to conflicts of interests;
- (ii) clearly defining the process for Directors to keep the Board informed on any change of circumstances that may give rise to a conflict of interest;
- (iii) identifying those responsible for maintaining updated records on each Director's conflicts of interest; and
- (iv) articulating how any non-compliance with the policy will be addressed.

(o) reviewing third-party opinions on the design and effectiveness of the Company's internal control framework; and

(p) 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 five 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:

Name of members		**No. of attendance**
Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)	5/5
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)	5/5
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)	5/5
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)	5/5

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

DIRECTORS' REPORT (CONTINUED)

(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 employees and formal performance appraisal is done annually. Information is effectively communicated to the relevant employees within the Company. The Company has a formal and transparent procedure for developing policy on executive remuneration. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Sections 54 and 55 of the Financial Services Act, 2013 ("the Act").

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

(C) CORPORATE INDEPENDENCE

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

(D) INTERNAL CONTROLS AND OPERATIONAL RISKS MANAGEMENT

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company through designated management functions and internal controls, which includes the setting of operational risk limits for all core activities. The Company has established internal controls which cover all levels of personnel that is capable of recognising and continuously 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 the 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.

DIRECTORS' REPORT (CONTINUED)

(G) FINANCIAL REPORTING

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

(H) AUDIT COMMITTEE

The Company's financial reporting and internal control system are overseen by the Audit Committee, which comprises four 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 areas 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.

OTHER STATUTORY INFORMATION

(a) Before the income statements and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

  (i) proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate impairment losses had been made for doubtful debts; or

  (ii) any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected to realise.

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

  (i) that would render the amounts written off for bad debts or the amount of impairment losses in the Group and in the Company inadequate to any substantial extent; or

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

  (iii) that would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

  (iv) not otherwise dealt with in this report on the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

(c) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

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

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

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DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors passed on 23 February 2017.

ANUSHA A/P THAVARAJAH
DIRECTOR

MOHD DARUIS BIN ZAINUDDIN
DIRECTOR

Kuala Lumpur

Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

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

We, Anusha A/P Thavarajah and Mohd Daruis Bin Zainuddin, two of the Directors of AIA Bhd., state that, in the opinion of the Directors, the accompanying financial statements set out on pages 20 to 209 are drawn up so as to show a true and fair view of the state of affairs of the Group and of the Company as at 30 November 2016 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors passed on 23 February 2017.

ANUSHA A/P THAVARAJAH
DIRECTOR

MOHD DARUIS BIN ZAINUDDIN
DIRECTOR

Kuala Lumpur

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

I, Heng Zee Wang, the officer primarily responsible for the financial management of AIA Bhd., do solemnly and sincerely declare that the financial statements for the financial year ended 30 November 2016 set out on pages 20 to 209 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

HENG ZEE WANG

Subscribed and solemnly declared by the abovenamed Heng Zee Wang at Kuala Lumpur in the Federal Territory on 23 February 2017.

Before me:

COMMISSIONER FOR OATHS

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIA Bhd. on pages 20 to 209 which comprise the statements of financial position as at 30 November 2016 of the Group and of the Company, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 2 to 43.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

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

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 November 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS	JAYARAJAN A/L U. RATHINASAMY
(No. AF: 1146)	(02059/06/18 J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur
23 February 2017

Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2016

		Group			Company		
	Note	30.11.2016 RM'000	30.11.2015 RM'000 Restated	1.12.2014 RM'000 Restated	30.11.2016 RM'000	30.11.2015 RM'000 Restated	1.12.2014 RM'000 Restated
Assets							
Property, plant and equipment	3	478,827	299,316	310,464	478,748	298,884	309,654
Investment properties	4	378,300	377,900	377,200	378,300	377,900	377,200
Prepaid land lease payments	5	1,199	1,224	1,250	1,199	1,224	1,250
Intangible assets	6	81,653	72,488	58,498	81,427	71,960	57,744
Investment in subsidiaries	7	-	-	-	163,000	153,000	143,000
Investment in associate	8	50,297	51,477	54,250	88	88	88
Available-for-sale financial assets	9	7,939,844	7,978,051	8,369,302	7,878,116	7,916,446	8,307,340
Fair value through profit or loss financial assets	10	33,368,348	32,316,487	31,371,381	33,368,348	32,316,487	31,356,845
Loans and receivables	11	4,862,926	4,688,104	4,524,142	4,839,000	4,679,369	4,523,998
Reinsurance assets	12	126,896	88,430	94,963	126,896	88,430	94,963
Insurance receivables	13	391,597	496,695	459,249	391,597	496,695	459,249
Cash and cash equivalents		691,018	744,058	567,542	672,882	713,699	550,475
Total assets		48,370,905	47,114,230	46,188,241	48,379,601	47,114,182	46,181,806
Equity and liabilities							
Share capital	15	767,438	767,438	767,438	767,438	767,438	767,438
Share premium		683,452	683,452	683,452	683,452	683,452	683,452
Retained earnings	16	3,312,334	3,172,200	3,027,513	3,352,770	3,209,752	3,064,040
Revaluation reserves		28,478	-	-	28,478	-	-
Available-for-sale fair value reserves		(57,703)	(4,725)	52,690	(58,860)	(5,298)	51,369
Total equity		4,733,999	4,618,365	4,531,093	4,773,278	4,655,344	4,566,299
Insurance contract liabilities	17	36,719,862	35,691,635	34,910,489	36,694,843	35,666,958	34,886,265
Deferred tax liabilities	18	470,131	445,154	486,254	470,131	445,154	486,254
Insurance payables	19	5,678,975	5,273,062	4,792,881	5,678,975	5,273,062	4,792,881
Current tax liabilities		36,272	55,073	74,171	36,544	55,288	74,333
Other payables	20	731,666	1,030,941	1,393,353	725,830	1,018,376	1,375,774
Total liabilities		43,636,906	42,495,865	41,657,148	43,606,323	42,458,838	41,615,507
Total equity and liabilities		48,370,905	47,114,230	46,188,241	48,379,601	47,114,182	46,181,806

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

AIA BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Gross earned premiums	25(a)	8,248,731	7,688,283	8,248,731	7,688,283
Premiums ceded to reinsurers	25(b)	(390,891)	(371,734)	(390,891)	(371,734)
Net earned premiums		7,857,840	7,316,549	7,857,840	7,316,549
Investment income	26	2,074,062	2,010,784	2,070,380	2,007,324
Net realised gains/(losses)	27	336	(15,092)	336	(15,180)
Fair value losses	28	(170,086)	(571,456)	(170,086)	(571,482)
Other operating income/ (expenses)	29	9,289	(10,327)	6,058	(11,436)
Total net revenue		9,771,441	8,730,458	9,764,528	8,725,775
Gross benefits and claims paid	30(a)	(6,282,150)	(5,539,930)	(6,282,150)	(5,539,930)
Claims ceded to reinsurers	30(b)	189,441	217,588	189,441	217,588
Gross change to insurance contract liabilities	30(c)	(897,881)	(782,615)	(897,539)	(782,162)
Change in insurance contract liabilities ceded to reinsurers	30(d)	39,198	(7,759)	39,198	(7,759)
Net insurance benefits and claims		(6,951,392)	(6,112,716)	(6,951,050)	(6,112,263)
Fee and commission expenses		(844,229)	(832,130)	(841,724)	(831,204)
Management expenses	31	(819,448)	(760,493)	(814,078)	(758,481)
Other expenses		(1,663,677)	(1,592,623)	(1,655,802)	(1,589,685)

AIA BHD.
(Incorporated in Malaysia)

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

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Profit before share of loss from associate		1,156,372	1,025,119	1,157,676	1,023,827
Share of loss from associate		(1,179)	(2,657)	-	-
Profit before tax		1,155,193	1,022,462	1,157,676	1,023,827
Tax expense attributable to policyholders and unitholders		(36,968)	(48,595)	(36,968)	(48,595)
Profit before tax attributable to shareholders		1,118,225	973,867	1,120,708	975,232
Tax expense	32	(260,469)	(230,920)	(260,068)	(231,260)
Tax expense attributable to policyholders and unitholders		36,968	48,595	36,968	48,595
Tax expense attributable to shareholders		(223,501)	(182,325)	(223,100)	(182,665)
Profit after tax for the financial year		894,724	791,542	897,608	792,567
Basic earnings per share (sen)		116.6	103.1	117.0	103.3

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit after tax for the financial year	894,724	791,542	897,608	792,567
Other comprehensive (loss)/ income:				
Items that may be subsequently reclassified to profit or loss				
Net losses arising during the financial year	(69,282)	(90,157)	(70,039)	(89,525)
Net realised (gains)/losses transferred to income statements	(243)	15,296	(243)	15,296
Deferred taxation	16,548	17,562	16,720	17,562
Change in available-for-sale fair value reserves	(52,977)	(57,299)	(53,562)	(56,667)
Share of other comprehensive loss from associate	(1)	(116)	-	-
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	183,972	-	183,972	-
Deferred taxation	(7,046)	-	(7,046)	-
Change in insurance contract liabilities	(148,448)	-	(148,448)	-
Change in asset revaluation reserves	28,478	-	28,478	-
Remeasurements	(3,145)	2,601	(3,145)	2,601
Deferred taxation	555	(456)	555	(456)
Post employment benefit obligations	(2,590)	2,145	(2,590)	2,145
Other comprehensive loss - net of tax, for the financial year	(27,090)	(55,270)	(27,674)	(54,522)
Total comprehensive income for the financial year	867,634	736,272	869,934	738,045

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

Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

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

Group

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Available-for-sale fair value reserves**	**Asset revaluation reserve**	**Share-based reserves**	**Retained earnings***	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 December 2015	767,438	683,452	(4,725)	-	-	3,172,200	4,618,365
Profit for the financial year	-	-	-	-	-	894,724	894,724
Other comprehensive (loss)/income for the financial year	-	-	(52,978)	28,478	-	(2,590)	(27,090)
Total comprehensive income/(loss) for the financial year	-	-	(52,978)	28,478	-	892,134	867,634
Share based compensation: value of employee services	-	-	-	-	12,174	-	12,174
Share based compensation: repayment to ultimate parent company	-	-	-	-	(12,174)	-	(12,174)
Dividend paid for the financial year ended 30 November 2015 (Note 33)	-	-	-	-	-	(752,000)	(752,000)
At 30 November 2016	767,438	683,452	(57,703)	28,478	-	3,312,334	4,733,999

Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

Group		Attributable to equity holders of the Company				
	Share capital	**Share premium**	**Available-for-sale fair value reserves**	**Share-based reserves**	**Retained earnings***	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 December 2014						
As previously reported	767,438	683,452	52,690	-	3,020,387	4,523,967
Effect of change in accounting policies (Note 2.3(b))	-	-	-	-	7,126	7,126
As restated	767,438	683,452	52,690	-	3,027,513	4,531,093
Profit for the financial year	-	-	-	-	791,542	791,542
Other comprehensive (loss)/income for the financial year	-	-	(57,415)	-	2,145	(55,270)
Total comprehensive income for the financial year	-	-	(57,415)	-	793,687	736,272
Share based compensation: value of employee services	-	-	-	11,067	-	11,067
Share based compensation: repayment to ultimate parent company	-	-	-	(11,067)	-	(11,067)
Dividend paid for the financial year ended 30 November 2014 (Note 33)	-	-	-	-	(649,000)	(649,000)
At 30 November 2015	767,438	683,452	(4,725)	-	3,172,200	4,618,365

* Included in retained earnings is RM2,460 million (2015: RM2,296 million) which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is only distributable to the shareholders upon the actual transfer of surplus from the Life Non-Participating Fund to the Shareholder's Fund as approved by the Appointed Actuary and Board of Directors of the Company.

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

Company				Non-distributable		Distributable	
	Share capital	**Share premium**	**Available-for-sale fair value reserves**	**Asset revaluation reserve**	**Share-based reserves**	**Retained earnings***	**Total**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**
At 1 December 2015	767,438	683,452	(5,298)	-	-	3,209,752	4,655,344
Profit for the financial year	-	-	-	-	-	897,608	897,608
Other comprehensive (loss)/income for the financial year	-	-	(53,562)	28,478	-	(2,590)	(27,674)
Total comprehensive income for the financial year	-	-	(53,562)	28,478	-	895,018	869,934
Share based compensation: value of employee services	-	-	-	-	12,174	-	12,174
Share based compensation: repayment to ultimate parent company	-	-	-	-	(12,174)	-	(12,174)
Dividend paid for the financial year ended 30 November 2015 (Note 33)	-	-	-	-	-	(752,000)	(752,000)
At 30 November 2016	767,438	683,452	(58,860)	28,478	-	3,352,770	4,773,278

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016 (CONTINUED)

Company			Non-distributable		Distributable	
	Share capital	Share premium	Available-for-sale fair value reserves	Share-based reserves	Retained earnings*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 December 2014						
As previously reported	767,438	683,452	51,369	-	3,056,914	4,559,173
Effect of change in accounting policies (Note 2.3(b))	-	-	-	-	7,126	7,126
As restated	767,438	683,452	51,369	-	3,064,040	4,566,299
Profit for the financial year	-	-	-	-	792,567	792,567
Other comprehensive (loss)/income for the financial year	-	-	(56,667)	-	2,145	(54,522)
Total comprehensive income for the financial year	-	-	(56,667)	-	794,712	738,045
Share based compensation: value of employee services	-	-	-	11,002	-	11,002
Share based compensation: repayment to ultimate parent company	-	-	-	(11,002)	-	(11,002)
Dividend paid for the financial year ended 30 November 2014 (Note 33)	-	-	-	-	(649,000)	(649,000)
At 30 November 2015	767,438	683,452	(5,298)	-	3,209,752	4,655,344

* Included in retained earnings is RM2,460 million (2015: RM2,296 million) which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is only distributable to the shareholders upon the actual transfer of surplus from the Life Non-Participating Fund to the Shareholder's Fund as approved by the Appointed Actuary and Board of Directors of the Company.

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

Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		1,118,225	973,867	1,120,708	975,232
Tax expense attributable to policyholders and unitholders		36,968	48,595	36,968	48,595
Rental, interest and dividend income		(2,100,676)	(2,052,708)	(2,096,991)	(2,049,213)
Realised (gains)/losses	27	(243)	15,296	(243)	15,296
Fair value losses	28	170,086	571,456	170,086	571,482
Depreciation					
- property, plant and equipment	31	31,097	33,681	30,732	33,296
Amortisation					
- prepaid land lease payments	31	25	26	25	26
- intangible assets	31	12,994	9,359	12,692	9,133
Write off of property, plant and equipment		159	1	159	1
Gains on sale of property, plant and equipment		(252)	(204)	(252)	(116)
Allowance for impairment losses		22,533	120	22,533	120
Share of loss from associate		1,179	2,657	-	-
Impairment losses on properties held for own use	29	1,786	-	1,786	-
Changes in working capital:					
Increase in AFS and FVTPL financial assets		(1,269,997)	(1,244,395)	(1,270,598)	(1,244,113)
(Increase)/decrease in reinsurance assets		(38,466)	6,534	(38,466)	6,534
Decrease/(increase) in insurance receivables		87,605	(39,241)	87,605	(39,241)
Increase in loans and receivables		(174,243)	(161,678)	(159,052)	(152,948)
Increase in insurance payables		405,913	480,181	405,913	480,181
Increase in insurance contract liabilities		879,779	781,146	879,437	780,693
(Decrease)/increase in other payables		(1,633)	165,688	5,096	170,561
Cash used in operating activities		(817,161)	(409,619)	(791,862)	(394,481)
Income taxes paid		(244,236)	(274,011)	(243,606)	(274,298)
Rental income received		29,174	30,148	29,174	30,148
Interest income received		1,764,850	1,706,610	1,761,132	1,703,108
Dividend income received		317,608	328,865	317,608	328,865
Net cash inflows from operating activities		1,050,235	1,381,993	1,072,446	1,393,342

AIA BHD.
(Incorporated in Malaysia)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	(27,211)	(25,504)	(27,211)	(25,504)
Purchase of property, plant and equipment	(28,642)	(20,438)	(28,630)	(20,430)
Proceed from disposal of collective investment scheme	-	14,561	-	-
Investment in subsidiary	-	-	(10,000)	(10,000)
Proceed from disposal of property, plant and equipment	277	262	277	174
Proceed from disposal of intangible assets	5,088	-	5,088	-
Net cash outflows from investing activities	(50,488)	(31,119)	(60,476)	(55,760)
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in obligation on securities sold under repurchase agreements	(300,787)	(525,358)	(300,787)	(525,358)
Dividend paid	(752,000)	(649,000)	(752,000)	(649,000)
Net cash outflows from financing activities	(1,052,787)	(1,174,358)	(1,052,787)	(1,174,358)

Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(53,040)	176,516	(40,817)	163,224
CASH AND CASH EQUIVALENTS AT 1 DECEMBER	744,058	567,542	713,699	550,475
CASH AND CASH EQUIVALENTS AT 30 NOVEMBER	691,018	744,058	672,882	713,699

Cash and cash equivalents comprised:

Cash and bank balances	276,091	254,995	272,992	244,938
Fixed and call deposits with licensed financial institutions	414,927	489,063	399,890	468,761
	691,018	744,058	672,882	713,699

The Group and Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

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

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

1 CORPORATE INFORMATION

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

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

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

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

The financial statements are authorised for issue by the Board on 23 February 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards and International Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. It also requires Directors to exercise judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual result may differ.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates (continued)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Business combination under common control

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

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

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

(d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statements during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the Group.

Subsequent to initial recognition, property, plant and equipment except for land and owner occupied buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and owner occupied buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Land and owner occupied buildings are previously stated at cost which has been subsequently changed to revaluation model in the current financial year. Effect of the change in accounting policy is set out in Note 2.3(b) to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment and depreciation (continued)

Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income to the extent of the decrease previously recognised. Upon disposal or retirement of an asset, any asset revaluation reserve relating to the particular asset is transferred directly to retained earnings.

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

The gains and losses on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statements and presented within net realised gains/(losses).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Investment properties are previously stated at cost less accumulated depreciation and accumulated impairment losses. Effect of the change in accounting policy is set out in Note 2.3(b) to the financial statements.

Fair value is arrived at by reference to market evidence of transactions priced for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuation by internal qualified professionals as appropriate.

Gains and losses arising from changes in the fair values of the investment properties are recognised in the income statements in the financial year in which they arise and presented within the fair value gains/(losses).

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

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each date of statements of financial position. The amortisation expense on intangible assets with finite lives is recognised in the income statements.

Gains or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statements and presented within net realised gains/(losses) when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Intangible assets (continued)

Software

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

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

Membership fees

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

(g) Impairment of non-financial assets

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

An impairment loss is charged to the income statements. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Financial assets and financial liabilities

The Group classifies its financial assets into financial assets at fair value through profit or loss (“FVTPL”), loans and receivables (“LAR”), held to maturity (“HTM”) and available-for-sale (“AFS”). The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its investments at initial recognition.

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

FVTPL

Financial assets at FVTPL comprise two sub-categories:

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

The Group designates financial assets 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 participating funds; and

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

LAR

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

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

AFS

Financial assets, other than those at FVTPL, LAR and HTM, are classified as AFS. AFS category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of the Group's debt securities (other than those backing participating funds and investment-linked contracts). AFS financial assets are initially recognised at fair value plus attributable transaction costs. For AFS debt securities, the difference between their cost and par value is amortised. AFS financial assets are subsequently measured at fair value.

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

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

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

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

Financial liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Fair value of financial instruments

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

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

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

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(j) Impairment of financial assets

<u>General</u>

Financial assets are assessed for impairment on a regular basis. A financial asset is impaired if its carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to the financial asset. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Impairment of financial assets (continued)

General (continued)

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

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

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

Financial assets carried at amortised cost

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Impairment of financial assets (continued)

AFS financial assets

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

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

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

(k) Derecognition of financial assets

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

(l) Equity instruments

Ordinary share capital

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

Dividends on ordinary share capital

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Repurchase agreement

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

The securities sold under repurchase agreements are treated as pledged assets and are not derecognised from the statements of financial position.

(n) Product classification

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

Investment contracts are those contracts without significant insurance risk. Once a contract has been classified as an insurance or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Product classification (continued)

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

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

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

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

The recognition and measurement of life insurance contracts and general insurance contracts are set out in Note 2.2(o) and 2.2(p) to the financial statements respectively.

(o) Life insurance contracts

<u>Gross premium</u>

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

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

Premium income of investment-linked business is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance contracts (continued)

Commission and agency expenses of life insurance business

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

Benefits, claims and expenses

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

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

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

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

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

(iv) bonus on DPF policy upon declaration.

Life insurance contract liabilities

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

(i) Claim liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance contracts (continued)

<u>**Life insurance contract liabilities**</u> **(continued)**

(ii) Actuarial liabilities

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance contracts (continued)

<u>**Life insurance contract liabilities**</u> **(continued)**

(ii) Actuarial liabilities (continued)

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

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

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

Adjustments to the actuarial liabilities at each reporting date are recorded in the income statements.

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

(iii) Unallocated surplus

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance contracts (continued)

<u>Life insurance contract liabilities</u> (continued)

(iv) Net asset value attributable to unitholders

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

(p) General insurance contracts

<u>Gross premium</u>

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

<u>Acquisition costs and deferred acquisition costs ("DAC")</u>

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

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

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

An impairment review is performed at each date of statements of financial position or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statements.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General insurance contracts (continued)

Claims and expenses

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

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

(i) Unearned premium reserves

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

(i) 25% method for marine cargo, aviation cargo and transit business,

(ii) 1/24th method for all other classes of Malaysian policies; and

(iii) time apportionment method for non-annual policies.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General insurance contracts (continued)

<u>**Claims and expenses**</u> **(continued)**

(ii) Claims liabilities

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

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

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

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

(q) Reinsurance

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

Premiums ceded and claims reimbursed are recognised in the same accounting period as the original policy/contract in which the reinsurance relates, and are presented on a gross basis in the income statements and statements of financial position.

Fee income derived from reinsurers in the course of reinsurance are credited to the income statements in the financial year in which they are earned.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Reinsurance (continued)

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

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

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

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

(r) Insurance receivables

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

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

(s) Other financial liabilities and insurance payables

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(t) Provisions

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

(u) Cash and cash equivalents

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

(v) Leases

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Employee benefits

(i) Short term benefits

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

(ii) Post retirement benefit obligations

<u>**Defined contribution plans**</u>

As required by law, the Group makes contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the income statements as incurred. Once the contributions have been paid, the Group has no further payment obligations.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(ii) Post retirement benefit obligations (continued)

<u>Defined benefit plans</u>

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

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

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

(iii) Share-based compensation plans

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(iii) Share-based compensation plans (continued)

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

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

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

(x) Provision for agents' retirement benefits

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

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

(y) Foreign currency

(i) Functional and presentation currency

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(y) 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 the income statements.

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

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

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

(i) equity items are translated at their respective historical rates;

(ii) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;

(iii) income and expenses for each income statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iv) all resulting exchange differences are recognised as a separate component of equity under the foreign currency translation reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(z) Taxation

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

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

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

(aa) Other revenue recognition

(i) Rental income

Rental income is recognised on accruals basis and presented within the investment income in the income statements.

(ii) Gains and losses on disposal of investments

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(b) Effect of change in accounting policies

With effect from 1 December 2015, the Group and the Company revised its accounting policies for its properties held for own used and investment properties as follows:

- Properties held for own use is carried at fair value at last valuation date less accumulated depreciation. Previously, properties held for own use was carried at historical cost less accumulated depreciation. When an asset is adjusted for the latest fair value, any accumulated depreciation at the date of valuation is eliminated against the gross carrying amount of the asset. The movement of fair values is generally recognised in other comprehensive income. When such properties are sold, the amounts accumulated in other comprehensive income are transferred to retained earnings. The revised accounting policy is applied prospectively from the date of adoption, resulting in increase of RM173,470,000 and RM26,974,000 in total assets and total equity, respectively as of 1 December 2015.

  Properties held for own use is valued by independent professional valuation firm at least annually to ensure that fair value of the revalued asset does not differ materially from its carrying value. Changes in fair values are recognised in other comprehensive income and reported in the statements of financial position as property revaluation reserve.

  Operating leasehold land relating to properties held for own use will continue to be carried at cost less accumulated amortisation and impairment losses (if any) and reported as prepaid land lease payments on the statements of financial position.

- Investment properties, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the income statements. Previously such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. The revised accounting policy will be applied retrospectively and a summary of financial impact to the Group and the Company on initial adoption are as follows:

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Effect of change in accounting policies (continued)

Statements of financial position

At 1 December 2014

Group	Note	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Investment properties	4	334,180	43,020	377,200
Insurance contract liabilities	17	(34,877,868)	(32,621)	(34,910,489)
Deferred tax liabilities	18	(482,981)	(3,273)	(486,254)
Retained earnings		(3,020,387)	(7,126)	(3,027,513)
Company				
Investment properties	4	334,180	43,020	377,200
Insurance contract liabilities	17	(34,853,644)	(32,621)	(34,886,265)
Deferred tax liabilities	18	(482,981)	(3,273)	(486,254)
Retained earnings		(3,056,914)	(7,126)	(3,064,040)

At 30 November 2015

Group	Note	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Investment properties	4	324,228	53,672	377,900
Insurance contract liabilities	17	(35,650,541)	(41,094)	(35,691,635)
Deferred tax liabilities	18	(441,475)	(3,679)	(445,154)
Retained earnings		(3,163,301)	(8,899)	(3,172,200)
Company				
Investment properties	4	324,228	53,672	377,900
Insurance contract liabilities	17	(35,625,864)	(41,094)	(35,666,958)
Deferred tax liabilities	18	(441,475)	(3,679)	(445,154)
Retained earnings		(3,200,853)	(8,899)	(3,209,752)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Effect of change in accounting policies (continued)

Income statements

30 November 2015

Group	**Note**	**As previously stated RM'000**	**Adjustments RM'000**	**As restated RM'000**
Gross change to insurance contract liabilities	30(c)	(774,142)	(8,473)	(782,615)
Fair value losses	28	(572,156)	700	(571,456)
Management expenses	31	(770,445)	9,952	(760,493)
Tax expense	32	(230,514)	(406)	(230,920)
Profit after tax for the financial year		789,769	1,773	791,542
Company				
Gross change to insurance contract liabilities	30(c)	(773,689)	(8,473)	(782,162)
Fair value losses	28	(572,182)	700	(571,482)
Management expenses	31	(768,433)	9,952	(758,481)
Tax expense	32	(230,854)	(406)	(231,260)
Profit after tax for the financial year		790,794	1,773	792,567

Statements of comprehensive income

30 November 2015

Group			
Profit for the financial year	789,769	1,773	791,542
Total comprehensive income for the financial year	734,499	1,773	736,272
Company			
Profit for the financial year	790,794	1,773	792,567
Total comprehensive income for the financial year	736,272	1,773	738,045

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Effect of change in accounting policies (continued)

The Group and the Company believes measuring properties held for own use and investment properties in accordance with the revised accounting polices based on guidance in MFRS 116 “Property, Plant and Equipment” and MFRS 140 “Investment Property” respectively, provide reliable and more relevant information to users of the financial statements than that measured based on cost model under the current accounting policy.

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

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

<u>Financial year beginning on/after 1 December 2016</u>

- Amendments to MFRS 127 “Equity Method in Separate Financial Statements”
- 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” and MFRS 134 “Interim Financial Reporting”)
- Amendments to MFRS 10, 12 and 128 “Investment Entities – Applying the Consolidation Exception”
- Amendments to MFRS 101 “Presentation of Financial Statements – Disclosure Initiative”

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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.

- The amendments to MFRS 4 ("Insurance Contracts") allows two alternatives to address the transitional challenges from different effective dates of MFRS 9 and the proposed new standard on insurance contracts. The amendment introduced two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying MFRS 9 for entities whose activities are predominantly connected with insurance contracts until the earlier of the effective date of the proposed new standard on insurance contracts and the annual reporting periods beginning on or after 1 January 2021.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Financial year beginning on/after 1 December 2019

- 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 standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. 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.

- 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 Group is reviewing the adoption of the above accounting standards, amendments to published standards and interpretation to existing standards and will complete the process prior to the reporting requirement deadline. The Group has not 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 Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical accounting estimates and judgements in applying accounting policies

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

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

<u>Key sources of estimation uncertainty</u>

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

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

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

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

The key assumptions used and the sensitivity analysis on the key assumptions as at 30 November 2016, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 38 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Key sources of estimation uncertainty (continued)

(b) Valuation of general insurance contract liabilities

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

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

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

The key assumptions used and the sensitivity analysis on the key assumptions as at 30 November 2016, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 38 to the financial statements.

(c) Valuation of investment properties and properties held for own use

The Group uses independent professional valuers to determine the fair value of properties on the basis of highest and best use of the properties that is physically possible, legally permissible and financially feasible. In most cases, current use of the properties are considered to be its highest and best use. Different valuation approaches may be adopted to reach the fair value of a property. Under the market data approach, records of recent sales and offerings of similar property are analysed and comparisons are made for factors such as size, location, quality and prospective use.

For investment properties, the discounted cash flow approach is used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the properties. In some occasions, the cost approach is used as well to calculate the fair value which reflects the cost that would be required to replace the service capacity of the property.

3 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work in progress RM'000	Total RM'000
At 30 November 2016								
Cost/Valuation								
At 1 December 2015	11,046	6,336	414,674	2,114	66,937	93,333	6,881	601,321
Additions	-	-	649	561	4,978	9,381	13,073	28,642
Revaluation surplus for the financial year recognised in other comprehensive income	131,884	5,327	46,761	-	-	-	-	183,972
Elimination of accumulated depreciation and impairment on revaluation	(941)	(148)	(167,751)	-	-	-	-	(168,840)
Disposal	-	-	-	(712)	-	(102)	-	(814)
Written off	-	-	-	-	(531)	(6,036)	-	(6,567)
Reclass to intangible assets (Note 6)	-	-	-	-	-	-	(36)	(36)
Reclassification	-	-	(63,530)	-	80,732	1,266	(18,468)	-
At 30 November 2016	141,989	11,515	230,803	1,963	152,116	97,842	1,450	637,678

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

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	**Freehold land RM'000**	**Leasehold land RM'000**	**Buildings owner occupied properties RM'000**	**Motor vehicles RM'000**	**Furniture, fixtures and fittings RM'000**	**Office equipments RM'000**	**Work in progress RM'000**	**Total RM'000**
At 30 November 2016								
Accumulated depreciation and impairment								
At 1 December 2015	-	133	184,868	1,913	37,626	77,465	-	302,005
Depreciation charge for the financial year (Note 31)	-	15	8,802	226	12,738	9,316	-	31,097
Disposal	-	-	-	(696)	-	(93)	-	(789)
Written off	-	-	-	-	(372)	(6,036)	-	(6,408)
Impairment losses	941	-	845	-	-	-	-	1,786
Elimination of accumulated depreciation and impairment losses on revaluation	(941)	(148)	(167,751)	-	-	-	-	(168,840)
Reclassification	-	-	(26,764)	-	26,764	-	-	-
At 30 November 2016	-	-	-	1,443	76,756	80,652	-	158,851
Net Book Value at 30 November 2016	141,989	11,515	230,803	520	75,360	17,190	1,450	478,827

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work in progress RM'000	Total RM'000
At 30 November 2015								
Cost								
At 1 December 2014	11,046	6,336	408,097	3,524	62,052	86,695	2,392	580,142
Additions	-	-	3,121	-	3,188	3,821	10,308	20,438
Disposal	-	-	-	(1,410)	-	(2)	-	(1,412)
Written off	-	-	-	-	-	(2)	-	(2)
Reclass from intangible assets (Note 6)	-	-	-	-	-	-	2,155	2,155
Reclassification	-	-	3,456	-	1,697	2,821	(7,974)	-
At 30 November 2015	11,046	6,336	414,674	2,114	66,937	93,333	6,881	601,321

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u> (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work in progress RM'000	Total RM'000
<u>At 30 November 2015</u>								
<u>Accumulated depreciation</u>								
At 1 December 2014	-	126	168,051	3,007	30,039	68,455	-	269,678
Depreciation charge for the financial year (Note 31)	-	7	16,817	258	7,587	9,012	-	33,681
Disposal	-	-	-	(1,352)	-	(1)	-	(1,353)
Written off	-	-	-	-	-	(1)	-	(1)
At 30 November 2015	-	133	184,868	1,913	37,626	77,465	-	302,005
Net Book Value at 30 November 2015	11,046	6,203	229,806	201	29,311	15,868	6,881	299,316

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land	Leasehold land	Buildings owner occupied properties	Motor vehicles	Furniture, fixtures and fittings	Office equipments	Work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 November 2016								
Cost/Valuation								
At 1 December 2015	11,046	6,336	414,674	2,115	65,937	92,016	6,881	599,005
Additions	-	-	649	560	4,978	9,370	13,073	28,630
Revaluation surplus for the financial year recognised in other comprehensive income	131,884	5,327	46,761	-	-	-	-	183,972
Elimination of accumulated depreciation and impairment losses on revaluation	(941)	(148)	(167,751)	-	-	-	-	(168,840)
Disposal	-	-	-	(712)	-	(102)	-	(814)
Written off	-	-	-	-	(531)	(6,036)	-	(6,567)
Reclassification	-	-	(63,530)	-	80,732	1,266	(18,468)	-
Reclass to intangible assets (Note 6)	-	-	-	-	-	-	(36)	(36)
At 30 November 2016	141,989	11,515	230,803	1,963	151,116	96,514	1,450	635,350

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work in progress RM'000	Total RM'000
Accumulated depreciation and impairment								
At 1 December 2015	-	133	184,868	1,913	36,753	76,454	-	300,121
Depreciation charge for the financial year (Note 31)	-	15	8,802	226	12,611	9,078	-	30,732
Disposal	-	-	-	(696)	-	(93)	-	(789)
Written off	-	-	-	-	(372)	(6,036)	-	(6,408)
Impairment losses	941	-	845	-	-	-	-	1,786
Elimination of accumulated depreciation and impairment losses on revaluation	(941)	(148)	(167,751)	-	-	-	-	(168,840)
Reclassification	-	-	(26,764)	-	26,764	-	-	-
At 30 November 2016	-	-	-	1,443	75,756	79,403	-	156,602
Net Book Value at 30 November 2016	141,989	11,515	230,803	520	75,360	17,111	1,450	478,748

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued)	Freehold land	Leasehold land	Buildings owner occupied properties	Motor vehicles	Furniture, fixtures and fittings	Office equipments	Work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 November 2015								
Cost								
At 1 December 2014	11,046	6,336	408,097	3,484	60,819	85,619	2,392	577,793
Additions	-	-	3,121	-	3,188	3,813	10,308	20,430
Disposal	-	-	-	(1,369)	-	(2)	-	(1,371)
Written off	-	-	-	-	-	(2)	-	(2)
Reclassification	-	-	3,456	-	1,930	2,588	(7,974)	-
Reclass from intangible assets (Note 6)	-	-	-	-	-	-	2,155	2,155
At 30 November 2015	11,046	6,336	414,674	2,115	65,937	92,016	6,881	599,005

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

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued)	**Freehold land RM'000**	**Leasehold land RM'000**	**Buildings owner occupied properties RM'000**	**Motor vehicles RM'000**	**Furniture, fixtures and fittings RM'000**	**Office equipments RM'000**	**Work in progress RM'000**	**Total RM'000**
As at 30 November 2015								
Accumulated Depreciation								
At 1 December 2014	-	126	168,051	2,879	29,338	67,745	-	268,139
Depreciation charge for the financial year (Note 31)	-	7	16,817	346	7,415	8,711	-	33,296
Disposal	-	-	-	(1,312)	-	(1)	-	(1,313)
Written off	-	-	-	-	-	(1)	-	(1)
At 30 November 2015	-	133	184,868	1,913	36,753	76,454	-	300,121
Net Book Value at 30 November 2015	11,046	6,203	229,806	202	29,184	15,562	6,881	298,884

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties held for own use are carried at fair value at the reporting date less accumulated depreciation. The Group and the Company use independent professional valuers to determine the fair value of properties on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible.

In most cases, current use of the properties is considered to be the highest and best use for determining the fair values and are determined based on appropriate valuation techniques which may consider among other income projection, value of comparable property and adjustments for factors such as size, location, quality and prospective use. These valuation inputs are deemed unobservable inputs under the level 3 fair value hierarchy.

Increases in revaluation surplus on properties held for own use of RM184 million were recognised in the other comprehensive income during the financial year.

The net book value of revalued buildings had these assets been carried at cost less accumulated depreciation are as follows:

	Group and Company	
	30.11.2016	**30.11.2015**
	RM'000	**RM'000**
Freehold land	11,046	11,046
Leasehold land	6,194	6,201
Buildings owner occupied properties	186,164	192,583

4 INVESTMENT PROPERTIES

Group and Company	**Freehold land RM'000**	**Buildings RM'000**	**Total RM'000**
At 30 November 2016			
At 1 December 2015			
As previously reported	159,872	164,356	324,228
Effect of change in accounting policies (Note 2.3(b))	41,828	11,844	53,672
As restated	201,700	176,200	377,900
Fair value changes (Note 28)	400	-	400
At 30 November 2016	202,100	176,200	378,300
At 30 November 2015			
At 1 December 2014			
As previously reported	159,872	174,308	334,180
Effect of change in accounting policies (Note 2.3(b))	41,128	1,892	43,020
As restated	201,000	176,200	377,200
Fair value changes (Note 28)	700	-	700
At 30 November 2015	201,700	176,200	377,900

Investment properties are carried at fair value at the reporting date as determined by independent professional valuers. Fair value of the Group and the Company's properties are determined based on appropriate valuation techniques which may consider among other income projection, value of comparable property and adjustments for factors such as size, location, quality and prospective use. These valuation inputs are deemed unobservable inputs under the level 3 fair value hierarchy.

4 INVESTMENT PROPERTIES (CONTINUED)

No investment properties were pledged as security for banking facilities as at the date of the statements of financial position.

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

	Group and Company	
	2016 RM'000	2015 RM'000
Rental income	25,304	26,675
Direct operating expenses arising from investment properties that generate rental income	(7,862)	(9,358)

5 PREPAID LAND LEASE PAYMENTS

	Group and Company	
	2016 RM'000	2015 RM'000
At beginning of the financial year	1,224	1,250
Amortisation for the financial year (Note 31)	(25)	(26)
At end of the financial year	1,199	1,224
Analysed as:		
Short term leasehold land	1,199	1,224

5 PREPAID LAND LEASE PAYMENTS (CONTINUED)

No leasehold land of the Group and the Company were pledged as security for banking facilities as at the date of the statements of financial position.

	Group and Company	
	2016 RM'000	2015 RM'000
Current	509	525
Non current	690	699
	1,199	1,224

6 INTANGIBLE ASSETS

Group	Software RM'000	Membership RM'000	Work in progress RM'000	Total RM'000
At 30 November 2016				
Cost				
At 1 December 2015	140,706	1,439	9,252	151,397
Additions	5,283	-	21,928	27,211
Disposal	(453)	-	(4,837)	(5,290)
Reclass from property, plant and equipment (Note 3)	36	-	-	36
Reclassification	18,873	-	(18,873)	-
At 30 November 2016	164,445	1,439	7,470	173,354
Accumulated amortisation				
At 1 December 2015	78,691	218	-	78,909
Amortisation for the financial year (Note 31)	12,972	22	-	12,994
Disposal	(202)	-	-	(202)
At 30 November 2016	91,461	240	-	91,701
Net Book Value at 30 November 2016	72,984	1,199	7,470	81,653

6 INTANGIBLE ASSETS (CONTINUED)

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

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

6 INTANGIBLE ASSETS (CONTINUED)

Company	**Software**	**Membership**	**Work in progress**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 30 November 2016				
Cost				
At 1 December 2015	139,952	1,439	9,252	150,643
Additions	5,283	-	21,928	27,211
Disposal	(453)	-	(4,837)	(5,290)
Reclass from property, plant and equipment (Note 3)	36	-	-	36
Reclassification	18,873	-	(18,873)	-
At 30 November 2016	163,691	1,439	7,470	172,600
Accumulated amortisation				
At 1 December 2015	78,465	218	-	78,683
Amortisation for the financial year (Note 31)	12,670	22	-	12,692
Disposal	(202)	-	-	(202)
At 30 November 2016	90,933	240	-	91,173
Net Book Value at 30 November 2016	72,758	1,199	7,470	81,427

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

6 INTANGIBLE ASSETS (CONTINUED)

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

7 INVESTMENT IN SUBSIDIARIES

	Company	
	30.11.2016	30.11.2015
	RM'000	RM'000
Unquoted shares, at cost	163,000	153,000

Details of the subsidiaries are as follows:

Name	Country of incorporation	Effective interest 2016 (%)	Effective interest 2015 (%)	Principal activities
Green Health Certification Bhd.	Malaysia	100	100	Investment holding
AIA Pension and Asset Management Sdn. Bhd. ("APAM")	Malaysia	100	100	Managing private retirement scheme and asset management business

The Group increased its investment in APAM by RM10,000,000 on 24 October 2016.

Interests in structured entities

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

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Interests in structured entities (continued)

The following tables summarise the Group's interest in unconsolidated structured entities as at 30 November 2016:

	Group and Company	
At 30 November 2016		
	Investment funds	Structured securities[1]
	RM'000	RM'000
Available for sale debt securities	-	251,209
Debt securities at fair value through profit or loss	-	1,005,563
Equity securities at fair value through profit or loss	1,642,114[2]	-
	1,642,114	1,256,772
At 30 November 2015		
	Investment funds	Structured securities[1]
	RM'000	RM'000
Available for sale debt securities	-	252,233
Debt securities at fair value through profit or loss	-	1,017,381
Equity securities at fair value through profit or loss	1,402,108[2]	-
	1,402,108	1,269,614

Notes:

(1) Structured securities include mortgage-backed securities.

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

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

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

8 INVESTMENT IN ASSOCIATE

	Group		Company	
	30.11.2016	30.11.2015	30.11.2016	30.11.2015
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	33,421	33,421	88	88
Share of post-acquisition reserve	16,876	18,056	-	-
	50,297	51,477	88	88

Details of the associate companies are as follows:

Name	Country of incorporation	Effective interest (%) 2016	Effective interest (%) 2015	Principal activities
*Panareno Sdn. Bhd.	Malaysia	35	35	Property management and development
**AIA PUBLIC Takaful Bhd.	Malaysia	25	25	Managing Family Takaful business including investment-linked business

* Panareno Sdn. Bhd.'s financial year end is 31 December which is not consistent with the financial year end of the Company. For the purpose of applying the equity method of accounting, the management accounts of the associate for the financial period ended 31 October 2016 have been used and appropriate adjustments have been made for the effects of significant transactions between 30 November 2016 and that date.

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

8 INVESTMENT IN ASSOCIATE (CONTINUED)

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

	30.11.2016 RM'000	30.11.2015 RM'000
Assets and liabilities		
Current assets/total assets	219,558	177,679
Current liabilities/total liabilities	169,261	126,202
Net assets	50,297	51,477
Results		
Revenue	116,614	28,926
Loss for the financial year	(1,179)	(2,657)
Other comprehensive loss	(1)	(116)

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	30.11.2016 RM'000	30.11.2015 RM'000	30.11.2016 RM'000	30.11.2015 RM'000
At fair value				
Malaysian government securities	1,817,364	1,672,532	1,812,210	1,667,369
Cagamas papers	467,825	469,874	467,825	469,874
Unquoted corporate debt securities	5,460,004	5,638,930	5,404,108	5,583,174
Unquoted equity securities	4,625	4,625	4,625	4,625
Deposits with licensed bank	103,230	102,430	103,230	102,430
Accrued interest	86,796	89,660	86,118	88,974
	7,939,844	7,978,051	7,878,116	7,916,446

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	30.11.2016	30.11.2015	30.11.2016	30.11.2015
	RM'000	RM'000	RM'000	RM'000
Carrying values of financial instruments				
At 1 December	7,978,051	8,369,302	7,916,446	8,307,340
Purchases	823,347	630,180	823,948	629,871
Maturities	(298,355)	(189,963)	(298,355)	(189,963)
Disposals at amortised cost	(485,855)	(743,746)	(485,855)	(743,746)
Fair value losses recorded in:				
Other comprehensive income	(69,525)	(74,861)	(70,282)	(74,229)
Unrealised foreign exchange gains	-	92	-	92
Movement in accrued interest	(2,848)	(2,849)	(2,856)	(2,855)
Net amortisation of premiums (Note 26)	(4,971)	(10,104)	(4,930)	(10,064)
At 30 November	7,939,844	7,978,051	7,878,116	7,916,446
Current	346,840	413,116	346,161	412,429
Non current	7,593,004	7,564,935	7,531,955	7,504,017
	7,939,844	7,978,051	7,878,116	7,916,446

Malaysian government securities and unquoted corporate debt securities held for investment of RMNil (2015: RM311,346,000) have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 20 to the financial statements.

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments

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

Group

At 30 November 2016	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Malaysian government securities	1,817,364	-	1,817,364	-
Cagamas papers	467,825	-	467,825	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,460,004	-	5,460,004	-
Deposits with licensed bank	103,230	-	103,230	-
Accrued interest	86,796	-	86,796	-
The assets on a recurring fair value measurement basis	7,939,844	-	7,935,219	4,625

At 30 November 2015	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Malaysian government securities	1,672,532	-	1,672,532	-
Cagamas papers	469,874	-	469,874	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,638,930	-	5,638,930	-
Deposits with licensed bank	102,430	-	102,430	-
Accrued interest	89,660	-	89,660	-
The assets on a recurring fair value measurement basis	7,978,051	-	7,973,426	4,625

Company

At 30 November 2016	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Malaysian government securities	1,812,210	-	1,812,210	-
Cagamas papers	467,825	-	467,825	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,404,108	-	5,404,108	-
Deposits with licensed bank	103,230	-	103,230	-
Accrued interest	86,118	-	86,118	-
The assets on a recurring fair value measurement basis	7,878,116	-	7,873,491	4,625

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments (continued)

Company (continued)

At 30 November 2015	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Malaysian government securities	1,667,369	-	1,667,369	-
Cagamas papers	469,874	-	469,874	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,583,174	-	5,583,174	-
Deposits with licensed bank	102,430	-	102,430	-
Accrued interest	88,974	-	88,974	-
The assets on a recurring fair value measurement basis	7,916,446	-	7,911,821	4,625

The table below sets out a summary of changes in level 3 fair value for financial assets during the financial year.

Group and Company

	Unquoted equity securities RM'000
At 1 December 2015/30 November 2016	4,625

Fair value hierarchy for financial and non financial instruments

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

10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	Group		Company	
	30.11.2016	**30.11.2015**	**30.11.2016**	**30.11.2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At fair value				
Malaysian government securities	4,356,632	5,563,499	4,356,632	5,563,499
Cagamas papers	1,949,936	1,922,265	1,949,936	1,922,265
Equity securities of corporations				
- Quoted	7,548,606	6,880,377	7,548,606	6,880,377
- Unquoted	223,698	90,306	223,698	90,306
Quoted real estate investment trust funds	432,658	308,613	432,658	308,613
Unquoted corporate debt securities	17,312,516	16,128,716	17,312,516	16,128,716
Mutual funds				
- Quoted	927,736	788,107	927,736	788,107
- Unquoted	281,721	305,388	281,721	305,388
Subscription rights				
- Quoted	-	1,840	-	1,840
- Unquoted	-	16	-	16
Deposits with licensed bank	51,110	51,214	51,110	51,214
Malaysian government guarantee loans	8,000	8,000	8,000	8,000
Accrued interest	275,735	268,146	275,735	268,146
	33,368,348	32,316,487	33,368,348	32,316,487

Carrying values of financial instruments				
At 1 December	32,316,487	31,371,381	32,316,487	31,356,845
Purchases	6,942,076	6,269,918	6,942,076	6,269,918
Maturities	(847,845)	(329,987)	(847,845)	(329,987)
Disposals at fair value	(4,863,128)	(4,421,917)	(4,863,128)	(4,407,355)
Fair value losses recorded in income statements (Note 28)	(170,486)	(572,156)	(170,486)	(572,182)
Movement in accrued interest	7,589	27,570	7,589	27,570
Net amortisation of premiums (Note 26)	(16,345)	(28,322)	(16,345)	(28,322)
At 30 November	33,368,348	32,316,487	33,368,348	32,316,487

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

	Group		Company	
	30.11.2016 RM'000	30.11.2015 RM'000	30.11.2016 RM'000	30.11.2015 RM'000
Current	10,575,221	9,634,559	10,575,221	9,634,560
Non current	22,793,127	22,681,928	22,793,127	22,681,927
	33,368,348	32,316,487	33,368,348	32,316,487

Fair value of financial instruments

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

Group

At 30 November 2016	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Malaysian government securities	4,356,632	-	4,356,632	-
Cagamas papers	1,949,936	-	1,949,936	-
Equity securities of corporations				
- Quoted	7,548,606	7,548,606	-	-
- Unquoted	223,698	-	223,665	33
Quoted real estate investment trust funds	432,658	432,658	-	-
Unquoted corporate debt securities	17,312,516	-	17,312,516	-
Mutual funds				
- Quoted	927,736	927,736	-	-
- Unquoted	281,721	126,256	-	155,465
Deposits with licensed bank	51,110	-	51,110	-
Malaysian government guarantee loans	8,000	-	-	8,000
Accrued interest	275,735	-	275,735	-
Total assets on a recurring fair value measurement basis	33,368,348	9,035,256	24,169,594	163,498

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

Fair value of financial instruments (continued)

Group (continued)

At 30 November 2015	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Malaysian government securities	5,563,499	-	5,563,499	-
Cagamas papers	1,922,265	-	1,922,265	-
Equity securities of corporations				
- Quoted	6,880,377	6,880,377	-	-
- Unquoted	90,306	-	90,272	34
Quoted real estate investment trust funds	308,613	308,613	-	-
Unquoted corporate debt securities	16,128,716	-	16,128,716	-
Mutual funds				
- Quoted	788,107	788,107	-	-
- Unquoted	305,388	139,301	-	166,087
Subscription rights				
- Quoted	1,840	1,840	-	-
- Unquoted	16	-	16	-
Deposits with licensed bank	51,214	-	51,214	-
Malaysian government guarantee loans	8,000	-	-	8,000
Accrued interest	268,146	-	268,146	-
Total assets on a recurring fair value measurement basis	32,316,487	8,118,238	24,024,128	174,121

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

Fair value of financial instruments (continued)

Company

At 30 November 2016	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Malaysian government securities	4,356,632	-	4,356,632	-
Cagamas papers	1,949,936	-	1,949,936	-
Equity securities of corporations				
- Quoted	7,548,606	7,548,606	-	-
- Unquoted	223,698	-	223,665	33
Quoted real estate investment trust funds	432,658	432,658	-	-
Unquoted corporate debt securities	17,312,516	-	17,312,516	-
Mutual funds				
- Quoted	927,736	927,736	-	-
- Unquoted	281,721	126,256	-	155,465
Deposits with licensed bank	51,110	-	51,110	-
Malaysian government guarantee loans	8,000	-	-	8,000
Accrued interest	275,735	-	275,735	-
Total assets on a recurring fair value measurement basis	33,368,348	9,035,256	24,169,594	163,498

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

Fair value of financial instruments (continued)

Company (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 30 November 2015				
Malaysian government securities	5,563,499	-	5,563,499	-
Cagamas papers	1,922,265	-	1,922,265	-
Equity securities of corporations				
- Quoted	6,880,377	6,880,377	-	-
- Unquoted	90,306	-	90,272	34
Quoted real estate investment trust funds	308,613	308,613	-	-
Unquoted corporate debt securities	16,128,716	-	16,128,716	-
Mutual funds				
- Quoted	788,107	788,107	-	-
- Unquoted	305,388	139,301	-	166,087
Subscription rights				
- Quoted	1,840	1,840	-	-
- Unquoted	16	-	16	-
Deposits with licensed bank	51,214	-	51,214	-
Malaysian government guarantee loans	8,000	-	-	8,000
Accrued interest	268,146	-	268,146	-
Total assets on a recurring fair value measurement basis	32,316,487	8,118,238	24,024,128	174,121

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

Fair value of financial instruments (continued)

The tables below set out a summary of changes in level 3 fair value for financial assets during the financial year.

Level 3 financial assets

Group and Company

	Malaysia government guarantee loans RM'000	Equity securities RM'000	Mutual funds RM'000
At 1 December 2014	8,000	33	132,545
Acquisition during the financial year	-	-	42,590
Disposal during the financial year	-	-	(21,052)
Fair value gains recorded in income statements	-	1	12,004
At 30 November 2015	8,000	34	166,087
Acquisition during the financial year	-	-	32,573
Disposal during the financial year	-	-	(18,157)
Fair value losses recorded in income statements	-	(1)	(25,038)
At 30 November 2016	8,000	33	155,465

Fair value hierarchy for financial and non financial instruments

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

11 LOANS AND RECEIVABLES

	Group		Company	
	30.11.2016	30.11.2015	30.11.2016	30.11.2015
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Malaysian government guarantee loans	517,000	517,000	517,000	517,000
Policy loans	1,543,945	1,567,077	1,543,945	1,567,077
Mortgage loans	2,343,986	2,215,945	2,343,986	2,215,945
Other secured loans	8	17	8	17
Staff loans	37,031	33,303	37,031	33,303
Unsecured loans	14,154	7,075	14,154	7,075
Accrued interest	59,579	59,625	59,579	59,625
	4,515,703	4,400,042	4,515,703	4,400,042
Allowance for impairment losses	(39,738)	(38,951)	(39,738)	(38,951)
	4,475,965	4,361,091	4,475,965	4,361,091
Fixed and call deposits with licensed financial institutions	113,779	98,100	90,000	90,000
Other receivables:				
Accrued dividend	13,644	7,979	13,644	7,979
Other receivables	262,200	214,172	262,053	213,537
Deposits and prepayments	13,859	19,030	13,859	19,030
	289,703	241,181	289,556	240,546
Allowance for impairment losses	(16,521)	(12,268)	(16,521)	(12,268)
	273,182	228,913	273,035	228,278
Total	4,862,926	4,688,104	4,839,000	4,679,369
Current	332,761	288,539	332,614	287,904
Non current	4,530,165	4,399,565	4,506,386	4,391,465
	4,862,926	4,688,104	4,839,000	4,679,369

11 LOANS AND RECEIVABLES (CONTINUED)

	Group		Company	
	30.11.2016	**30.11.2015**	**30.11.2016**	**30.11.2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At fair value				
Malaysian government guarantee loans	532,211	547,650	532,211	547,650
Policy loans	1,543,945	1,567,077	1,543,945	1,567,077
Mortgage loans	2,302,945	2,259,574	2,302,945	2,259,574
Other secured loans	8	17	8	17
Staff loans	32,238	32,237	32,238	32,237
Unsecured loans	13,970	6,891	13,970	6,891
Accrued interest	59,579	59,625	59,579	59,625
	4,484,896	4,473,071	4,484,896	4,473,071
Fixed and call deposits with licensed financial institutions	115,749	101,065	91,970	92,965
	4,600,645	4,574,136	4,576,866	4,566,036

The carrying amounts of other receivables approximate their fair values as at the date of the statements of financial position due to the relatively short-term maturity of these balances.

12 REINSURANCE ASSETS

	Group and Company	
	30.11.2016	**30.11.2015**
	RM'000	**RM'000**
Reinsurance of insurance contracts	126,896	88,430
Receivable within 12 months	126,896	88,430

13 INSURANCE RECEIVABLES

	Group and Company	
	30.11.2016 RM'000	30.11.2015 RM'000
Outstanding premiums including agents' balances	410,352	492,960
Amount due from reinsurers	15,732	26,128
	426,084	519,088
Allowance for impairment losses	(34,487)	(22,393)
	391,597	496,695
Receivable within 12 months	391,597	496,695

Offsetting of financial assets and financial liabilities

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

Group

				Related amounts not set off in the statements of financial position		
	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) set off in the statements of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statements of financial position RM'000	Financial instruments RM'000	Cash collateral (received)/ pledged RM'000	Net amount RM'000
2016						
Amount due from reinsurers	15,872	(140)	15,732	-	-	15,732
Amount due to reinsurers	(187,951)	140	(187,811)	-	-	(187,811)
Other receivables	273,182	-	273,182	-	(40,910)	232,272
	101,103	-	101,103	-	(40,910)	60,193

13 INSURANCE RECEIVABLES (CONTINUED)

Offsetting of financial assets and financial liabilities (continued)

Group (continued)

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) set off in the statements of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position: Financial instruments RM'000	Related amounts not set off in the statements of financial position: Cash collateral (received)/ pledged RM'000	Net amount RM'000
2015						
Amount due from reinsurers	26,128	-	26,128	-	-	26,128
Amount due to reinsurers	(118,419)	-	(118,419)	-	-	(118,419)
Other receivables	228,913	-	228,913	-	(35,962)	192,951
Obligations on securities sold under repurchase agreements	(300,787)	-	(300,787)	300,787	-	-
	(164,165)	-	(164,165)	300,787	(35,962)	100,660

Company

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) set off in the statements of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position: Financial instruments RM'000	Related amounts not set off in the statements of financial position: Cash collateral (received)/ pledged RM'000	Net amount RM'000
2016						
Amount due from reinsurers	15,872	(140)	15,732	-	-	15,732
Amount due to reinsurers	(187,951)	140	(187,811)	-	-	(187,811)
Other receivables	273,035	-	273,035	-	(40,910)	232,125
	100,956	-	100,956	-	(40,910)	60,046

13 INSURANCE RECEIVABLES (CONTINUED)

Offsetting of financial assets and financial liabilities (continued)

Company (continued)

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) set off in the statements of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position: Financial instruments RM'000	Related amounts not set off in the statements of financial position: Cash collateral (received)/ pledged RM'000	Net amount RM'000
2015						
Amount due from reinsurers	26,128	-	26,128	-	-	26,128
Amount due to reinsurers	(118,419)	-	(118,419)	-	-	(118,419)
Other receivables	228,278	-	228,278	-	(35,962)	192,316
Obligations on securities sold under repurchase agreements	(300,787)	-	(300,787)	300,787	-	-
	(164,800)	-	(164,800)	(300,787)	(35,962)	100,025

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

14 FAIR VALUE MEASUREMENTS

Fair value measurements on a recurring basis

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

14 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

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

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

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the year ended 30 November 2016.

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

Level 1 - Financial instruments measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Group's own models whereby the majority of assumptions are market observable.

14 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

Level 3 - Financial instruments measured in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the financial year ended 30 November 2016, there is no transfer of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There is no transfer of assets from Level 2 to Level 1 during the financial year ended 30 November 2016.

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

14 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

Significant unobservable inputs for level 3 fair value measurements

The following table shows the valuation techniques used in determination of fair values within level 3, as well as the significant unobservable inputs used in the valuation models:

Description	Valuation techniques	Valuation unobservable inputs
Private equity funds	Net asset value	Net asset value
Common and preferred shares of private companies	Cost	Cost
Investment properties and properties held for own use	Discounted cash flow	Expected market rental growth Discount rate Yield

Valuation processes

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

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

14 FAIR VALUE MEASUREMENTS (CONTINUED)

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

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which fair value is disclosed as at 30 November 2016 is set out below.

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 November 2016				
Financial assets				
Loans and receivables	-	115,749	4,484,896	4,600,645
Financial liabilities				
Insurance payables	-	-	5,678,975	5,678,975
Other payables	-	-	731,666	731,666
	-	-	6,410,641	6,410,641
At 30 November 2015				
Financial assets				
Loans and receivables	-	101,065	4,473,071	4,574,136
Properties held for own use	-	-	395,930	395,930
	-	101,065	4,869,001	4,970,066
Financial liabilities				
Insurance payables	-	-	5,273,062	5,273,062
Other payables	-	-	1,030,941	1,030,941
	-	-	6,304,003	6,304,003

14 FAIR VALUE MEASUREMENTS (CONTINUED)

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

Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 November 2016				
Financial assets				
Loans and receivables	-	91,970	4,484,896	4,576,866
Financial liabilities				
Insurance payables	-	-	5,678,975	5,678,975
Other payables	-	-	725,830	725,830
	-	-	6,404,805	6,404,805
At 30 November 2015				
Financial assets				
Loans and receivables	-	92,965	4,473,071	4,566,036
Properties held for own use	-	-	395,930	395,930
	-	92,965	4,869,001	4,961,966
Financial liabilities				
Insurance payables	-	-	5,273,062	5,273,062
Other payables	-	-	1,018,376	1,018,376
	-	-	6,291,438	6,291,438

15 SHARE CAPITAL

	Number of shares at RM1 each		Amount	
	30.11.2016	30.11.2015	30.11.2016	30.11.2015
	'000	'000	RM'000	RM'000
Company				
Authorised share capital				
Ordinary shares at RM1 each:				
At 1 December/At 30 November	800,000	800,000	800,000	800,000
Issued and paid up share capital				
Ordinary shares at RM1 each:				
At 1 December/30 November	767,438	767,438	767,438	767,438

16 RETAINED EARNINGS

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

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 December 2015. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio ("CAR") position is less than its internal target capital level or if the payment of dividend would impair its CAR position to below its internal target.

17 INSURANCE CONTRACT LIABILITIES

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2016			
Life insurance (Note A)	36,403,366	(108,080)	36,295,286
General insurance (Note B)	316,496	(18,816)	297,680
	36,719,862	(126,896)	36,592,966
At 30 November 2015			
Life insurance (Note A)			
At 30 November 2015			
As previously reported	35,298,562	(70,166)	35,228,396
Effect of change in accounting policies (Note 2.3(b))	41,094	-	41,094
As restated	35,339,656	(70,166)	35,269,490
General insurance (Note B)	351,979	(18,264)	333,715
	35,691,635	(88,430)	35,603,205
At 1 December 2014			
Life Insurance (Note A)			
At 1 December 2014			
As previously reported	34,302,578	(76,887)	34,225,691
Effect of change in accounting policies (Note 2.3(b))	32,621	-	32,621
As restated	34,335,199	(76,887)	34,258,312
General insurance	575,290	(18,076)	557,214
	34,910,489	(94,963)	34,815,526

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2016			
Life insurance (Note A)	36,378,347	(108,080)	36,270,267
General insurance (Note B)	316,496	(18,816)	297,680
	36,694,843	(126,896)	36,567,947
At 30 November 2015			
Life Insurance (Note A)			
At 30 November 2015			
As previously reported	35,273,885	(70,166)	35,203,719
Effect of change in accounting policies (Note 2.3(b))	41,094	-	41,094
As restated	35,314,979	(70,166)	35,244,813
General insurance (Note B)	351,979	(18,264)	333,715
	35,666,958	(88,430)	35,578,528
At 1 December 2014			
Life insurance (Note A)			
At 1 December 2014			
As previously reported	34,278,354	(76,887)	34,201,467
Effect of change in accounting policies (Note 2.3(b))	32,621	-	32,621
As restated	34,310,975	(76,887)	34,234,088
General insurance	575,290	(18,076)	557,214
	34,886,265	(94,963)	34,791,302

	Group			Company		
	30.11.2016 RM'000	30.11.2015 RM'000 Restated	1.12.2014 RM'000 Restated	30.11.2016 RM'000	30.11.2015 RM'000 Restated	1.12.2014 RM'000 Restated
Current	1,270,202	1,347,505	1,246,918	1,270,202	1,347,505	1,246,918
Non current	35,449,660	34,344,130	33,663,571	35,424,641	34,319,453	33,639,347
	36,719,862	35,691,635	34,910,489	36,694,843	35,666,958	34,886,265

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance

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

(i) Life insurance contract liabilities

Group	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2016			
Claims liabilities	294,683	(50,811)	243,872
Actuarial liabilities (Note 38(i))	29,552,749	(57,269)	29,495,480
Unallocated surplus	1,430,384	-	1,430,384
Asset revaluation reserve	148,448	-	148,448
Net asset value attributable to unitholders	4,977,102	-	4,977,102
	36,403,366	(108,080)	36,295,286
At 30 November 2015 (Restated)			
Claims liabilities	305,135	(18,821)	286,314
Actuarial liabilities (Note 38(i))	28,466,591	(51,345)	28,415,246
Unallocated surplus	2,168,530	-	2,168,530
Net asset value attributable to unitholders	4,399,400	-	4,399,400
	35,339,656	(70,166)	35,269,490
At 1 December 2014 (Restated)			
Claims liabilities	236,125	(19,283)	216,842
Actuarial liabilities	27,320,986	(57,604)	27,263,382
Unallocated surplus	2,642,100	-	2,642,100
Net asset value attributable to unitholders	4,135,988	-	4,135,988
	34,335,199	(76,887)	34,258,312

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

The life insurance contract liabilities and its movements are further analysed as follows: (continued)

(i) Life insurance contract liabilities (continued)

Company	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2016			
Claims liabilities	294,683	(50,811)	243,872
Actuarial liabilities (Note 38(i))	29,552,749	(57,269)	29,495,480
Unallocated surplus	1,405,365	-	1,405,365
Asset revaluation reserve	148,448	-	148,448
Net asset value attributable to unitholders	4,977,102	-	4,977,102
	36,378,347	(108,080)	36,270,267
At 30 November 2015 (Restated)			
Claims liabilities	305,135	(18,821)	286,314
Actuarial liabilities (Note 38(i))	28,466,591	(51,345)	28,415,246
Unallocated surplus	2,143,853	-	2,143,853
Net asset value attributable to unitholders	4,399,400	-	4,399,400
	35,314,979	(70,166)	35,244,813
At 1 December 2014 (Restated)			
Claims liabilities	236,125	(19,283)	216,842
Actuarial liabilities	27,320,986	(57,604)	27,263,382
Unallocated surplus	2,617,876	-	2,617,876
Net asset value attributable to unitholders	4,135,988	-	4,135,988
	34,310,975	(76,887)	34,234,088

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

(ii) Movements of life insurance contract liabilities

			Gross
Group	With DPF RM'000	Without DPF RM'000	Total RM'000
At 1 December 2015	26,661,111	8,678,545	35,339,656
Policy movement	803,925	149,734	953,659
Movement in claim liabilities	6,285	(16,737)	(10,452)
Model refinement	-	3,213	3,213
Adjustments due to changes in assumptions:			
Expense	296,582	1,105	297,687
Discount rate	(47,953)	(157,846)	(205,799)
Mortality/ morbidity	-	(96,202)	(96,202)
Change in bonus	18,095	-	18,095
Others	-	115,505	115,505
Change in net asset value attributable to unitholders	-	577,702	577,702
Change in asset revaluation reserve	148,448	-	148,448
Unallocated surplus	(738,146)	-	(738,146)
At 30 November 2016	27,148,347	9,255,019	36,403,366

			Reinsurance
Group	With DPF RM'000	Without DPF RM'000	Total RM'000
At 1 December 2015	(19,870)	(50,296)	(70,166)
Policy movement	3,768	(9,692)	(5,924)
Movement in claim liabilities	(4,994)	(26,996)	(31,990)
At 30 November 2016	(21,096)	(86,984)	(108,080)

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

(ii) Movements of life insurance contract liabilities (continued)

Group	With DPF RM'000	Without DPF RM'000	Gross Total RM'000
At 1 December 2014			
As previously reported	26,210,599	8,091,979	34,302,578
Effect of change in accounting policies (Note 2.3(b))	32,621	-	32,621
As restated	26,243,220	8,091,979	34,335,199
Portfolios transfer of long term health policies from General insurance to Life business	-	203,471	203,471
Policy movement	1,035,595	171,045	1,206,640
Movement in claim liabilities	(21,058)	88,268	67,210
Model refinement	24	-	24
Adjustments due to changes in assumptions:			
Discount rate	(45,425)	(179,670)	(225,095)
Change in bonus	(77,675)	-	(77,675)
Others	-	40,040	40,040
Change in net asset value attributable to unitholders	-	263,412	263,412
Unallocated surplus	(473,570)	-	(473,570)
At 30 November 2015	26,661,111	8,678,545	35,339,656

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

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

(ii) Movements of life insurance contract liabilities (continued)

			Gross
Company	**With DPF RM'000**	**Without DPF RM'000**	**Total RM'000**
At 1 December 2015	26,636,434	8,678,545	35,314,979
Policy movement	803,925	149,734	953,659
Movement in claim liabilities	6,285	(16,737)	(10,452)
Model refinement	-	3,213	3,213
Adjustments due to changes in assumptions:			
Discount rate	(47,953)	(157,846)	(205,799)
Expense	296,582	1,105	297,687
Mortality/ morbidity	-	(96,202)	(96,202)
Change in bonus	18,095	-	18,095
Others	-	115,505	115,505
Change in net asset value attributable to unitholders	-	577,702	577,702
Change in asset revaluation reserve	148,448	-	148,448
Unallocated surplus	(738,488)	-	(738,488)
At 30 November 2016	27,123,328	9,255,019	36,378,347

			Reinsurance
Company	**With DPF RM'000**	**Without DPF RM'000**	**Total RM'000**
At 1 December 2015	(19,870)	(50,296)	(70,166)
Policy movement	3,768	(9,692)	(5,924)
Movement in claim liabilities	(4,994)	(26,996)	(31,990)
At 30 November 2016	(21,096)	(86,984)	(108,080)

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

(ii) Movements of life insurance contract liabilities (continued)

Company	Gross		
	With DPF RM'000	Without DPF RM'000	Total RM'000
At 1 December 2014			
As previously reported	26,186,375	8,091,979	34,278,354
Effect of change in accounting policies (Note 2.3(b))	32,621	-	32,621
As restated	26,218,996	8,091,979	34,310,975
Portfolios transfer of long term health policies from General insurance to Life business	-	203,471	203,471
Policy movement	1,035,595	171,045	1,206,640
Movement in claim liabilities	(21,058)	88,268	67,210
Model refinement	24	-	24
Adjustments due to changes in assumptions:			
Discount rate	(45,425)	(179,670)	(225,095)
Change in bonus	(77,675)	-	(77,675)
Others	-	40,040	40,040
Change in net asset value attributable to unitholders	-	263,412	263,412
Unallocated surplus	(474,023)	-	(474,023)
At 30 November 2015	26,636,434	8,678,545	35,314,979

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

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance

Group and Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2016			
Provision for claims reported by policyholders	129,591	(9,598)	119,993
Provision for incurred but not reported ("IBNR") claims	73,112	(3,252)	69,860
Claim liabilities (i)	202,703	(12,850)	189,853
Premium liabilities (ii)	113,793	(5,966)	107,827
	316,496	(18,816)	297,680
At 30 November 2015			
Provision for claims reported by policyholders	122,480	(8,023)	114,457
Provision for incurred but not reported ("IBNR") claims	97,604	(3,543)	94,061
Claim liabilities (i)	220,084	(11,566)	208,518
Premium liabilities (ii)	131,895	(6,698)	125,197
	351,979	(18,264)	333,715

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(i) Claim liabilities

Group and Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 December 2015	220,084	(11,566)	208,518
Claims incurred in the current accident year	110,859	(5,243)	105,616
Movement in claims incurred in prior accident years	(8,568)	(757)	(9,325)
Claims paid during the financial year	(107,970)	4,307	(103,663)
Others	(14,070)	-	(14,070)
Change in expense liabilities and risk margin	2,368	409	2,777
At 30 November 2016	202,703	(12,850)	189,853
At 1 December 2014	240,255	(12,604)	227,651
Claims incurred in the current accident year	170,847	(5,974)	164,873
Movement in claims incurred in prior accident years	(14,084)	(5,199)	(19,283)
Claims paid during the financial year	(178,612)	11,673	(166,939)
Others	3,425	-	3,425
Change in expense liabilities and risk margin	53	538	591
Portfolios transfer of long term health policies from General insurance to Life business	(1,800)	-	(1,800)
At 30 November 2015	220,084	(11,566)	208,518

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(ii) Premium liabilities

Group and Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 December 2015	131,895	(6,698)	125,197
Premiums written in the financial year (Note 25)	294,568	(21,347)	273,221
Premium earned during the financial year	(312,670)	22,079	(290,591)
At 30 November 2016	113,793	(5,966)	107,827
At 1 December 2014	335,035	(5,472)	329,563
Premiums written in the financial year (Note 25)	341,574	(34,383)	307,191
Premium earned during the financial year	(343,043)	33,157	(309,886)
Portfolios transfer of long term health policies from General insurance to Life business	(201,671)	-	(201,671)
At 30 November 2015	131,895	(6,698)	125,197

18 DEFERRED TAX LIABILITIES

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

18 DEFERRED TAX LIABILITIES (CONTINUED)

	Group and Company		
	30.11.2016	**30.11.2015**	**30.11.2014**
	RM'000	**RM'000**	**RM'000**
		Restated	Restated
Presented after appropriate offsetting as follows:			
Deferred tax liabilities	470,131	445,154	486,254

	30.11.2016	**30.11.2015**	**30.11.2014**
	RM'000	**RM'000**	**RM'000**
		Restated	Restated
Current	(11,629)	(7,613)	9,746
Non current	481,760	452,767	476,508
At 30 November	470,131	445,154	486,254

Group	**2016**	**2015**
	RM'000	**RM'000**
		Restated
At 1 December	445,154	486,254
Recognised in:		
Income statements (Note 32)	35,034	(23,994)
Other comprehensive income	(10,057)	(17,106)
At 30 November	470,131	445,154

Company	**2016**	**2015**
	RM'000	**RM'000**
		Restated
At 1 December	445,154	486,254
Recognised in:		
Income statements (Note 32)	35,206	(23,994)
Other comprehensive income	(10,229)	(17,106)
At 30 November	470,131	445,154

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

18 DEFERRED TAX LIABILITIES (CONTINUED)

Group At 30 November 2016	**Fair value of properties** **RM'000**	**Unallocated surplus** **RM'000**	**Revaluation of investments** **RM'000**	**Accelerated depreciation** **RM'000**	**Total** **RM'000**
Deferred tax liabilities at 1 December 2015	1,876	465,505	-	2,615	469,996
Recognised in:					
Income statements	32	38,132	-	7,190	45,354
Other comprehensive income	7,046	(555)	-	-	6,491
Deferred tax liabilities at 30 November 2016 (before offsetting)	8,954	503,082	-	9,805	521,841
Offsetting					(51,710)
Deferred tax liabilities at 30 November 2016 (after offsetting)					470,131

	Impairment allowance **RM'000**	**Revaluation of investments** **RM'000**	**Unrealised amortisation** **RM'000**	**Total** **RM'000**
Deferred tax assets at 1 December 2015	(1,844)	(8,690)	(14,308)	(24,842)
Recognised in:				
Income statements	1,229	(21,416)	9,867	(10,320)
Other comprehensive income	-	(16,548)	-	(16,548)
Deferred tax assets at 30 November 2016 (before offsetting)	(615)	(46,654)	(4,441)	(51,710)
Offsetting				51,710
Deferred tax assets at 30 November 2016 (after offsetting)				-

18 DEFERRED TAX LIABILITIES (CONTINUED)

Group At 30 November 2015	**Fair value of properties**	**Unallocated surplus**	**Revaluation of investments**	**Accelerated depreciation**	**Total**
Deferred tax liabilities at 1 December 2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As previously reported	-	431,339	64,865	4,126	500,330
Effect of change in accounting policies (Note 2.3(b))	1,820	1,453	-	-	3,273
As restated	1,820	432,792	64,865	4,126	503,603
Recognised in:					
Income statements	56	32,257	(48,910)	(1,511)	(18,108)
Other comprehensive income	-	456	(15,955)	-	(15,499)
Deferred tax liabilities at 30 November 2015 (before offsetting)	1,876	465,505	-	2,615	469,996
Offsetting					(24,842)
Deferred tax liabilities at 30 November 2015 (after offsetting)					445,154

	Impairment allowance	**Revaluation of investments**	**Unrealised amortisation**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets at 1 December 2014	(1,316)	-	(16,033)	(17,349)
Recognised in:				
Income statements	(528)	(7,083)	1,725	(5,886)
Other comprehensive income	-	(1,607)	-	(1,607)
Deferred tax assets at 30 November 2015 (before offsetting)	(1,844)	(8,690)	(14,308)	(24,842)
Offsetting				24,842
Deferred tax assets at 30 November 2015 (after offsetting)				-

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

18 DEFERRED TAX LIABILITIES (CONTINUED)

Company At 30 November 2016	**Fair value of properties** **RM'000**	**Unallocated surplus** **RM'000**	**Revaluation of investments** **RM'000**	**Accelerated depreciation** **RM'000**	**Total** **RM'000**
Deferred tax liabilities at 1 December 2015	1,876	465,505	-	2,615	469,996
Recognised in:					
Income statements	32	38,304	-	7,190	45,526
Other comprehensive income	7,046	(555)	-	-	6,491
Deferred tax liabilities at 30 November 2016 (before offsetting)	8,954	503,254	-	9,805	522,013
Offsetting					(51,882)
Deferred tax liabilities at 30 November 2016 (after offsetting)					470,131

	Impairment allowance **RM'000**	**Revaluation of investments** **RM'000**	**Unrealised amortisation** **RM'000**	**Total** **RM'000**
Deferred tax assets at 1 December 2015	(1,844)	(8,690)	(14,308)	(24,842)
Recognised in:				
Income statements	1,229	(21,416)	9,867	(10,320)
Other comprehensive income	-	(16,720)	-	(16,720)
Deferred tax assets at 30 November 2016 (before offsetting)	(615)	(46,826)	(4,441)	(51,882)
Offsetting				51,882
Deferred tax assets at 30 November 2016 (after offsetting)				-

18 DEFERRED TAX LIABILITIES (CONTINUED)

Company At 30 November 2015	**Fair value of properties**	**Unallocated surplus**	**Revaluation of investments**	**Accelerated depreciation**	**Total**
Deferred tax liabilities at 1 December 2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As previously reported	-	431,339	64,865	4,126	500,330
Effect of change in accounting policies (Note 2.3(b))	1,820	1,453	-	-	3,273
As restated	1,820	432,792	64,865	4,126	503,603
Recognised in:					
Income statements	56	32,257	(48,910)	(1,511)	(18,108)
Other comprehensive income	-	456	(15,955)	-	(15,499)
Deferred tax liabilities at 30 November 2015 (before offsetting)	1,876	465,505	-	2,615	469,996
Offsetting					(24,842)
Deferred tax liabilities at 30 November 2015 (after offsetting)					445,154

	Impairment allowance	**Revaluation of investments**	**Unrealised amortisation**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets at 1 December 2014	(1,316)	-	(16,033)	(17,349)
Recognised in:				
Income statements	(528)	(7,083)	1,725	(5,886)
Other comprehensive income	-	(1,607)	-	(1,607)
Deferred tax assets at 30 November 2015 (before offsetting)	(1,844)	(8,690)	(14,308)	(24,842)
Offsetting				24,842
Deferred tax assets at 30 November 2015 (after offsetting)				-

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

19 INSURANCE PAYABLES

	Group and Company	
	30.11.2016	30.11.2015
	RM'000	RM'000
Dividend payable to policyholders	4,768,481	4,381,034
Due to reinsurers	187,811	118,419
Due to agents and insured	448,715	453,412
Premium deposits	273,968	320,197
	5,678,975	5,273,062

The carrying amounts disclosed above approximate their fair values as at the date of the statements of financial position. All amounts are payable within one year.

Offsetting of financial assets and financial liabilities

Certain amounts due from reinsurers and amounts due to reinsurers were set off for presentation purpose because they have enforceable right to set off and they intend either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously as disclosed in Note 13 to the financial statements.

20 OTHER PAYABLES

	Group		Company	
	30.11.2016	30.11.2015	30.11.2016	30.11.2015
	RM'000	RM'000	RM'000	RM'000
Amount due to ultimate holding company	3,890	2,256	3,890	2,256
Finance lease liabilities (Note 21)	370	1,516	370	1,516
Post employment benefit obligation - defined benefit plan (Note 22)	28,920	25,325	28,920	25,325
Obligations on securities sold under repurchase agreements	-	300,787	-	300,787
Accruals	169,369	210,818	169,369	210,818
Other payables	529,117	490,239	523,281	477,674
	731,666	1,030,941	725,830	1,018,376

The carrying amounts disclosed above approximate their fair values as at the date of the statements of financial position. All amounts are payable within one year.

21 FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	Group and Company		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
At 30 November 2016			
Less than one year	425	55	370
At 30 November 2015			
Less than one year	1,270	124	1,146
Between one to three years	425	55	370
	1,695	179	1,516

22 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN

Group and Company

	30.11.2016 RM'000	30.11.2015 RM'000
Statements of financial position obligation for: (Note 20)		
Pension benefits (a)	23,627	20,811
Post-employment medical benefits (b)	5,293	4,514
	28,920	25,325

	2016 RM'000	2015 RM'000
Income statements charge for: (Note 31)		
Pension benefits (a)	1,514	1,438
Post-employment medical benefits (b)	355	369
	1,869	1,807

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

(a) Pension benefits

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

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

Group and Company

	30.11.2016 RM'000	30.11.2015 RM'000
Present value of unfunded obligations	23,627	20,811

The movements in the defined benefit obligation during the financial year are as follows:

	30.11.2016 RM'000	30.11.2015 RM'000
At 1 December	20,811	21,485
Current service cost	487	430
Interest cost	1,027	1,008
Re-measurement losses/(gains)	2,648	(1,953)
Benefits paid	(1,346)	(159)
At 30 November	23,627	20,811

The amounts recognised in the income statements are as follows:

	2016 RM'000	2015 RM'000
Current service cost	487	430
Interest cost	1,027	1,008
Total (Note 31)	1,514	1,438

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

(a) Pension benefits (continued)

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

Group and Company

	2016 RM'000	2015 RM'000
Re-measurement (losses)/gains	(2,648)	1,953

The principal actuarial assumptions used were as follows:

	2016 Per annum	2015 Per annum
Weighted-average assumptions to determine defined benefit obligations		
Discount rate	4.50%	5.00%
Future salary increases	6.50%	6.50%
Assumptions to determine defined benefit cost		
Discount rate	4.50%	4.75%
Rate of compensation increases	6.50%	6.50%

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

Sensitivity analysis

The defined benefit obligation under several scenarios is presented below.

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

At 30 November 2016

	Scenario A	Scenario B	Scenario C	Scenario D
	-0.25% pa discount rate	+0.25% pa discount rate	-0.25% pa salary increase rate	+0.25% pa salary increase rate
Discount rate	4.25% pa	4.70% pa	4.50% pa	4.50% pa
Salary increase rate	6.50% pa	6.50% pa	6.25% pa	6.75% pa
Defined benefit obligation (RM'000)	1,173	(1,095)	(213)	218

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

(a) Pension benefits (continued)

Sensitivity analysis (continued)

At 30 November 2015

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

Description of risks

There are a number of risks to which the pension benefits exposes the employer. The more significant risks relating are:

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

(b) Post-employment medical benefits

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

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

Group and Company

	30.11.2016 RM'000	30.11.2015 RM'000
Present value of unfunded obligations	5,293	4,514

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

(b) Post-employment medical benefits (continued)

The movements in the defined benefit obligation are as follows:

Group and Company

	30.11.2016 RM'000	30.11.2015 RM'000
At 1 December	4,514	4,978
Current service cost	133	160
Interest cost	222	209
Re-measurement losses/(gains)	497	(648)
Benefits paid	(73)	(185)
At 30 November	5,293	4,514

The amounts recognised in the income statements are as follows:

	2016 RM'000	2015 RM'000
Current service cost	133	160
Interest cost	222	209
Total (Note 31)	355	369

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

	2016 RM'000	2015 RM'000
Re-measurement (losses)/gains	(497)	648

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

(b) Post-employment medical benefits (continued)

The principal actuarial assumptions used were as follows:

	30.11.2016 Per annum	30.11.2015 Per annum
Weighted-average assumptions to determine defined benefit obligations		
Discount rate	4.50%	4.25%
Assumptions to determine defined benefit cost		
Discount rate	4.50%	5.00%

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

Sensitivity analysis

The defined benefit obligation under several scenarios is presented below.

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

At 30 November 2016

	Scenario A	Scenario B
	-0.25% pa medical inflation rate	+0.25% pa medical inflation rate
Discount rate	4.50% pa	4.50% pa
Medical inflation rate	-0.25% pa from the base case	+0.25% pa from the base case
Defined benefit obligation (RM'000)	(171)	179

At 30 November 2015

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

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

(b) Post-employment medical benefits (continued)

<u>Description of risks</u>

There are a number of risks to which the post employment medical benefits exposes the employer. The more significant risks relating are:

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

Contributions expected to be paid to post-employment benefit plans subsequent to the financial year ended 30 November 2016 are RM747,000 (2015: RM682,000).

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

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

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

In 2013, the Boards of Directors of Orange Policy Sdn. Bhd., the Company, AIA Health Services Sdn. Bhd., and the Trustees of the Scheme have decided to liquidate the Scheme pursuant to Clause 17 of the Trust Deed for the Scheme. The Trustees of the Scheme have approved this proposal and the dissolution of the Scheme is now pending approval from Inland Revenue Board. Accordingly, the Trustee shall exercise its power to take action on necessary steps to liquidate the Scheme’s fund and make arrangements for the equitable disposition of the assets of the fund as per the Trust Deed, subject to the approval of the Director-General of Inland Revenue Board of Malaysia.

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

The Scheme's net assets available for benefits are projected to be sufficient to pay out the full accrued benefits for all eligible members as at 31 December 2013. In accordance with the Scheme's Trust Deed, upon dissolution of the Scheme, surplus of the Scheme's fund after payout of accrued benefits valued for members and other liabilities shall be proportionately distributed amongst the members of the Scheme. The defined benefit obligation as at 30 November 2016 reflects the Scheme's wind-up benefits determined as at 31 December 2013 plus the surplus distributable to the Scheme's members based on the Scheme's assets as at 30 November 2016.

As at the date of the statements of financial position, no actuarial valuation is performed on the defined benefit obligation in relation to this Scheme on grounds of immateriality.

(i) Statements of financial position

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

	Group and Company	
	30.11.2016	30.11.2015
	RM'000	RM'000
Present value of funded defined benefit obligation	56,915	56,266
Fair value of plan assets	(56,915)	(56,266)
Net liability	-	-

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

	Group and Company	
	30.11.2016	30.11.2015
	RM'000	RM'000
At 1 December	56,266	54,604
Interest cost	1,919	1,675
Benefits paid	(1,270)	(13)
At 30 November	56,915	56,266

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

(i) Statements of financial position (continued)

The movements in the fair value of plan assets over the financial year are as follows:

	Group and Company	
	30.11.2016	**30.11.2015**
	RM'000	**RM'000**
At 1 December	56,266	54,604
Interest income on plan assets	1,936	1,689
Administrative expenses paid	(17)	(14)
Benefits paid	(1,270)	(13)
At 30 November	56,915	56,266

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

	Group and Company	
	30.11.2016	**30.11.2015**
	RM'000	**RM'000**
Government guaranteed bonds	13,867	13,944
Cash and fixed deposits	43,048	42,322
	56,915	56,266

(ii) Income statements

The amounts recognised in the income statements are as follows:

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Administrative expenses	17	14
Net interest cost	1,919	1,675
Expected return of plan assets	(1,936)	(1,689)
Total	-	-

24 OPERATING REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross earned premiums (Note 25)	8,248,731	7,688,283	8,248,731	7,688,283
Investment income (Note 26)	2,074,062	2,010,784	2,070,380	2,007,324
	10,322,793	9,699,067	10,319,111	9,695,607

25 NET EARNED PREMIUMS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Gross earned premiums				
Insurance contracts:				
Life	7,936,061	7,345,240	7,936,061	7,345,240
General (Note 17(B)(ii))	294,568	341,574	294,568	341,574
Gross premiums	8,230,629	7,686,814	8,230,629	7,686,814
Change in premium liabilities	18,102	1,469	18,102	1,469
	8,248,731	7,688,283	8,248,731	7,688,283
(b) Premiums ceded to reinsurers				
Insurance contracts:				
Life	(368,812)	(338,576)	(368,812)	(338,576)
General	(21,347)	(34,383)	(21,347)	(34,383)
Gross premiums (ceded)	(390,159)	(372,959)	(390,159)	(372,959)
Change in premium liabilities	(732)	1,225	(732)	1,225
	(390,891)	(371,734)	(390,891)	(371,734)
Net earned premiums	7,857,840	7,316,549	7,857,840	7,316,549

26 INVESTMENT INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income	29,174	30,148	29,174	30,148
Financial assets at FVTPL - designated upon initial recognition:				
Interest income	1,129,907	1,079,360	1,129,907	1,079,360
Dividend income:				
- equity securities quoted in Malaysia	251,020	274,680	251,020	274,680
- equity securities quoted outside Malaysia	19,349	-	19,349	-
- equity securities unquoted in Malaysia	8,324	2,463	8,324	2,463
- equity securities unquoted outside Malaysia	22,173	26,671	22,173	26,671
- unit and property trusts	22,407	24,263	22,407	24,263
Amortisation of premiums - net	(16,345)	(28,322)	(16,345)	(28,322)
AFS financial assets:				
Interest income	363,421	388,922	360,824	386,329
Amortisation of premiums - net	(4,971)	(10,104)	(4,930)	(10,064)
Loan and receivables:				
Interest income	252,713	243,544	252,713	243,544
Cash and cash equivalents:				
Interest income	23,504	21,049	22,375	20,141
Others	4,632	6,680	4,632	6,678
	2,105,308	2,059,354	2,101,623	2,055,891
Less:				
Investment expenses	(31,246)	(48,570)	(31,243)	(48,567)
	2,074,062	2,010,784	2,070,380	2,007,324

27 NET REALISED GAINS/(LOSSES)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment				
Realised gains	93	204	93	116
AFS financial assets				
Realised gains:				
Debt securities				
- unquoted in Malaysia	832	-	832	-
Realised losses:				
Debt securities				
- unquoted in Malaysia	(589)	(15,296)	(589)	(15,296)
Total realised gains/(losses) for AFS financial assets	243	(15,296)	243	(15,296)
Total net realised gains/(losses)	336	(15,092)	336	(15,180)

28 FAIR VALUE LOSSES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Investment properties	400	700	400	700
Financial assets at FVTPL				
- designated upon initial recognition	(170,486)	(572,156)	(170,486)	(572,182)
	(170,086)	(571,456)	(170,086)	(571,482)

29 OTHER OPERATING INCOME/(EXPENSES)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Foreign exchange (losses)/gains:				
- realised	(4,304)	(5,006)	(4,304)	(5,006)
- unrealised	(9,159)	3,674	(9,159)	3,674
(Allowance for)/reversal of allowance for impairment losses:				
- loans and receivables	(787)	(2,905)	(787)	(2,905)
- insurance receivables	(12,094)	7,194	(12,094)	7,194
- other receivables	(4,253)	1,230	(4,253)	1,230
Write off of allowance for impairment losses:				
- loans and receivables	(2,331)	(353)	(2,331)	(353)
Service level agreement charges and other service fees from related companies	32,637	17,599	33,215	17,949
Restructuring costs	(582)	(16,113)	(582)	(16,113)
Impairment losses on properties held for own use	(1,786)	-	(1,786)	-
Others	11,948	(15,647)	8,139	(17,106)
	9,289	(10,327)	6,058	(11,436)

30 NET INSURANCE BENEFITS AND CLAIMS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Gross benefits and claims paid				
Insurance contracts:				
Life	(6,174,173)	(5,361,318)	(6,174,173)	(5,361,318)
General	(107,977)	(178,612)	(107,977)	(178,612)
	(6,282,150)	(5,539,930)	(6,282,150)	(5,539,930)

30 NET INSURANCE BENEFITS AND CLAIMS (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(b) Claims ceded to reinsurers				
Insurance contracts:				
Life	185,130	205,915	185,130	205,915
General	4,311	11,673	4,311	11,673
	189,441	217,588	189,441	217,588
(c) Gross change to insurance contract liabilities				
Insurance contracts:				
Life	(915,262)	(800,986)	(914,920)	(800,533)
General	17,381	18,371	17,381	18,371
	(897,881)	(782,615)	(897,539)	(782,162)
(d) Change in insurance contract liabilities ceded to reinsurers				
Insurance contracts:				
Life	37,914	(6,721)	37,914	(6,721)
General	1,284	(1,038)	1,284	(1,038)
	39,198	(7,759)	39,198	(7,759)

31 MANAGEMENT EXPENSES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Advertising	26,859	18,776	26,859	18,918
Auditors' remuneration				
Statutory audit:				
- current financial year	1,206	1,316	1,103	1,216
- under-provision for prior financial year	100	80	100	80
Non audit services	60	409	60	409
Staff salaries and bonuses	286,759	282,678	284,156	279,732
Contribution to EPF	43,165	40,886	43,165	40,886
Pension benefits (Note 22(a))	1,514	1,438	1,514	1,438
Post-employment medical benefits (Note 22(b))	355	369	355	369
Share-based payments	12,155	11,067	12,155	11,002
Staff benefits	15,617	16,949	15,049	16,389
Travelling expenses	6,933	6,850	6,881	6,802
Office rental lease payments	12,000	14,424	12,000	14,424
Printing and stationery	9,008	8,614	8,719	8,350
Postage	14,148	15,906	14,148	15,893
Directors' remuneration and other emoluments	5,717	9,610	5,687	9,574
Depreciation				
- property, plant and equipment (Note 3)	31,097	33,681	30,732	33,296
Amortisation				
- prepaid land lease payments (Note 5)	25	26	25	26
- intangible assets (Note 6)	12,994	9,359	12,692	9,133
IT expenses	54,200	40,612	54,200	40,645
Medical fees	3,080	3,181	3,080	3,181
Legal expenses	1,301	1,055	1,301	1,055
Repairs and maintenance	11,605	14,171	11,605	14,171
Other expenses	269,550	229,036	268,492	231,492
	819,448	760,493	814,078	758,481

31 MANAGEMENT EXPENSES (CONTINUED)

(i) The Directors' remuneration and other emoluments are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Directors				
- Remuneration	3,472	4,169	3,472	4,169
- Share-based payments	1,019	4,396	1,019	4,396
- Other remuneration or emoluments	382	352	382	352
	4,873	8,917	4,873	8,917
Non-executive Directors				
- Fees	726	576	702	552
- Other remuneration or emoluments	118	117	112	105
	844	693	814	657
	5,717	9,610	5,687	9,574

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

	Number of directors			
	Group		Company	
	2016	2015	2016	2015
Executive Directors:				
RM2,000,001 – RM10,000,000	2	2	2	2
Non-executive directors:				
RM20,001 – RM100,000	-	1	-	1
RM100,001 – RM200,000	2	1	2	1
RM200,001 – RM300,000	2	2	2	2

Total staff costs of the Group and Company (including the Executive Director) is RM364,438,000 and RM361,267,000 (2015: RM362,304,000 and RM358,733,000) respectively.

In the current financial year, one of the Executive Directors is also the CEO of the Company and the total remuneration received including benefits-in-kind attributable to the CEO amounted to RM3,693,000. For the financial year 2015, the Executive Directors are also the CEO of the Company.

32 TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax expense/(credit):				
- current	225,435	254,914	224,862	255,254
- deferred (Note 18)	35,034	(23,994)	35,206	(23,994)
	260,469	230,920	260,068	231,260
Current tax				
Current financial year	305,811	284,725	305,238	285,065
Over provision in prior financial years	(80,376)	(29,811)	(80,376)	(29,811)
	225,435	254,914	224,862	255,254
Deferred tax				
Origination and reversal of temporary differences	35,034	(23,994)	35,206	(23,994)
	35,034	(23,994)	35,206	(23,994)
Total	260,469	230,920	260,068	231,260

Over provision in prior financial years for 2016 include the recognition of tax credit for years of assessment 2009 to 2015 arising from a change in tax position taken upon clarification from the tax authority.

32 TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	1,155,193	1,022,462	1,157,676	1,023,827
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	277,246	255,616	277,842	255,957
Income not subject to tax	(5,951)	(1,944)	(5,951)	(1,944)
Expenses not deductible for tax purposes	37,547	35,796	36,550	35,795
Tax relief on actuarial surplus transferred to Shareholder's fund	(52,766)	(69,428)	(52,766)	(69,428)
Single tier tax relief	(5,044)	(5,258)	(5,044)	(5,258)
Tax impact on investment income attributable to policyholders and unitholders	89,813	45,949	89,813	45,949
Over provision of tax expense in prior financial years	(80,376)	(29,811)	(80,376)	(29,811)
Tax expense	260,469	230,920	260,068	231,260

33 DIVIDENDS

	Company	
	2016 RM'000	2015 RM'000
Dividends paid:		
In respect of the financial year 30 November 2015: Final single tier dividend on 767,438,174 ordinary shares	752,000	-
In respect of the financial year 30 November 2014: Final single tier dividend on 767,438,174 ordinary shares	-	649,000
	752,000	649,000
Dividend per share (sen)	98	85

34 CAPITAL COMMITMENTS

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Capital expenditure		
Approved and contracted for:		
Property and equipment	5,248	13,091
Intangible assets	19,203	15,052
Investments	463,290	332,833
	487,741	360,976
Approved but not contracted for:		
Property and equipment	845	2,626
Intangible assets	1,694	19,395
	2,539	22,021
	490,280	382,997

35 OPERATING LEASE ARRANGEMENTS

(a) The Company as lessee

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

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

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Future minimum rental payments:		
Not later than 1 year	18,066	25,575
Later than 1 year and not later than 5 years	34,122	34,846
More than 5 years	171,994	21,596
	224,182	82,017

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

35 OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) The Company as lessor

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Not later than 1 year	19,617	23,415
Later than 1 year and not later than 6 years	12,645	19,155
	32,262	42,570

	Company	
	2016	**2015**
	RM'000	**RM'000**
Not later than 1 year	19,651	23,497
Later than 1 year and not later than 6 years	12,645	19,189
	32,296	42,686

Rental income recognised in the income statements during the financial year are disclosed in Note 26 to the financial statements.

36 RELATED PARTY DISCLOSURES

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

(a) Significant related party transactions

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ultimate holding company:				
AIA Group Ltd.				
- Employees benefits payable	(12,174)	(11,067)	(12,174)	(11,002)
- Computer services paid	-	(323)	-	(323)
- Managerial, secretarial or like services	(395)	-	(395)	-
Penultimate holding company:				
AIA Company Ltd.				
- Group service fee paid	(60,581)	(55,866)	(60,581)	(55,866)
- Computer services paid	(498)	(559)	(498)	(559)
- Reinsurance	(26)	-	(26)	-
Fellow related companies:				
AIA Shared Services (Hong Kong) Ltd.				
- Computer services paid	(9,765)	(12,509)	(9,765)	(12,509)
- Managerial, secretarial or like services	(3,299)	(2,881)	(3,299)	(2,881)
AIA Information Technology (Guangzhou) Co. Ltd.				
- Computer services paid	(3,629)	(3,383)	(3,629)	(3,383)
AIA Information Technology (Beijing) Co. Ltd.				
- Computer services paid	(2,684)	(3,520)	(2,684)	(3,520)
AIA International Ltd.				
- Reinsurance	-	(31,308)	-	(31,308)

36 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fellow related companies: (continued)				
AIA Shared Services Sdn. Bhd.				
- Computer services				
- paid	(3,697)	(3,370)	(3,697)	(3,370)
- received	898	909	898	909
- Rental received	441	471	441	471
- Insurance premiums received	325	833	325	833
- Managerial, secretarial or like services				
- paid	(840)	(946)	(840)	(946)
- received	96	96	96	96
AIA Health Services Sdn. Bhd.				
- Claims administration fees paid	(44,960)	(30,868)	(44,960)	(30,868)
- Managerial, secretarial or like services received	5,695	2,290	5,695	2,290
- Rental received	1,483	1,483	1,483	1,483
- Insurance premiums received	67	47	67	47
- Computer services received	-	1	-	1
AIA Public Takaful Bhd.				
- Managerial, secretarial or like services received	26,083	18,336	26,083	18,336
- Rental received	684	692	684	692
- Insurance premiums paid	-	(2)	-	(2)
- Computer services received	-	21	-	21
AIA Reinsurance Ltd.				
- Reinsurance	(31,705)	-	(31,705)	-

36 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Subsidiary companies:				
Green Health Certification Bhd.				
- Managerial, secretarial or like services received	-	-	125	2
AIA Pension and Asset Management Sdn. Bhd.				
- Rental received	-	-	106	110
- Computer services received	-	-	-	1
- Managerial, secretarial or like services received	-	-	317	174
- Insurance premium received	-	-	28	63

(b) Related party balances

	Group		Company	
	30.11.2016 RM'000	30.11.2015 RM'000	30.11.2016 RM'000	30.11.2015 RM'000
Receivables				
Other receivables	36,803	27,036	36,940	27,115
Payables				
Other payables	(20,252)	(15,844)	(20,252)	(15,844)

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

36 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

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

	Group and Company	
	2016 RM'000	2015 RM'000
Short-term employee benefits	20,528	25,700
Other long-term employee benefits	2,119	2,319
Share-based payments	5,811	8,302
	28,458	36,321

Included in the compensation of key management personnel are:

	Group and Company	
	2016 RM'000	2015 RM'000
Executive Directors		
- Remuneration	3,472	4,169
- Share-based payments	1,019	4,396
- Other remuneration or emoluments	382	352
	4,873	8,917

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

37 RISK MANAGEMENT FRAMEWORK

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

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

(a) Three lines of defence

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

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

(b) Risk appetite

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

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

(c) Capital management framework

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

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37 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Capital management framework (continued)

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

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

The planning and assessment of capital and Internal Target Capital Level ("ITCL") will be formally conducted by senior management at least annually or as and when the need arises. The result will be reported to the Board and/or the Board's Risk Management Committee ("RMC").

(d) Governance and regulatory framework

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

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

(e) Risk categorisation

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

38 INSURANCE RISK

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

(a) Product design risk;

(b) Pricing and underwriting risk;

(c) Lapse risk; and

(d) Claims volatility risk

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

(a) Product design risk

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

38 INSURANCE RISK (CONTINUED)

(b) Pricing and underwriting risk

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

The Group maintains a team of professional underwriters who review and select risks consistent with our acceptable risk profile and underwriting strategy. A second layer of underwriting review is conducted at the Group level for complex and large risks. In certain circumstances, such as when the Group enters into new lines of business, products or markets and do not have sufficient experience data, it makes use of reinsurers to obtain product pricing expertise. The use of reinsurance subjects the Group to the risk that the reinsurers become insolvent or fail to make any payment when due to the Group. The credit risk of the reinsurer is addressed via the established Credit Risk management process. The Group allows for an appropriate level of expenses in its product pricing that reflects a realistic medium to long term view of its cost structure. In the daily operations, the Group adheres to a disciplined expense budgeting and management process that controls expenses within the product pricing allowances over the medium to long term.

(c) Lapse risk

Lapse risk refers to the possibility of actual lapse experience that diverges from the anticipated experience assumed when products were priced. It includes the potential financial loss incurred due to early termination of policies or contracts in circumstances where the acquisition costs incurred are no longer recoverable from future revenue. The Group carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees upon early termination by policyholders, thereby reducing its exposure to lapse risk.

(d) Claims volatility risk

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

38 INSURANCE RISK (CONTINUED)

(i) Life insurance contracts

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

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

Group and Company

	Gross			Reinsurance			
30 November 2016	**With DPF**	**Without DPF**	**Total**	**With DPF**	**Without DPF**	**Total**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Whole life	19,080,766	1,278,351	20,359,117	10,112	9,419	19,531	20,339,586
Endowment	5,752,018	135,240	5,887,258	155	102	257	5,887,001
Term assurance	44,407	2,086,499	2,130,906	-	28,330	28,330	2,102,576
Riders	485,985	241,514	727,499	16	9,135	9,151	718,348
Others	191,969	256,000	447,969	-	-	-	447,969
Total	25,555,145	3,997,604	29,552,749	10,283	46,986	57,269	29,495,480

38 INSURANCE RISK (CONTINUED)

(i) Life insurance contracts (continued)

Group and Company (continued)

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

38 INSURANCE RISK (CONTINUED)

(i) Life insurance contracts (continued)

Key assumptions

Mortality, total permanent disability and critical illness

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

Expenses

Expenses assumption was based on 100% of expense unit cost factors as derived in the current expense analysis and expense inflation rate was based on expectation of long-term consumer price index. In the absence of credible experience, reference has been made to pricing assumptions.

Lapse and surrender rates

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

Discount rate

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

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

2 for policies' duration of 15 years or more: zero-coupon spot yields of MGS with 15 years term to maturity

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

38 INSURANCE RISK (CONTINUED)

(i) Life insurance contracts (continued)

Key assumptions (continued)

Discount rate (continued)

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

Sensitivities

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

38 INSURANCE RISK (CONTINUED)

(i) Life insurances contracts (continued)

Key assumptions (continued)

Sensitivities (continued)

		Group and Company		
	Change in assumption	Impact on gross/net actuarial liabilities	Impact on profit before tax	Impact on equity
	%	RM'000	RM'000	RM'000
2016				
Mortality	+10	564,845	(267,205)	(221,654)
Expenses	+10	143,280	(43,310)	(35,927)
Lapse rates	+10	(31,066)	77,494	64,283
Discount rate	-0.5	332,296	(251,516)	(208,640)
2015				
Mortality	+10	573,234	(271,487)	(225,743)
Expenses	+10	119,182	(43,366)	(36,059)
Lapse rates	+10	(33,712)	60,785	50,543
Discount rate	-0.5	331,969	(253,980)	(211,185)

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

(ii) General insurance contracts

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

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

38 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

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

Group and Company

	30 November 2016			30 November 2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities						
Personal accident	113,405	(11,770)	101,635	101,921	(9,785)	92,136
Medical	-	-	-	8,962	(229)	8,733
Motor	85,155	(951)	84,204	103,963	(1,277)	102,686
Fire	3,808	(121)	3,687	4,300	(164)	4,136
Miscellaneous and liabilities	335	(8)	327	938	(111)	827
Total	202,703	(12,850)	189,853	220,084	(11,566)	208,518
Premium liabilities						
Personal accident	81,115	(4,076)	77,039	82,702	(3,493)	79,209
Medical	-	-	-	7,807	(1,412)	6,395
Motor	26,426	(1,442)	24,984	33,447	(1,086)	32,361
Fire	5,864	(425)	5,439	7,266	(659)	6,607
Miscelaneous and liabilities	388	(23)	365	673	(48)	625
Total	113,793	(5,966)	107,827	131,895	(6,698)	125,197

38 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

<u>Key assumptions</u>

<u>Expenses</u>

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

<u>Premium liabilities</u>

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

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

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

- Provision for claims related expense at 10.0% of the unexpired risk to allow for internal claims expenses including staff costs and administrative expenses expected to be incurred in settling claims on the unexpired portion of risk. This rate was based on the most recent financial year’s data of claims-related expenses against outstanding claims reserves held at the beginning of the financial year.

- Provision for overhead expense at 15.0% of the UPR (gross of reinsurance and commission) to allow for on-going premium related expenses including staff costs and administrative expenses not related to settling claims. This rate was based on a historic comparison of management expenses against gross written premiums over the most recent financial year, apportioned to exclude claims expenses and upfront expenses like marketing and underwriting costs.

38 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Key assumptions (continued)

Claim liabilities

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

Explicit allowance is not made for future inflation. However an implicit allowance is made based on projection of past development rates of claim inflation contained within the historical claims development data.

Sensitivities

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

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net claim liabilities included in insurance contract liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claim 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.

38 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Key assumptions (continued)

Sensitivities (continued)

	Change in assumption %	Impact on gross insurance contract liabilities RM'000	Impact on net insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2016					
Expected loss ratio	+10	12,808	12,253	(12,253)	(9,312)
2015					
Expected loss ratio	+10	19,187	18,519	(18,519)	(13,889)

Claims development table

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

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

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

38 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Gross General Insurance Contract Liabilities as at 30.11.2016:

Accident year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		211,270	226,907	252,624	276,542	257,497	169,793	108,657	
One year later		218,261	226,234	232,634	280,151	240,380	161,191		
Two years later		216,314	213,045	235,098	278,308	236,933			
Three years later		203,734	213,046	235,778	276,243				
Four years later		203,051	211,271	235,405					
Five years later		202,634	211,062						
Six years later		202,569							
Current estimate of cumulative claims incurred		202,569	211,062	235,405	276,243	236,933	161,191	108,657	
At end of accident year		(134,388)	(145,468)	(165,281)	(183,774)	(169,749)	(96,783)	(36,488)	
One year later		(185,808)	(192,443)	(213,998)	(254,384)	(216,580)	(133,213)		
Two years later		(195,788)	(203,070)	(223,788)	(265,715)	(225,861)			
Three years later		(198,566)	(206,614)	(229,496)	(270,390)				
Four years later		(199,591)	(207,633)	(230,600)					
Five years later		(200,268)	(207,941)						
Six years later		(200,559)							
Cumulative payments to-date		(200,559)	(207,941)	(230,600)	(270,390)	(225,861)	(133,213)	(36,488)	
Gross General insurance contract liabilities (Direct)	5,830	2,010	3,121	4,805	5,853	11,072	27,978	72,169	132,838
Treaty inwards and MMIP									43,419
Best estimate of contract liabilities									176,257
Claims handling expenses									8,160
PRAD at 75% confidence level									18,286
Gross General insurance contract liabilities per statements of financial position									202,703

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

38 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Net General Insurance Contract Liabilities as at 30.11.2016:

Accident year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		198,926	212,897	233,328	256,068	248,076	163,819	103,548	
One year later		205,526	210,380	215,201	245,302	230,865	155,047		
Two years later		199,536	200,323	217,684	243,233	227,940			
Three years later		191,637	200,212	217,772	239,890				
Four years later		190,931	198,447	217,515					
Five years later		190,313	198,266						
Six years later		190,227							
Current estimate of cumulative claims incurred		190,227	198,266	217,515	239,890	227,940	155,047	103,548	
At end of accident year		(127,456)	(137,790)	(154,111)	(171,511)	(164,546)	(93,632)	(35,307)	
One year later		(175,562)	(181,714)	(198,975)	(223,021)	(209,064)	(128,679)		
Two years later		(184,112)	(191,429)	(208,401)	(232,156)	(217,879)			
Three years later		(186,679)	(194,532)	(211,993)	(235,870)				
Four years later		(187,658)	(195,491)	(213,045)					
Five years later		(188,174)	(195,791)						
Six years later		(188,444)							
Cumulative payments to-date		(188,444)	(195,791)	(213,045)	(235,870)	(217,879)	(128,679)	(35,307)	
Net General insurance contract liabilities (Direct)	3,289	1,783	2,475	4,470	4,020	10,061	26,368	68,241	120,707
Treaty inwards and MMIP									43,419
Best estimate of contract liabilities									164,126
Claims handling expenses									8,160
PRAD at 75% confidence level									17,567
Net General insurance contract liabilities per statements of financial position									189,853

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

38 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Gross General Insurance Contract Liabilities as at 30.11.2015:

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

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

38 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Net General Insurance Contract Liabilities as at 30.11.2015:

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

39 FINANCIAL RISKS

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

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

(a) Credit risk

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

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

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

The Group manages credit risk consistent with the Group's investment philosophy and risk appetite, as endorsed by the Board and the Board of Directors of the Group.

With respect to investing activities, investment objectives including asset allocation limits and permitted variances from such limits ("Investment Guidelines") undergo through the governance process which includes the Investment Committee ("IC"), Asset Liability Committee ("ALCO"), FRC and the Board.

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

Within the investment guidelines, credit risk-based risk tolerances are set by the FRC. Such tolerances are based on the Group's internal credit ratings framework as approved by the Group's FRC (the "AIA Credit Ratings Framework").

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

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

Group	Insurance and shareholders' fund RM'000	Investment-linked RM'000	Total RM'000
At 30 November 2016			
Available-for-sale financial assets	7,939,844	-	7,939,844
Fair value through profit or loss financial assets	28,654,310	4,714,038	33,368,348
Loans and receivables	4,854,226	8,700	4,862,926
Reinsurance assets	126,896	-	126,896
Insurance receivables	391,597	-	391,597
Cash and cash equivalents	375,694	315,324	691,018
	42,342,567	5,038,062	47,380,629
At 30 November 2015			
Available-for-sale financial assets	7,978,051	-	7,978,051
Fair value through profit or loss financial assets	28,175,446	4,141,041	32,316,487
Loans and receivables	4,678,827	9,277	4,688,104
Reinsurance assets	88,430	-	88,430
Insurance receivables	496,695	-	496,695
Cash and cash equivalents	432,915	311,143	744,058
	41,850,364	4,461,461	46,311,825

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

Company	Insurance and shareholders' fund RM'000	Investment-linked RM'000	Total RM'000
At 30 November 2016			
Available-for-sale financial assets	7,878,116	-	7,878,116
Fair value through profit or loss financial assets	28,654,310	4,714,038	33,368,348
Loans and receivables	4,830,300	8,700	4,839,000
Reinsurance assets	126,896	-	126,896
Insurance receivables	391,597	-	391,597
Cash and cash equivalents	357,558	315,324	672,882
	42,238,777	5,038,062	47,276,839
At 30 November 2015			
Available-for-sale financial assets	7,916,446	-	7,916,446
Fair value through profit or loss financial assets	28,175,446	4,141,041	32,316,487
Loans and receivables	4,670,092	9,277	4,679,369
Reinsurance assets	88,430	-	88,430
Insurance receivables	496,695	-	496,695
Cash and cash equivalents	402,556	311,143	713,699
	41,749,665	4,461,461	46,211,126

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

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

Group	Neither past due nor impaired						
	Investment grade (AAA-A)	Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 November 2016							
AFS financial assets							
Malaysian government securities	-	1,817,364	-	-	-	-	1,817,364
Cagamas papers	467,825	-	-	-	-	-	467,825
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,724,572	2,735,433	-	-	-	-	5,460,005
Deposits with licensed banks	103,230	-	-	-	-	-	103,230
Accrued interest	43,134	43,661	-	-	-	-	86,795
FVTPL financial assets							
Malaysian government securities	-	4,258,957	-	-	97,675	-	4,356,632
Cagamas papers	1,944,245	-	-	-	5,691	-	1,949,936
Equity securities	-	-	-	-	2,612,058	5,160,246	7,772,304
Real estate investment trust funds	-	-	-	-	7,931	424,727	432,658
Corporate debt securities	9,235,710	6,920,835	-	-	1,155,971	-	17,312,516
Mutual funds	-	-	-	-	808,849	400,608	1,209,457
Malaysian government guarantee loans	-	-	-	-	8,000	-	8,000
Deposits with licensed banks	51,110	-	-	-	-	-	51,110

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group (continued)	Neither past due nor impaired: Investment grade (AAA-A)	Neither past due nor impaired: Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 November 2016 (continued)							
FVTPL financial assets (continued)							
Accrued interest	148,009	109,863	-	-	17,863	-	275,735
Loans and receivables							
Loan receivables	-	4,378,439	37,947	39,738	-	-	4,456,124
Fixed and call deposits with licensed banks	-	113,779	-	-	-	-	113,779
Other receivables	-	264,482	-	16,521	8,700	-	289,703
Reinsurance assets	-	126,896	-	-	-	-	126,896
Insurance receivables	-	391,597	-	34,487	-	-	426,084
Cash and cash equivalents	-	375,694	-	-	315,324	-	691,018
Accrued interest	-	59,579	-	-	-	-	59,579
Allowance for impairment losses	-	-	-	(90,746)	-	-	(90,746)
	14,717,835	21,596,579	37,947	-	5,038,062	5,990,206	47,380,629

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group (continued)	Neither past due nor impaired: Investment grade (AAA-A)	Neither past due nor impaired: Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 November 2015							
AFS financial assets							
Malaysian government securities	-	1,672,532	-	-	-	-	1,672,532
Cagamas papers	469,874	-	-	-	-	-	469,874
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,787,120	2,851,810	-	-	-	-	5,638,930
Deposits with licensed banks	102,430	-	-	-	-	-	102,430
Accrued interest	42,670	46,303	-	-	-	-	88,973
FVTPL financial assets							
Malaysian government securities	-	5,449,107	-	-	114,392	-	5,563,499
Cagamas papers	1,916,540	-	-	-	5,725	-	1,922,265
Equity securities	-	-	-	-	2,327,920	4,642,763	6,970,683
Real estate investment trust funds	-	-	-	-	3,743	304,870	308,613
Corporate debt securities	7,777,893	7,447,422	-	-	903,401	-	16,128,716
Mutual funds	-	-	-	-	764,637	328,858	1,093,495
Subscription rights	-	-	-	-	-	1,856	1,856
Malaysian government guarantee loans	-	-	-	-	8,000	-	8,000
Deposits with licensed banks	51,214	-	-	-	-	-	51,214
Accrued interest	118,183	136,740	-	-	13,223	-	268,146

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group (continued)	Neither past due nor impaired: Investment grade (AAA-A)	Neither past due nor impaired: Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 November 2015 (continued)							
Loans and receivables							
Loan receivables	-	4,255,963	45,503	38,951	-	-	4,340,417
Fixed and call deposits with licensed banks	-	98,100	-	-	-	-	98,100
Other receivables	-	219,636	-	12,268	9,277	-	241,181
Reinsurance assets	-	88,430	-	-	-	-	88,430
Insurance receivables	-	496,695	-	22,393	-	-	519,088
Cash and cash equivalents	-	432,915	-	-	311,143	-	744,058
Accrued interest	-	60,312	-	-	-	-	60,312
Allowance for impairment losses	-	-	-	(73,612)	-	-	(73,612)
	13,265,924	23,255,965	45,503	-	4,461,461	5,282,972	46,311,825

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company	Neither past due nor impaired: Investment grade (AAA-A)	Neither past due nor impaired: Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 November 2016							
AFS financial assets							
Malaysian government securities	-	1,812,210	-	-	-	-	1,812,210
Cagamas papers	467,825	-	-	-	-	-	467,825
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,724,572	2,679,536	-	-	-	-	5,404,108
Deposits with licensed banks	103,230	-	-	-	-	-	103,230
Accrued interest	43,134	42,984	-	-	-	-	86,118
FVTPL financial assets							
Malaysian government securities	-	4,258,957	-	-	97,675	-	4,356,632
Cagamas papers	1,944,245	-	-	-	5,691	-	1,949,936
Equity securities	-	-	-	-	2,612,058	5,160,246	7,772,304
Real estate investment trust funds	-	-	-	-	7,931	424,727	432,658
Corporate debt securities	9,235,710	6,920,835	-	-	1,155,971	-	17,312,516
Mutual funds	-	-	-	-	808,849	400,608	1,209,457
Deposits with licensed banks	51,110	-	-	-	-	-	51,110
Malaysian government guarantee loans	-	-	-	-	8,000	-	8,000
Accrued interest	148,009	109,863	-	-	17,863	-	275,735

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company (continued)	**Neither past due nor impaired** Investment grade (AAA-A)	Not rated	**Past due but not impaired**	**Past due and impaired/ partially impaired**	**Investment-linked**	**Not subject to credit risks**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 30 November 2016 (continued)							
Loans and receivables							
Loan receivables	-	4,378,439	37,947	39,738	-	-	4,456,124
Fixed and call deposits with licensed banks	-	90,000	-	-	-	-	90,000
Other receivables	-	264,335	-	16,521	8,700	-	289,556
Reinsurance assets	-	126,896	-	-	-	-	126,896
Insurance receivables	-	391,597	-	34,487	-	-	426,084
Cash and cash equivalents	-	357,558	-	-	315,324	-	672,882
Accrued interests	-	59,579	-	-	-	-	59,579
Allowance for impairment losses	-	-	-	(90,746)	-	-	(90,746)
	14,717,835	21,492,789	37,947	-	5,038,062	5,990,206	47,276,839

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company	Neither past due nor impaired: Investment grade (AAA-A)	Neither past due nor impaired: Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 November 2015							
AFS financial assets							
Malaysian government securities	-	1,667,369	-	-	-	-	1,667,369
Cagamas papers	469,874	-	-	-	-	-	469,874
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,787,120	2,796,054	-	-	-	-	5,583,174
Deposits with licensed banks	102,430	-	-	-	-	-	102,430
Accrued interest	42,671	46,303	-	-	-	-	88,974
FVTPL financial assets							
Malaysian government securities	-	5,449,107	-	-	114,392	-	5,563,499
Cagamas papers	1,916,540	-	-	-	5,725	-	1,922,265
Equity securities	-	-	-	-	2,327,920	4,642,763	6,970,683
Real estate investment trust funds	-	-	-	-	3,743	304,870	308,613
Corporate debt securities	7,777,893	7,447,422	-	-	903,401	-	16,128,716
Mutual funds	-	-	-	-	764,637	328,858	1,093,495
Deposits with licensed banks	51,214	-	-	-	-	-	51,214
Malaysian government guarantee loans	-	-	-	-	8,000	-	8,000
Subscription rights	-	-	-	-	-	1,856	1,856
Accrued interest	118,183	136,740	-	-	13,223	-	268,146

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company (continued)	Neither past due nor impaired: Investment grade (AAA-A)	Neither past due nor impaired: Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 November 2015 (continued)							
Loans and receivables							
Loan receivables	-	4,255,963	45,503	38,951	-	-	4,340,417
Fixed and call deposits with licensed banks	-	90,000	-	-	-	-	90,000
Other receivables	-	219,001	-	12,268	9,277	-	240,546
Reinsurance assets	-	88,430	-	-	-	-	88,430
Insurance receivables	-	496,695	-	22,393	-	-	519,088
Cash and cash equivalents	-	402,556	-	-	311,143	-	713,699
Accrued interest	-	59,625	-	-	-	-	59,625
Allowance for impairment losses	-	-	-	(73,612)	-	-	(73,612)
	13,265,925	23,155,265	45,503	-	4,461,461	5,282,972	46,211,126

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

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

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

The Group's loans and receivables include policy loans, mortgage loans, other secured loans, staff loans and unsecured loans. Policy loans, mortgage loans, other secured loans and secured staff loans are generally secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented on the acceptability of the types of collateral and the valuation parameters.

The type of collaterals, held by the Group as lender, for which it is entitled to in the event of default is as follows:

	Type of collateral	Group and Company 30.11.2016 RM'000	Group and Company 30.11.2015 RM'000
Policy loans	Cash surrender value	1,543,945	1,567,077
Mortgage loans	Properties	2,306,238	2,178,826
Other secured loans	Properties	8	17
Staff loans			
- Secured loans	Motor vehicles and properties	32,922	29,668
- Unsecured loans	Nil	2,303	1,987
Unsecured loans	Nil	13,970	6,891
		3,899,386	3,784,466

39 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Age analysis of financial assets past-due but not impaired

Group and Company

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Investment-linked RM'000	Total RM'000
At 30 November 2016						
Loan and receivables	1,802	26,345	7,148	2,652	-	37,947
At 30 November 2015						
Loan and receivables	439	38,469	6,443	152	-	45,503

Impaired financial assets

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

Group and Company	Loan receivables 2016 RM'000	Loan receivables 2015 RM'000	Other receivables 2016 RM'000	Other receivables 2015 RM'000	Insurance receivables 2016 RM'000	Insurance receivables 2015 RM'000
At 1 December	38,951	41,856	12,268	11,038	22,393	15,199
Net charge/ (recovery) for the financial year	787	(2,905)	4,253	1,230	12,094	7,194
At 30 November	39,738	38,951	16,521	12,268	34,487	22,393

39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

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

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

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

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

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

39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles

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

Group	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Investment-linked RM'000	Total RM'000
At 30 November 2016								
Available-for-sale financial assets	7,939,844	585,299	1,231,562	1,315,842	9,755,082	4,625	-	12,892,410
Fair value through profit or loss financial assets	33,368,348	1,760,386	3,662,908	3,501,470	27,073,742	5,985,581	4,714,038	46,698,125
Loans and receivables	4,862,926	532,355	560,851	924,293	2,816,074	1,506,441	8,700	6,348,714
Reinsurance assets	126,896	126,896	-	-	-	-	-	126,896
Insurance receivables	391,597	391,597	-	-	-	-	-	391,597
Cash and cash equivalents	691,018	375,694	-	-	-	-	315,324	691,018
Total assets	47,380,629	3,772,227	5,455,321	5,741,605	39,644,898	7,496,647	5,038,062	67,148,760
Insurance contract liabilities:								
With DPF	27,148,347	731,099	1,366,975	1,124,972	22,346,469	1,578,832	-	27,148,347
Without DPF	9,571,515	539,103	174,096	125,458	3,755,756	-	4,977,102	9,571,515
Insurance payables	5,678,975	5,678,975	-	-	-	-	-	5,678,975
Other payables	731,666	731,666	-	-	-	-	-	731,666
Total liabilities	43,130,503	7,680,843	1,541,071	1,250,430	26,102,225	1,578,832	4,977,102	43,130,503

39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group (continued)	**Carrying value RM'000**	**Up to a year RM'000**	**1 – 3 years RM'000**	**3 – 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Investment-linked RM'000**	**Total RM'000**
At 30 November 2015								
Available-for-sale financial assets	7,978,051	683,217	1,127,160	1,402,813	9,763,404	4,625	-	12,981,219
Fair value through profit or loss financial assets	32,316,487	1,887,903	3,459,293	4,388,958	25,894,623	5,278,348	4,141,041	45,050,166
Loans and receivables	4,688,104	463,765	459,431	996,944	2,616,558	1,528,185	9,277	6,074,160
Reinsurance assets	88,430	88,430	-	-	-	-	-	88,430
Insurance receivables	496,695	496,695	-	-	-	-	-	496,695
Cash and cash equivalents	744,058	432,915	-	-	-	-	311,143	744,058
Total assets	46,311,825	4,052,925	5,045,884	6,788,715	38,274,585	6,811,158	4,461,461	65,434,728
Insurance contract liabilities:								
With DPF	26,661,111	680,382	1,285,868	1,329,561	21,221,447	2,143,853	-	26,661,111
Without DPF	9,030,524	667,123	242,591	118,495	3,602,915	-	4,399,400	9,030,524
Insurance payables	5,273,062	5,273,062	-	-	-	-	-	5,273,062
Other payables	1,030,941	1,030,941	-	-	-	-	-	1,030,941
Total liabilities	41,995,638	7,651,508	1,528,459	1,448,056	24,824,362	2,143,853	4,399,400	41,995,638

39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Investment-linked RM'000	Total RM'000
At 30 November 2016								
Available-for-sale financial assets	7,878,116	585,299	1,231,562	1,315,842	9,755,082	4,625	-	12,892,410
Fair value through profit or loss financial assets	33,368,348	1,760,386	3,662,908	3,501,470	27,073,742	5,985,581	4,714,038	46,698,125
Loans and receivables	4,839,000	508,575	560,851	924,293	2,816,074	1,506,441	8,700	6,324,934
Reinsurance assets	126,896	126,896	-	-	-	-	-	126,896
Insurance receivables	391,597	391,597	-	-	-	-	-	391,597
Cash and cash equivalents	672,882	357,558	-	-	-	-	315,324	672,882
Total assets	47,276,839	3,730,311	5,455,321	5,741,605	39,644,898	7,496,647	5,038,062	67,106,844
Insurance contract liabilities:								
With DPF	27,123,328	731,099	1,366,975	1,124,972	22,346,469	1,553,813	-	27,123,328
Without DPF	9,571,515	539,103	174,096	125,458	3,755,756	-	4,977,102	9,571,515
Insurance payables	5,678,975	5,678,975	-	-	-	-	-	5,678,975
Other payables	725,830	725,830	-	-	-	-	-	725,830
Total liabilities	43,099,648	7,675,007	1,541,071	1,250,430	26,102,225	1,553,813	4,977,102	43,099,648

39 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company (continued)	**Carrying value RM'000**	**Up to a year RM'000**	**1 – 3 years RM'000**	**3 – 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Investment-linked RM'000**	**Total RM'000**
At 30 November 2015								
Available-for-sale financial assets	7,916,446	683,217	1,127,160	1,402,813	9,763,404	4,625	-	12,981,219
Fair value through profit or loss financial assets	32,316,487	1,887,903	3,459,293	4,388,958	25,894,623	5,278,348	4,141,041	45,050,166
Loans and receivables	4,679,369	455,331	459,431	996,944	2,616,558	1,528,185	9,277	6,065,726
Reinsurance assets	88,430	88,430	-	-	-	-	-	88,430
Insurance receivables	496,695	496,695	-	-	-	-	-	496,695
Cash and cash equivalents	713,699	402,556	-	-	-	-	311,143	713,699
Total assets	46,211,126	4,014,132	5,045,884	6,788,715	38,274,585	6,811,158	4,461,461	65,395,935
Insurance contract liabilities:								
With DPF	26,636,434	680,382	1,261,191	1,329,561	21,221,447	2,143,853	-	26,636,434
Without DPF	9,030,524	667,123	242,591	118,495	3,602,915	-	4,399,400	9,030,524
Insurance payables	5,273,062	5,273,062	-	-	-	-	-	5,273,062
Other payables	1,018,376	1,018,376	-	-	-	-	-	1,018,376
Total liabilities	41,958,396	7,638,943	1,503,782	1,448,056	24,824,362	2,143,853	4,399,400	41,958,396

39 FINANCIAL RISKS (CONTINUED)

(c) Market risk

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

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

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

(i) Interest rate risk

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

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

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

39 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

Change in variable	Impact on insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Group			
At 30 November 2016			
+50 basis points shift in yield curves	(779,564)	-	(239,175)
- 50 basis points shift in yield curves	830,557	-	252,155
At 30 November 2015			
+50 basis points shift in yield curves	(774,273)	-	(245,332)
- 50 basis points shift in yield curves	825,778	-	260,789
Company			
At 30 November 2016			
+50 basis points shift in yield curves	(779,564)	-	(238,243)
- 50 basis points shift in yield curves	830,557	-	251,196
At 30 November 2015			
+50 basis points shift in yield curves	(772,719)	-	(243,896)
- 50 basis points shift in yield curves	823,656	-	257,567

39 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Equity market price risk

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

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

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

	Change in variable	Impact on insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Group				
At 30 November 2016				
Equity price	+10%	486,284	58,828	42,782
	-10%	(486,284)	(58,828)	(42,782)
At 30 November 2015				
Equity price	+10%	419,200	57,001	43,605
	-10%	(419,200)	(57,001)	(43,605)

39 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Equity market price risk

	Change in variable	Impact on insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Company				
At 30 November 2016				
Equity price	+10%	486,284	55,338	42,232
	-10%	(486,284)	(55,338)	(42,232)
At 30 November 2015				
Equity price	+10%	419,200	57,001	43,605
	-10%	(419,200)	(57,001)	(43,605)

(iii) Currency risks

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in currencies other than RM, will fluctuate because of movements in foreign exchange rates vis-à-vis RM. The Group's primary transactions are carried out in RM and its exposure to currency risk arises principally with respect to Australian Dollar ("AUD"), United State Dollar ("USD"), Great Britain Pound ("GBP"), EURO ("EUR"), Hong Kong Dollar ("HKD"), Singapore Dollar ("SGD"), South Korean Won ("KRW") and Taiwan Dollar ("TWD"). The Group manages currency risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments.

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

39 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(iii) Currency risks (continued)

Group and Company

	Change in variable	Impact on insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
At 30 November 2016				
AUD	10% Strengthening	4,404	1,926	1,470
USD	10% Strengthening	30,477	2,615	1,996
EUR	10% Strengthening	1,227	445	339
HKD	10% Strengthening	11,525	3,200	2,442
SGD	10% Strengthening	1,668	795	606
TWD	10% Strengthening	2,833	1,358	1,036
At 30 November 2015				
AUD	10% Strengthening	5,114	2,660	2,035
USD	10% Strengthening	20,923	1,798	1,376
EUR	10% Strengthening	1,663	603	461
HKD	10% Strengthening	16,131	4,762	3,643
SGD	10% Strengthening	3,696	1,487	1,137
KRW	10% Strengthening	3,726	-	-
TWD	10% Strengthening	6,446	2,171	1,661
GBP	10% Strengthening	6,543	-	-

40 NON FINANCIAL RISKS

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

(i) Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, personnel and systems or from external events.

Operational risk is broken down into a common classification which is used across the Group. At the Group level, it is overseen through 13 defined risk areas or Key Operational Risks ("KORs"). Each KOR is monitored using Key Risk Indicators ("KRIs"), with a designated first line owner for each KOR.

Beneath the 13 KORs are two further levels of risk categorisation. The Group's Operational Risk database "Beehive", is structured around this taxonomy and is used by Risk & Compliance department to document incidents, record a risk assessment, describe controls and store KRI data.

The Group protects itself against financial losses by purchasing insurance coverage against a range of operational loss events including business disruption, property damage and internal fraud. The excess amounts and extent of coverage are determined taking into consideration the results of the risk and control assessments.

(ii) Strategic risk

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

41 SHARE-BASED PAYMENT

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

(a) Restricted Share Unit ("RSU") Scheme

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the AIA Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. If the RSU grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of vesting period depending on the actual achievement of the performance conditions. During the vesting period, the eligible participants are not entitled to dividends of the underlying shares. The maximum number of shares that can be granted under the RSU scheme is 301,100,000 (2015: 301,100,000), representing approximately 2.5% (2015: 2.5%) of the number of shares in issue of AIA Group Ltd. ("AIAGL") as at 30 November 2016.

	Group		Company	
	30.11.2016 Number of shares	30.11.2015 Number of shares	30.11.2016 Number of shares	30.11.2015 Number of shares
Outstanding at beginning of financial year	2,013,530	3,258,708	1,903,185	3,148,363
Granted	758,869	912,370	758,869	912,370
Vested	(372,713)	(715,590)	(372,713)	(715,590)
Transferred in	-	289,807	-	289,807
Transferred out	-	(1,219,516)	-	(1,219,516)
Forfeited or expired	(349,168)	(512,249)	(349,168)	(512,249)
Outstanding at end of financial year	2,050,518	2,013,530	1,940,173	1,903,185

41 SHARE-BASED PAYMENT (CONTINUED)

(b) Share Option ("SO") Scheme

The objectives of the SO Scheme are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period, during which, the eligible participants are required to remain in employment with the AIA Group. If the SO grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. The granted share options expire ten years from the date of grant. The total number of shares under options that can be granted under the scheme is 301,100,000 (2015: 301,100,000), representing approximately 2.5% (2015: 2.5%) of the number of shares in issue of AIAGL as at 30 November 2016.

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

	2016		2015	
	Number of share options	Weighted average exercise price (HK$)	Number of share options	Weighted average exercise price (HK$)
Group and Company				
Outstanding at beginning of financial year	-	-	2,073,332	31.15
Granted	42,542	41.90	366,534	47.73
Transferred out	-	-	(2,439,866)	(33.64)
Outstanding at end of financial year	42,542	41.90	-	45.24
Share options exercisable at end of financial year	-	-	-	-

41 SHARE-BASED PAYMENT (CONTINUED)

(b) Share Option ("SO") Scheme (continued)

The range of exercise prices for the share options outstanding as of 30 November 2016 is summarised in the table below.

	30 November 2016		30 November 2015	
	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price				
HK\$26 – HK\$35	-	-	1,665,661	7.22
HK\$36 – HK\$45	45,542	9.27	407,671	9.26
Outstanding at end of financial year	45,542	9.27	2,073,332	7.62

(c) Employee Share Purchase Plan ("ESPP")

Under the plan, eligible employees of the Company can purchase ordinary shares of AIAGL with qualified employees' contributions and the AIA Group will award one matching restricted stock purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employees' contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. The level of qualified employee contribution is limited to not more than 8% of the annual basic salary subject to a maximum of HK\$117,000 per annum. For the year ended 30 November 2016, eligible employees paid RM3,756,213 (2015: RM2,864,165) to purchase 142,867 (2015: 110,402) ordinary shares of AIAGL.

<u>**Valuation methodology**</u>

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

41 SHARE-BASED PAYMENT (CONTINUED)

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

Valuation methodology (continued)

Assumptions	**Share Option**	**Restricted Share Units**	**ESPP Restricted Stock Purchase Units**
Group and Company			
2016			
Risk free interest rate	1.25%	0.74%*	0.47% - 0.88%
Volatility	20%	20%	20%
Dividend yield	1.80%	1.80%	1.20% - 1.80%
Option life (in years)	10	N/A	N/A
Exercise price (HK$)	41.90	N/A	N/A
Expected life (in years)	8.03	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK$)	7.74	34.07	41.46
2015			
Risk free interest rate	1.61%	0.8%*	0.51% - 0.90%
Volatility	20%	20%	20% - 25%
Dividend yield	1.20%	1.20%	1.20%
Option life (in years)	10	N/A	N/A
Exercise price (HK$)	47.73	N/A	N/A
Expected life (in years)	7.94	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK$)	10.15	46.03	40.64

* *Applicable to RSU with market condition.*

The weighted average share price for share option valuation is HK$41.90 (2015: HK$47.73).

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme, SO Scheme and ESPP by the Group and the Company for the financial year ended 30 November 2016 are RM12,180,000 (2015: RM11,067,000) and RM12,174,000 (2015: RM11,002,000) respectively.

42 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 November 2016, as prescribed under the RBC Framework is provided below:

	Company	
	30.11.2016	30.11.2015
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	767,438	767,438
Share premium	683,452	683,452
Reserves, including retained earnings	12,378,827	12,791,090
	13,829,717	14,241,980
Tier 2 Capital		
Revaluation reserves	182,758	-
Available-for-sale fair value reserves	(68,642)	(6,863)
	114,116	(6,863)
Amount deducted from Capital	(286,272)	(262,876)
Total Capital Available	13,657,561	13,972,241

43 INSURANCE FUNDS

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

The Group's statements of financial position and income statements analysed by Life fund, Shareholders' and General Funds have been presented together as one fund.

The life insurance business offers a wide range of participating and non-participating whole life, term assurance, endowment as well as investment-linked products.

The General insurance business offers general insurance products which include personal accident, motor, fire and other classes.

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

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2016

At 30 November 2016

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	1,044	477,783	-	478,827
Investment properties	-	378,300	-	378,300
Prepaid land lease payments	600	599	-	1,199
Intangible assets	5,253	76,400	-	81,653
Investment in associate	25,191	25,106	-	50,297
Available-for-sale financial assets	1,678,727	6,261,117	-	7,939,844
Fair value through profit or loss financial assets	5,293	33,363,055	-	33,368,348
Loans and receivables	3,820,083	4,750,301	(3,707,458)	4,862,926
Reinsurance assets	18,815	108,081	-	126,896
Insurance receivables	62,155	329,442	-	391,597
Cash and cash equivalents	37,623	653,395	-	691,018
Total assets	5,654,784	46,423,579	(3,707,458)	48,370,905
Equity and liabilities				
Total equity	4,733,999	-	-	4,733,999
Insurance contract liabilities	316,496	36,403,366	-	36,719,862
Deferred tax liabilities	495,941	(25,810)	-	470,131
Insurance payables	24,907	5,654,068	-	5,678,975
Current tax liabilities	55,865	(19,593)	-	36,272
Other payables	27,576	4,411,548	(3,707,458)	731,666
Total liabilities	920,785	46,423,579	(3,707,458)	43,636,906
Total equity and liabilities	5,654,784	46,423,579	(3,707,458)	48,370,905

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2016 (CONTINUED)

At 30 November 2015 (Restated)

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	1,355	297,961	-	299,316
Investment properties	-	377,900	-	377,900
Prepaid land lease payments	607	617	-	1,224
Intangible assets	6,104	66,384	-	72,488
Investment in associate	26,691	24,786	-	51,477
Available-for-sale financial assets	1,755,306	6,222,745	-	7,978,051
Fair value through profit or loss financial assets	-	32,316,487	-	32,316,487
Loans and receivables	3,555,304	4,588,989	(3,456,189)	4,688,104
Reinsurance assets	18,264	70,166	-	88,430
Insurance receivables	72,846	423,849	-	496,695
Cash and cash equivalents	79,719	664,339	-	744,058
Total assets	5,516,196	45,054,223	(3,456,189)	47,114,230
Equity and liabilities				
Total equity	4,618,365	-	-	4,618,365
Insurance contract liabilities	351,979	35,339,656	-	35,691,635
Deferred tax liabilities	462,336	(17,182)	-	445,154
Insurance payables	29,836	5,243,226	-	5,273,062
Current tax liabilities	10,720	44,353	-	55,073
Other payables	42,960	4,444,170	(3,456,189)	1,030,941
Total liabilities	897,831	45,054,223	(3,456,189)	42,495,865
Total equity and liabilities	5,516,196	45,054,223	(3,456,189)	47,114,230

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2016 (CONTINUED)

At 1 December 2014 (Restated)

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	1,888	308,643	(67)	310,464
Investment properties	-	377,200	-	377,200
Prepaid land lease payments	615	635	-	1,250
Intangible assets	829	57,669	-	58,498
Investment in associate	29,917	24,333	-	54,250
Available-for-sale financial assets	2,324,013	6,045,289	-	8,369,302
Fair value through profit or loss financial assets	14,535	31,356,846	-	31,371,381
Loans and receivables	3,287,876	4,443,168	(3,206,902)	4,524,142
Reinsurance assets	18,076	76,887	-	94,963
Insurance receivables	127,643	331,606	-	459,249
Cash and cash equivalents	44,202	523,340	-	567,542
Total assets	5,849,594	43,545,616	(3,206,969)	46,188,241
Equity and liabilities				
Total equity	4,531,160	-	(67)	4,531,093
Insurance contract liabilities	575,290	34,335,199	-	34,910,489
Deferred tax liabilities	441,489	44,765	-	486,254
Insurance payables	30,098	4,762,783	-	4,792,881
Current tax liabilities	27,973	46,198	-	74,171
Other payables	243,584	4,356,671	(3,206,902)	1,393,353
Total liabilities	1,318,434	43,545,616	(3,206,902)	41,657,148
Total equity and liabilities	5,849,594	43,545,616	(3,206,969)	46,188,241

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2016 (CONTINUED)

At 30 November 2016

Company	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	965	477,783	-	478,748
Investment properties	-	378,300	-	378,300
Prepaid land lease payments	600	599	-	1,199
Intangible assets	5,027	76,400	-	81,427
Investment in subsidiaries	163,000	-	-	163,000
Investment in associate	-	88	-	88
Available-for-sale financial assets	1,616,999	6,261,117	-	7,878,116
Fair value through profit or loss financial assets	5,293	33,363,055	-	33,368,348
Loans and receivables	3,796,155	4,750,303	(3,707,458)	4,839,000
Reinsurance assets	18,815	108,081	-	126,896
Insurance receivables	62,155	329,442	-	391,597
Cash and cash equivalents	19,487	653,395	-	672,882
Total assets	5,688,496	46,398,563	(3,707,458)	48,379,601
Equity and liabilities				
Total equity	4,773,278	-	-	4,773,278
Insurance contract liabilities	316,496	36,378,347	-	36,694,843
Deferred tax liabilities	495,941	(25,810)	-	470,131
Insurance payables	24,907	5,654,068	-	5,678,975
Current tax liabilities	56,137	(19,593)	-	36,544
Other payables	21,737	4,411,551	(3,707,458)	725,830
Total liabilities	915,218	46,398,563	(3,707,458)	43,606,323
Total equity and liabilities	5,688,496	46,398,563	(3,707,458)	48,379,601

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2016 (CONTINUED)

At 30 November 2015 (Restated)

Company	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	902	297,982	-	298,884
Investment properties	-	377,900	-	377,900
Prepaid land lease payments	607	617	-	1,224
Intangible assets	5,576	66,384	-	71,960
Investment in subsidiaries	153,000		-	153,000
Investment in associate	-	88	-	88
Available-for-sale financial assets	1,693,701	6,222,745	-	7,916,446
Fair value through profit or loss financial assets	-	32,316,487	-	32,316,487
Loans and receivables	3,546,569	4,588,989	(3,456,189)	4,679,369
Reinsurance assets	18,264	70,166	-	88,430
Insurance receivables	72,846	423,849	-	496,695
Cash and cash equivalents	49,360	664,339	-	713,699
Total assets	5,540,825	45,029,546	(3,456,189)	47,114,182
Equity and liabilities				
Total equity	4,655,344	-	-	4,655,344
Insurance contract liabilities	351,979	35,314,979	-	35,666,958
Deferred tax liabilities	462,336	(17,182)	-	445,154
Insurance payables	29,836	5,243,226	-	5,273,062
Current tax liabilities	10,935	44,353	-	55,288
Other payables	30,395	4,444,170	(3,456,189)	1,018,376
Total liabilities	885,481	45,029,546	(3,456,189)	42,458,838
Total equity and liabilities	5,540,825	45,029,546	(3,456,189)	47,114,182

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2016 (CONTINUED)

At 1 December 2014 (Restated)

Company	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	990	308,664	-	309,654
Investment properties	-	377,200	-	377,200
Prepaid land lease payments	615	635	-	1,250
Intangible assets	75	57,669	-	57,744
Investment in subsidiaries	143,000	-	-	143,000
Investment in associate	-	88	-	88
Available-for-sale financial assets	2,262,051	6,045,289	-	8,307,340
Fair value through profit or loss financial assets	-	31,356,845	-	31,356,845
Loans and receivables	3,287,732	4,443,168	(3,206,902)	4,523,998
Reinsurance assets	18,076	76,887	-	94,963
Insurance receivables	127,643	331,606	-	459,249
Cash and cash equivalents	27,134	523,341	-	550,475
Total assets	5,867,316	43,521,392	(3,206,902)	46,181,806
Equity and liabilities				
Total equity	4,566,299	-	-	4,566,299
Insurance contract liabilities	575,290	34,310,975	-	34,886,265
Deferred tax liabilities	441,489	44,765	-	486,254
Insurance payables	30,098	4,762,783	-	4,792,881
Current tax liabilities	28,135	46,198	-	74,333
Other payables	226,005	4,356,671	(3,206,902)	1,375,774
Total liabilities	1,301,017	43,521,392	(3,206,902)	41,615,507
Total equity and liabilities	5,867,316	43,521,392	(3,206,902)	46,181,806

43 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2016

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums	312,670	7,936,061	-	8,248,731
Premiums ceded to reinsurers	(22,079)	(368,812)	-	(390,891)
Net earned premiums	290,591	7,567,249	-	7,857,840
Investment income	83,991	1,990,071	-	2,074,062
Net realised gains	252	84	-	336
Fair value losses	(114)	(169,972)	-	(170,086)
Other operating income/(expenses)	28,306	(18,439)	(578)	9,289
Total net revenue	403,026	9,368,993	(578)	9,771,441
Gross benefits and claims paid	(107,977)	(6,174,173)	-	(6,282,150)
Claims ceded to reinsurers	4,311	185,130	-	189,441
Gross change to insurance contract liabilities	17,381	(915,262)	-	(897,881)
Change in insurance contract liabilities ceded to reinsurers	1,284	37,914	-	39,198
Net insurance benefits and claims	(85,001)	(6,866,391)	-	(6,951,392)

43 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS (CONTINUED)

2016

Group (continued)	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Fee and commission expenses	(60,396)	(783,833)	-	(844,229)
Management expenses	(109,067)	(710,959)	578	(819,448)
Other expenses	(169,463)	(1,494,792)	578	(1,663,677)
Profit before share of loss from associate	148,562	1,007,810		1,156,372
Share of (losses)/gains from associate	(1,500)	321	-	(1,179)
Profit before tax	147,062	1,008,131	-	1,155,193
Tax expense attributable to policyholders and unitholders	-	(36,968)	-	(36,968)
Profit before tax attributable to shareholders	147,062	971,163	-	1,118,225
Transfer from Revenue Accounts	971,163	(971,163)	-	-
Profit before tax attributable to shareholders	1,118,225	-	-	1,118,225
Tax expense attributable to shareholders	(223,501)	-	-	(223,501)
Profit after tax for the financial year	894,724	-	-	894,724

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

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2016

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Profit after tax for the financial year	894,724	-	-	894,724
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
Net loss arising during the financial year	(69,282)	-	-	(69,282)
Net realised losses transferred to income statement	(243)	-	-	(243)
Deferred taxation	16,548	-	-	16,548
Change in available-for-sale fair value reserves	(52,977)	-	-	(52,977)
Share of other comprehensive loss from associate	(1)	-	-	(1)
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	183,972	-	-	183,972
Deferred taxation	(7,046)	-	-	(7,046)
Change in insurance contract liabilities	(148,448)	-	-	(148,448)
Change in asset revaluation reserves	28,478	-	-	28,478
Remeasurements	(3,145)	-	-	(3,145)
Deferred taxation	555	-	-	555
Post employment benefit obligations	(2,590)	-	-	(2,590)
Other comprehensive loss - net of tax, for the financial year	(27,090)	-	-	(27,090)
Total comprehensive income for the financial year	867,634	-	-	867,634

43 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2015

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums	343,043	7,345,240	-	7,688,283
Premiums ceded to reinsurers	(33,158)	(338,576)	-	(371,734)
Net earned premiums	309,885	7,006,664	-	7,316,549
Investment income	88,720	1,922,064	-	2,010,784
Net realised losses	(8,765)	(6,327)	-	(15,092)
Fair value gains/(losses)	26	(571,482)	-	(571,456)
Other operating (expenses)/income	(34,586)	24,609	(350)	(10,327)
Total net revenue	355,280	8,375,528	(350)	8,730,458
Gross benefits and claims paid	(178,612)	(5,361,318)	-	(5,539,930)
Claims ceded to reinsurers	11,673	205,915	-	217,588
Gross change to insurance contract liabilities	18,371	(800,986)	-	(782,615)
Change in insurance contract liabilities ceded to reinsurers	(1,037)	(6,722)	-	(7,759)
Net insurance benefits and claims	(149,605)	(5,963,111)	-	(6,112,716)

43 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS (CONTINUED)

2015

Group (continued)	**Shareholders' and General Fund RM'000**	**Life Fund RM'000**	**Inter-fund Elimination RM'000**	**Total RM'000**
Fee and commission expenses	(62,504)	(769,626)	-	(832,130)
Management expenses	(98,787)	(662,056)	350	(760,493)
Other expenses	(161,291)	(1,431,682)	350	(1,592,623)
Profit before share of loss from associate	44,384	980,735	-	1,025,119
Share of (losses)/gains from associate	(3,110)	453	-	(2,657)
Profit before tax	41,274	981,188	-	1,022,462
Tax expense attributable to policyholders and unitholders	-	(48,595)	-	(48,595)
Profit before tax attributable to shareholders	41,274	932,593	-	973,867
Transfer from Revenue Accounts	932,593	(932,593)	-	-
Profit before tax attributable to shareholders	973,867	-	-	973,867
Tax expense attributable to shareholders	(182,325)	-	-	(182,325)
Profit after tax for the financial year	791,542	-	-	791,542

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2015

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Profit after tax for the financial year	791,542	-	-	791,542
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
Net loss arising during the financial year	(90,157)	-	-	(90,157)
Net realised loss transferred to income statement	15,296	-	-	15,296
Deferred taxation	17,562	-	-	17,562
Change in available-for-sale fair value reserves	(57,299)	-	-	(57,299)
Share of other comprehensive loss from associate	(116)	-	-	(116)
Items that will not be subsequently reclassified to profit or loss				
Remeasurements	2,601	-	-	2,601
Deferred taxation	(456)	-	-	(456)
Post employment benefit obligations	2,145	-	-	2,145
Other comprehensive loss – net of of tax, for the financial year	(55,270)	-	-	(55,270)
Total comprehensive income for the financial year	736,272	-	-	736,272

43 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2016 Company	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums	312,670	7,936,061	-	8,248,731
Premiums ceded to reinsurers	(22,079)	(368,812)	-	(390,891)
Net earned premiums	290,591	7,567,249	-	7,857,840
Investment income	80,309	1,990,071	-	2,070,380
Net realised gains	252	84	-	336
Fair value losses	(114)	(169,972)	-	(170,086)
Other operating (expenses)/income	24,497	(18,439)	-	6,058
Total net revenue	395,535	9,368,993	-	9,764,528
Gross benefits and claims paid	(107,977)	(6,174,173)	-	(6,282,150)
Claims ceded to reinsurers	4,311	185,130	-	189,441
Gross change to insurance contract liabilities	17,381	(914,920)	-	(897,539)
Change in insurance contract liabilities ceded to reinsurers	1,284	37,914	-	39,198
Net insurance benefits and claims	(85,001)	(6,866,049)	-	(6,951,050)
Fee and commission expenses	(57,891)	(783,833)	-	(841,724)
Management expenses	(103,119)	(710,959)	-	(814,078)
Other expenses	(161,010)	(1,494,792)	-	(1,655,802)
Profit before tax	149,524	1,008,152	-	1,157,676
Tax expense attributable to policyholders and unitholders	-	(36,968)	-	(36,968)
Profit before tax attributable to shareholders	149,524	971,184	-	1,120,708
Transfer from Revenue Accounts	971,184	(971,184)	-	-
Profit before tax attributable to shareholders	1,120,708	-	-	1,120,708
Tax expense attributable to Shareholders	(223,100)	-	-	(223,100)
Profit for the financial year	897,608	-	-	897,608

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2016

Company	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Profit after tax for the financial year	897,608	-	-	897,608
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
Net losses arising during the financial year	(70,039)	-	-	(70,039)
Net realised gains transferred to income statement	(243)	-	-	(243)
Deferred taxation	16,720	-	-	16,720
Change in available-for-sale fair value reserves	(53,562)	-	-	(53,562)
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	183,972	-	-	183,972
Deferred taxation	(7,046)	-	-	(7,046)
Change in insurance contract liabilities	(148,448)	-	-	(148,448)
Change in asset revaluation reserves	28,478	-	-	28,478
Remeasurements	(3,145)	-	-	(3,145)
Deferred taxation	555	-	-	555
Post employment benefit obligations	(2,590)	-	-	(2,590)
Other comprehensive loss - net of tax, for the financial year	(27,674)	-	-	(27,674)
Total comprehensive income for the financial year	869,934	-	-	869,934

43 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2015

Company	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums	343,043	7,345,240	-	7,688,283
Premiums ceded to reinsurers	(33,158)	(338,576)	-	(371,734)
Net earned premiums	309,885	7,006,664	-	7,316,549
Investment income	85,260	1,922,064	-	2,007,324
Net realised losses	(8,832)	(6,348)	-	(15,180)
Fair value losses	-	(571,482)	-	(571,482)
Other operating (expenses)/income	(36,045)	24,609	-	(11,436)
Total net revenue	350,268	8,375,507	-	8,725,775
Gross benefits and claims paid	(178,612)	(5,361,318)	-	(5,539,930)
Claims ceded to reinsurers	11,673	205,915	-	217,588
Gross change to insurance contract liabilities	18,371	(800,533)	-	(782,162)
Change in insurance contract liabilities ceded to reinsurers	(1,037)	(6,722)	-	(7,759)
Net insurance benefits and claims	(149,605)	(5,962,658)	-	(6,112,263)
Fee and commission expenses	(61,578)	(769,626)	-	(831,204)
Management expenses	(96,426)	(662,055)	-	(758,481)
Other expenses	(158,004)	(1,431,681)	-	(1,589,685)
Profit before tax	42,659	981,168	-	1,023,827
Tax expense attributable to policyholders and unitholders	-	(48,595)	-	(48,595)
Profit before tax attributable to shareholders	42,659	932,573	-	975,232
Transfer from Revenue Accounts	932,573	(932,573)	-	-
Profit before tax attributable to shareholders	975,232	-	-	975,232
Tax expense attributable to shareholders	(182,665)	-	-	(182,665)
Profit after tax for the financial year	792,567	-	-	792,567

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2015

Company	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Profit after tax for the financial year	792,567	-	-	792,567
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
Net losses arising during the financial year	(89,525)	-	-	(89,525)
Net realised losses transferred to income statement	15,296	-	-	15,296
Deferred taxation	17,562	-	-	17,562
Change in available-for-sale fair value reserves	(56,667)	-	-	(56,667)
Items that will not be subsequently reclassified to profit or loss				
Remeasurements	2,601	-	-	2,601
Deferred taxation	(456)	-	-	(456)
Post employment benefit obligations	2,145	-	-	2,145
Other comprehensive loss - net of of tax, for the financial year	(54,522)	-	-	(54,522)
Total comprehensive income for the financial year	738,045	-	-	738,045

43 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION FOR INVESTMENT-LINKED FUNDS AS AT 30 NOVEMBER 2016

	Group and Company	
	2016	2015
	RM'000	RM'000
Assets		
Fair value through profit or loss financial assets	4,714,038	4,141,041
Other receivables	8,700	9,277
Cash and cash equivalents	315,324	311,143
Total assets	5,038,062	4,461,461
Less: Liabilities		
Other payables	43,051	42,665
Deferred tax liabilities	16,974	17,251
Current tax liabilities	935	2,145
Total liabilities	60,960	62,061
Net asset value	4,977,102	4,399,400

INCOME STATEMENTS FOR INVESTMENT-LINKED FUNDS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2016

	Group and Company	
	2016	2015
	RM'000	RM'000
Investment income	147,504	135,194
Fair value gains	930	49,767
Other operating income	4,436	7,169
	152,870	192,130
Management expenses	(50,133)	(45,812)
Profit before tax	102,737	146,318
Tax	(2,971)	(6,083)
Profit after tax for the financial year	99,766	140,235