Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017

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REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017

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AIA BHD.
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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 2017.

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 and the details 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.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit after tax for the financial year	808,498	812,470

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The Directors have on 23 February 2017 approved the separation of the general insurance and life insurance businesses of the Company pursuant to the requirements of the Financial Services Act, 2013 ("FSA"). The general insurance business has been approved to be transferred to AIA General Berhad (formerly known as Green Health Certification Berhad), a subsidiary of the Company. The proposed business separation is expected to be completed before 1 July 2018, subject to the approval by Bank Negara Malaysia ("BNM").

The Directors have also on 23 November 2017 approved the change in the Company's financial year end from 30 November to 31 December which shall be implemented after the close of the financial year ended 30 November 2017. The new financial year will commence from 1 December 2017 to 31 December 2018, covering a period of thirteen months. Thereafter, the financial year end of the Company shall revert to twelve months ending 31 December for each subsequent year.

SUBSEQUENT EVENTS

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

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

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

	RM'000
<u>In respect of the financial year ended 30 November 2016:</u>	
Final single tier dividend of 112.3% (RM1.123 per ordinary share) on 767,438,174 ordinary shares, paid on 12 May 2017 and 15 May 2017	862,000

As at 26 February 2018, the Directors have not recommended any final dividend to be paid for the financial year under review.

SHARE CAPITAL

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

DIRECTORS

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

Dato' Thomas Mun Lung Lee (Retired on 12 May 2017)
Mohd Daruis bin Zainuddin
Dato' Wee Hoe Soon @ Gooi Hoe Soon
Ching Yew Chye @ Chng Yew Chye
William Lisle (Resigned on 18 December 2017)
Anusha a/p Thavarajah
Dr. Chong Su-Lin (Appointed on 18 December 2017)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration in Note 29) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS AND DEBENTURES

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

	Number of ordinary shares of US$1.00 each			
	As at 1 December 2016	Acquired	Disposed	As at 30 November 2017
AIA Group Limited				
Direct Interest				
William Lisle	495,726	241,452	(731,481)	5,697
Anusha a/p Thavarajah	83,125	57,620	(128,489)	12,256
Indirect Interest				
Ching Yew Chye @ Chng Yew Chye	221,800	-	-	221,800

	Number of matching restricted stock purchase unit over ordinary shares of US$1.00 each under Employee Share Purchase Plan			
	As at 1 December 2016	Granted	Vested	As at 30 November 2017
AIA Group Limited				
William Lisle	2,658	1,089	(1,160)	2,587
Anusha a/p Thavarajah	2,385	1,006	(1,060)	2,331

	Number of restricted share units over ordinary shares of US$1.00 each			
	As at 1 December 2016	Granted	Vested	As at 30 November 2017
AIA Group Limited				
William Lisle	678,346	181,112	(301,887)	557,571
Anusha a/p Thavarajah	148,004	-	(48,345)	99,659

	Number of share options over ordinary shares of US$1.00 each			
	As at 1 December 2016	Granted	Exercised	As at 30 November 2017
AIA Group Limited				
William Lisle	2,524,464	-	(1,582,084)	942,380
Anusha a/p Thavarajah	42,542	-	-	42,542

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS AND DEBENTURES (CONTINUED)

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 39 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 (under Members' voluntary liquidation process), whose ultimate holding company is AIA Group Limited ("AIA Group"), a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited.

STATEMENT ON CORPORATE GOVERNANCE

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

(A) BOARD OF DIRECTORS

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

1. Dato' Thomas Mun Lung Lee (Chairman) (Retired on 12 May 2017)
   Independent Non-Executive Director

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

2. Mohd Daruis bin Zainuddin
   Independent Non-Executive Director

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

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The brief profile of the Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows: (continued)

3. Anusha a/p Thavarajah
Executive Director/Chief Executive Officer

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

4. Dato' Wee Hoe Soon @ Gooi Hoe Soon
Independent Non-Executive Director

Dato' Gooi is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. He has over 30 years of experience in accounting and corporate finance. Apart from being the Finance Director of several private and public listed companies, Dato' Gooi also assumed the Chairmanship in EON Bank Berhad (until May 2012) and Amity Bond Berhad, where he continues to helm the Board. He has also been instrumental in the successful implementation of several corporate exercises by public listed companies.

5. Ching Yew Chye @ Chng Yew Chye (Chairman) (Appointed as Chairman on 31 May 2017)
Independent Non-Executive Director

Mr Ching holds a Bachelor of Science (Honours) degree from the University of London, UK. Mr Ching has extensive experience in retail and commercial banking as well as capital markets. Between 1997 and 2007, Mr. Ching assumed various regional senior management roles in Accenture, including the roles of Managing Partner of the Financial Services Industry Group-Asia, Geographic Council Chairman-Asia and Managing Partner for the South Asia Region.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The brief profile of the Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows: (continued)

6. William (Bill) Lisle (Resigned on 18 December 2017)
   Executive Director

   Mr. Lisle is the Regional Chief Executive for AIA's businesses in Malaysia, Korea, Sri Lanka, India and Cambodia. He is also a director of AIA Co. and AIA International. Mr. Lisle was CEO of AIA Bhd. between December 2012 and May 2015, during which time he led the complex integration of the AIA and ING businesses in Malaysia. Mr. Lisle joined AIA Group in 2011 as the Group Chief Distribution Officer. Prior to that, he held various senior positions in Aviva and Prudential Corporation Asia, including CEO of Prudential Malaysia (2008-2009), CEO of Prudential Korea (2005-2008) Chief Agency Officer of ICICI Prudential (2002-2004) and Director of Agency Development, South Asia in 2001.

7. Dr. Chong Su-Lin (Appointed on 18 December 2017)
   Independent Non-Executive Director

   Dr. Chong is a graduate from the Royal Free Hospital School of Medicine, London. She began her career in the National Health Services, UK, following which she took an MBA at the London Business School. This was followed by two years with Cambridge Pharma Consultancy, specialising in the field of pharmaco-economics. She has also served as Chief Executive Officer of Sunway Medical Centre Berhad and Prince Court Medical Centre Sdn. Bhd.

In promoting independent oversight by the Board, the tenure limit for Independent Directors is nine (9) years from the date of the Director's initial appointment. The Board is also discouraged from having more than eight (8) Directors. However, a maximum of ten (10) Directors may be allowed provided the additional Directors are Independent Directors.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

During the financial year, a total number of twenty six (26) Board and Board Committee Meetings were held, as set out below:

	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board
Number of meetings	6	4	6	3	7

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

Name of Director	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board Member
Ching Yew Chye @ Chng Yew Chye[1]	6/6	4/4	6/6	3/3	7/7
Dato' Wee Hoe Soon @ Gooi Hoe Soon[2]	6/6	4/4	6/6	3/3	7/7
Mohd Daruis bin Zainuddin	6/6	4/4	6/6	3/3	7/7
William Lisle[3] (Resigned on 18 December 2017)	N/A	1/4	6/6	1/3	6/7
Anusha a/p Thavarajah	N/A	N/A	6/6	N/A	7/7
Dato' Thomas Mun Lung Lee (Retired on 12 May 2017)	3/3	1/1	2/2	2/2	2/2
Dr. Chong Su-Lin (Appointed on 18 December 2017)	N/A	N/A	N/A	N/A	N/A

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.

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

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

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

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[1] No longer the Chairman of Remuneration Committee effective 16 July 2017
[2] Appointed as the Chairman of Remuneration Committee effective 17 July 2017
[3] No longer a Member of Risk Management and Remuneration Committees effective 23 February 2017

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

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

No.	Description
1.	Briefing on Cybersecurity
2.	Listed Company Directors (LCD) Module 1: Understanding Regulatory Environment in Singapore
3.	Breakfast Talk with ACGA: CG Watch 2016 – Ecosystems Matter
4.	LCD Module 3: Risk Essentials (Singapore)
5.	Audit Committee Conference 2017
6.	Price Sensitive Information Presentation
7.	1st Distinguished Board Leadership Series: Efficient Inefficiency: Making Boards Effective in a Changing World
8.	2nd Securities Commission: FIDE FORUM Dialogue – Leveraging Technology for Growth
9.	Singapore FinTech Festival
10.	Business Continuity Plan Briefing and Crisis Management Table Top Drill
11.	International Association of Insurance Supervisors Annual Conference 2017
12.	MIA International Accountants Conference 2017
13.	Fellowship of the Malaysian Insurance Institute Senior Status Route: A Special Invitation to CEOs of Life Insurance
14.	International Association of Insurance Supervisors 24th Annual Conference 2017
15.	MFRS 17: C-suite Roundtable for Life Insurance Programme
16.	M&A -Led Growth: Opportunity or Threat?
17.	The Society of Actuaries Asia-Pacific Annual Symposium

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

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

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (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 five (5) members as follows:

Dato' Wee Hoe Soon @ Gooi Hoe Soon	Chairman (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Anusha a/p Thavarajah	Member (Executive)
Dr. Chong Su-Lin (Appointed on 18 December 2017)	Member (Independent Non-Executive)

The objective of the NC is to establish a documented, formal and transparent procedure for the appointment of Directors, 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;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (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.

Remuneration Committee

As at the date of this report, the Remuneration Committee ("RC") comprises four (4) members as follows:

Dato' Wee Hoe Soon @ Gooi Hoe Soon	Chairman (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Dr. Chong Su-Lin (Appointed on 18 December 2017)	Member (Independent Non-Executive)

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

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.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Remuneration Committee (continued)

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

(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.

(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.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee

As at the date of this report, the Risk Management Committee ("RMC") comprises four (4) members as follows:

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	Member (Independent Non-Executive)
Dr. Chong Su-Lin (Appointed on 18 December 2017)	Member (Independent Non-Executive)

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

The principal duties and responsibilities of 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;

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee (continued)

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

(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;

(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.

Audit Committee

As at the date of this report, the Audit Committee ("AC") comprises three (3) members as follows:

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

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

The principal duties and responsibilities of the AC are:

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

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

(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) investigating reasons for any request made by management to dismiss the external auditor, or any resignation by the external auditor and disclosing the full Board and the Group Audit Committee the results of the investigation together with the Audit Committee's recommendations on proposed actions to be taken;

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

(h) 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;

(i) reviewing with the external auditors on the financial statements (before the audited financial statements are presented to the Board) and discussing the findings and issues arising from their work done, including but not limited to, any opinions or qualifications, significant/material changes and fluctuations reported therein;

(j) audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;

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

(l) 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;

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

(n) 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;

(o) 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)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

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

(p) 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.

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

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

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

(B) 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 FSA.

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.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK

The Board has overall responsibility for ensuring that the Group maintains an adequate system of internal control and risk management and for reviewing its effectiveness. Enterprise Risk Management, Compliance and Internal Audit functions, among others, provide assessment, reporting and assurance on the effectiveness of the Group's policies and operations as well as its compliance with legal and regulatory obligations.

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

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

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

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

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

1. Structure and reporting

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

2. Approval procedures

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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

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

3. <u>Operating philosophy</u>

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

4. <u>Corporate policies, values and compliance</u>

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

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

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

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

(d) Anti-Corruption Policy: The Group is committed to conducting all of its business in an honest and ethical manner. Bribery or any improper payment to gain an advantage in any situation is never acceptable and may have serious legal, reputation and regulatory implications for the Group. The Anti-Corruption Policy also makes good business sense.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

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

4. Corporate policies, values and compliance (continued)

These controls that are embedded in the Group as a result of the adoption of the policies are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

The RMF consists of the following components:

i. Risk Culture

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

Accountability

A key component of the risk culture is accountability. The respective business functions in the Company are owners of the risks arising from within their areas and is responsible for managing risks. The Chief Risk Officer ("CRO") has overall accountability for the Enterprise Risk Management function with primary reporting line to AIA Group's CRO and a secondary reporting line to the CEO. This structure ensures independence of the Enterprise Risk Management and Compliance functions and allows the CRO full access to business discussions so as to provide risk management perspectives and insights. The CRO is also a non-voting member of the Executive Committee.

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The RMF consists of the following components: (continued)

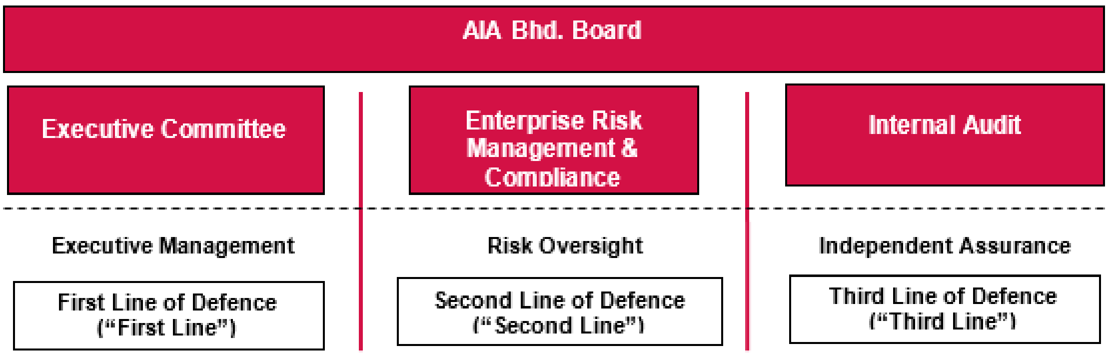
Remuneration

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

ii. Risk Management Process

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

iii. Risk Governance



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

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The RMF consists of the following components: (continued)

iii. Risk Governance (continued)

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

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

The Third Line is Group Internal Audit ("GIA") function, which reports to the Audit Committee of the Board. GIA is responsible for providing independent assurance over the effectiveness of key internal controls and makes recommendations based on the audit findings.

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

iv. Risk Appetite Framework

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

v. Risk Landscape

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

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY

i. Objectives

The Group's executive remuneration policy is based on the principle of providing an equitable, motivating and competitive remuneration package to foster a strong performance-oriented culture within an appropriate risk management framework.

The policy aims to ensure that rewards and incentives relate directly to the performance of individuals, the operations and functions in which they work or for which they are responsible, and the overall performance of the Group. The compensation and benefits arrangements designed under the policy provides incentives that are consistent with the interests of the Group's stakeholders and do not encourage executives to take excessive risks that may threaten the value of the Group and impair the reputation of the brand.

ii. Main Components of Remuneration

The table below summarises the Group's remuneration polices regarding the elements of the remuneration structure as it applies to the CEO and Senior Management Team during the financial year.

Element	Purpose	Basis of determination	Notes on practices
Basic	Fixed cash element of remuneration to recruit and retain talent.	Basic salary is determined with reference to the specific roles and responsibilities of the position, internal relativities, market practice, individual experience, performance and other factors to attract and retain employees with required capabilities to achieve the Group's business objectives.	The Remuneration Committee reviews salaries annually for the CEO and Senior Management Team against relevant industry survey sources. Salary increases, where applicable, typically take effect from 1 March.
Short-term incentive	Short-term incentives are delivered in the form of a performance-based cash award to recognize and reward achievement of the Group's objectives and individual contribution.	Short-term incentive target and maximum opportunities are determined with reference to the market appropriateness of total compensation and the roles and responsibilities of the individual.	Annual short-term incentive based on the achievement of financial performance measures and relevant strategic objectives, as well as individual contribution.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

iii. Main Components of Remuneration (continued)

The table below summarises the Group's remuneration polices regarding the elements of the remuneration structure as it applies to the CEO and Senior Management Team during the financial year. (continued)

Element	Purpose	Basis of determination	Notes on practices
Long-term incentive	Long-term incentive plan focuses key contributors on the long- term success of the Group and is used to align the interest of executives with those of shareholders using a combination of share-based awards and share mix options to deliver a balanced mix of ownership and incentives.	Long-term incentive target and maximum opportunities are determined with reference to the total competitiveness of the total compensation package and the roles and responsibilities of the individual.	Awards are discretionary and determined on an annual basis Awards are made in restricted share units and / or share options, and generally vest after a three-year period, with the restricted share units subject to pre-defined performance objectives.
Benefits	Benefits form part of the long-term employment relationship and contribute to the value of total remuneration provided at market competitive levels.	The benefits program is determined such that it is market competitive. It remains fully compliant with local regulations.	The CEO and Senior Management Team receive certain benefits, for example, medical and life insurance, use of company car and/ or driver.
Employee share purchase plan (ESPP)	Share purchase plan with matching offer to facilitate and encourage AIA share ownership by employees, and provide a long-term retention mechanism.	The ESPP is open to all employees who have completed probation and subject to a maximum contribution indicated as a percentage of basic salary or the plan maximum limit.	Participants receive matching shares for shares purchased at a rate approved by the Remuneration Committee Matching shares vest after three (3) years.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

Short-Term Incentive Plan

The short-term incentive targets were determined and communicated to the CEO and Senior Management Team at the beginning of the financial year. The performance measures for short-term incentives were:

- Value of new business ("VONB")
- Operating profit after tax ("OPAT"); and
- Excess embedded value growth ("EEVG").

VONB is an estimate of the economic value of one (1) year's sales as published by the Group; OPAT is the IFRS operating profit after tax based on the IFRS results published by the Group; and EEVG is the sum of the operating experience variances (current year performance against the operating assumptions for calculating embedded value ("EV") and operating assumption changes (value of future operating outperformance considered permanent enough for recognition in the current year) in the EV operating profit.

The weighting of the three (3) performance measures described above is fifty per cent (50%), ten per cent (10%) and twenty-five per cent (25%) for VONB, EEVG and OPAT respectively. The remaining weighting is fifteen per cent (15%) for OPAT benefit from healthcare program (7.5%) and AIA vitality membership or Integrated Product VONB (7.5%). Based on the level of achievement of the performance measures, short-term incentive awards in respect of the financial year was paid to the CEO and Senior Management Team in March 2018.

The total value of the short-term incentive awards accrued for the CEO and Senior Management Team for the financial year ended 30 November 2017 is MYR5,130,410.

Long-Term Incentive Plan

The Restricted Share Unit Scheme and the Share Option Scheme were adopted on 28 September 2010 and are effective for a period of ten (10) years from the date of adoption.

These schemes are designed to motivate and reward participants who have not only made an important contribution to the Group's success but are expected to play a significant role in the future.

Awards made under these schemes are discretionary and are determined on an annual basis with reference to the magnitude of overall variable remuneration, the competitiveness of the total remuneration package, the roles, responsibilities, performance and potential of the individual.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

Long-Term Incentive Plan (continued)

The schemes operate through the award of restricted share units and share options to deliver a balanced mix of incentives and ownership. The rewards are subject to eligibility criteria and generally vest after a three-year period.

As applicable to other remuneration payments, long-term incentive vesting is subject to the AIA Group's Remuneration Committee's approval and is in compliance with all relevant AIA Group policies.

The schemes are reviewed regularly to ensure that the design, process, structure and governance work together to balance risk and incentives.

a. Restricted Share Unit Scheme

Under the Restricted Share Unit Scheme, the Group may award restricted share units to selected employees, CEO, Directors (excluding Independent Non-executive Directors) or officers of the Group or any of its subsidiaries. The objectives of the Restricted Share Unit Scheme is to retain participants, align their interests with those of the Group's investors and reward the creation of sustainable value for shareholders through the award of restricted share units to participants.

Performance Measures and Vesting

Vesting of performance-based restricted share unit awards will be contingent on the extent of achievement of three-year performance targets as outlined below for the following AIA Group metrics:

(i) Value of new business;
(ii) Equity attributable to shareholders on the embedded value basis; and
(iii) Total shareholder return.

VONB is an estimate of the economic value of one (1) year's sales as published by the AIA Group.

Equity attributable to shareholders of AIA Group on the embedded value basis ("EV Equity") is the total of embedded value, goodwill and other intangible assets. Embedded value is an estimate of the economic value of in-force life insurance business, including the net worth on the AIA Group's balance sheet but excluding any economic value attributable to future new business.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. <u>Main Components of Remuneration</u> (continued)

<u>Long-Term Incentive Plan</u> (continued)

a. Restricted Share Unit Scheme (continued)

<u>Performance Measures and Vesting</u> (continued)

The VONB and EV Equity performance considered in determining incentive awards are based on the AIA Group VONB and AIA Group EV Equity results published by the AIA Group.

Total shareholder return ("TSR") is the compound annual return from the ownership of a share over a period of time, measured by calculating the change in the share price and the gross value of dividends received (and reinvested) during that period. AIA Group's TSR will be calculated in the same way and compared with the TSR of the peer companies in the Dow Jones Insurance Titans 30 Index ("DJTINN") over the performance period.

The three (3) performance measures are equally weighted. Achievement of each performance measure will independently determine the vesting of one-third of the award. Threshold performance levels are required for restricted share units to vest; at target performance levels (for TSR, median relative performance measured against the TSR of the peer companies in the DJTINN) fifty per cent (50%) of the restricted share units will vest; and at maximum performance levels (for TSR, seventy fifth (75^{th}) percentile or above relative performance measured against the TSR of the peer companies in the DJTINN) the full allocation of restricted share units will vest.

b. Share Option Scheme

The objective of the Share Option Scheme is to align the interests of the Scheme participants with those of the AIA Group's shareholders. Under the Share Option Scheme, AIA Group may award share options to Directors (excluding Independent Non-Executive Directors) or selected officers of the Group or any of its subsidiaries. No amount is payable by the eligible participants on the acceptance of a share option.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY(CONTINUED)

ii. Main Components of Remuneration (continued)

Long-Term Incentive Plan (continued)

b. Share Option Scheme (continued)

During the year end, share options were awarded by AIA Group under the Share Option Scheme to Directors or selected officers of the. The exercise price of such share options was determined by applying the highest of:

(i) The closing price of the shares on the date of grant;
(ii) The average closing price of the shares for the five (5) business days immediately preceding the date of grant; or
(iii) The nominal value of a share.

The total number of share options that can be awarded under the AIA Group scheme is 301,100,000 representing approximately two-point-five per cent (2.5%) of the number of shares in issue as at the date of this report. Unless shareholders' approval is obtained in accordance with the relevant procedural requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the maximum number of shares that may be awarded to any employee in any twelve (12) month period up to and including a proposed date of grant is point-two-five per cent (0.25%) of the number of shares in issue as of the proposed date of grant. No share options have been awarded to substantial shareholders, or in excess of the individual limit.

Performance Measures and Vesting

Share options awarded under the Share Option Scheme have a life of ten (10) years before expiry. Generally, share options become exercisable three (3) years after the date of grant and remain exercisable for another seven (7) years, subject to participants continued employment in good standing or retirement. There are no performance conditions attached to the vesting of share options. Each share option entitles the eligible participant to subscribe for one (1) ordinary share. Benefits are realized only to the extent that share price exceeds exercise price.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

Long-Term Incentive Plan (continued)

c. Employee Share Purchase Plan

AIA Group adopted the Employee Share Purchase Plan ("ESPP") on 25 July 2011 (ESPP adoption date). Under the ESPP, eligible employees of the Group may elect to purchase the AIA Group's shares and receive one (1) matching share for each two (2) shares purchased after having been in the plan for a period of three (3) years through the award of matching restricted stock purchase units (RSPUs). Each eligible employee's participation level is currently capped at a maximum purchase in any plan year of five (5) per cent of his or her base salary or Malaysian Ringgit Four Thousand Five Hundred Ninety-Nine (MYR4,599) equivalent of Hong Kong Dollars Nine Thousand Seven Hundred Fifty (HK$9,750), whichever is lower. Upon vesting of the matching RSPUs, those employees who are still in employment with the Group will receive one (1) matching share for each RSPU which he or she holds. The matching shares can either be purchased on market by the trustee of the ESPP or through the issuance of new shares by AIA Group. The aggregate number of shares which can be issued by AIA Group under the ESPP for the ten-year period shall not exceed two-point-five per cent (2.5%) of the number of shares in issue on the ESPP adoption date.

iii. Remuneration Procedure

The levels of remuneration should be sufficient to attract, retain and motivate all levels of the management and staff of the quality required to run the Group effectively. In this respect, the Group has an independent, objective and robust review process for assessing the remuneration package for the financial year known as the Total Compensation Review ("TCR") process. The TCR process ensures linking remuneration to corporate and individual performance coupled with appropriate consideration of the AIA during the annual appraisal.

iii. Remuneration Procedure

The Board and its respective Committees provide the necessary oversight in the formulation and implementation of the remuneration practices.

- Nominating Committee reviews the performance of the CEO and Senior Management Team, Key Senior Officers ("KSO") and Key Responsible Persons ("KRP") to ensure alignment with strategies, goals and culture.
- Remuneration Committee reviews policy and practices before recommending remuneration package for the Board's approval.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

iii. Remuneration Procedure (continued)

The Board and its respective Committees provide the necessary oversight in the formulation and implementation of the remuneration practices. (continued)

- Audit Committee and Risk Committee reviews the relevant KRPs' performance before approval by the Board.
- At the management level, the Management Risk Committee reviews the Risk dashboard reports escalated by the Operational Risk Management Committee for all departments.

With effect from 1 June 2017, officers in control functions with discretionary Short Term Incentive awards will be based on a combination of AIA Group's business performance and the Group's business performance; thereby ensuring the impartiality of the actions of the officers in control functions.

iv. Quantification of Remuneration

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

Name of Director	Fixed Remuneration (RM)	Variable Remuneration (RM)	Total Remuneration (RM)
Dato' Thomas Mun Lung Lee	114,583	24,000	138,583
Ching Yew Chye @ Chng Yew Chye	231,250	54,000	285,250
Mohd Daruis bin Zainuddin	215,000	52,500	267,500
Dato' Wee Hoe Soon @ Gooi Hoe Soon	198,750	54,000	252,750
TOTAL	759,583	184,500	944,083

The Directors and Officers' liability insurance policy with a total premium of RM58,000 is taken and borne by the Company covering all Directors and Officers of the Company and its subsidiaries and related companies incorporated in Malaysia, collectively.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

iv. Quantification of Remuneration

The following breakdown provides the remuneration awarded to the CEO and Senior Management Team during the financial year:

Total value of remuneration awards for the financial year	Unrestricted (RM)	Deferred (RM)
Fixed remuneration		
• Cash-based	12,241,818	-
• Shares and share-linked instruments	-	-
• Other	2,564,189	-
Variable remuneration		
• Cash-based	5,130,410	-
• Shares and share-linked instruments	-	3,180,940
• Other	-	-

(F) PUBLIC ACCOUNTABILITY

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

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, 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; and

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

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

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

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

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

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

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

(d) In the opinion of the Directors:

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

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

(iii) 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.

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.

DIRECTORS' REPORT (CONTINUED)

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 29 to the financial statements.

AUDITORS

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 26 February 2018. Signed on behalf of the Board of Directors:

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 251(2) OF THE COMPANIES ACT 2016

We, Anusha a/p Thavarajah and Mohd Daruis bin Zainuddin, two of the Directors of AIA Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 37 to 230 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 November 2017 and financial performance of the Group and of the Company for the financial year ended 30 November 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated on 26 February 2018.

ANUSHA A/P THAVARAJAH
DIRECTOR

MOHD DARUIS BIN ZAINUDDIN
DIRECTOR

Kuala Lumpur

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

I, Heng Zee Wang, the officer primarily responsible for the financial management of AIA Bhd., do solemnly and sincerely declare that, the financial statements set out on pages 37 to 230 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

HENG ZEE WANG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 26 February 2018.

Before me:

COMMISSIONER FOR OATH

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA BHD.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of AIA Bhd. ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 November 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 November 2017 of the Group and of the Company, and 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 230.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AIA BHD. (CONTINUED)
(Incorporated in Malaysia)
(Company No. 790895-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT	SHIRLEY GOH
LLP0014401-LCA & AF 1146	01778/08/2018 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
26 February 2018

Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	3	467,874	478,827	467,432	478,748
Investment properties	4	370,312	378,300	370,312	378,300
Prepaid land lease payments	5	1,174	1,199	1,174	1,199
Intangible assets	6	89,875	81,653	85,632	81,427
Investment in subsidiaries	7	-	-	163,000	163,000
Investment in associates	8	63,437	50,297	88	88
Available-for-sale financial assets	9	8,237,863	7,939,844	8,002,329	7,878,116
Fair value through profit or loss financial assets	10	35,426,038	33,368,348	35,420,689	33,368,348
Loans and receivables	11	4,870,706	4,862,926	4,770,580	4,839,000
Reinsurance assets	12	232,991	126,896	215,669	126,896
Insurance receivables	13	326,306	391,597	286,467	391,597
Cash and cash equivalents		777,594	691,018	738,300	672,882
Assets of a disposal group classified as held-for-sale	14(i)	-	-	352,259	-
Total assets		50,864,170	48,370,905	50,873,931	48,379,601
Equity and liabilities					
Share capital	16	1,450,890	767,438	1,450,890	767,438
Share premium		-	683,452	-	683,452
Retained earnings	17	3,260,520	3,312,334	3,304,928	3,352,770
Asset revaluation reserve		29,739	28,478	29,739	28,478
Available-for-sale fair value reserve		(10,583)	(57,703)	(12,001)	(58,860)
Reserves of a disposal group classified as held-for-sale	14(ii)	-	-	152	-
Total equity		4,730,566	4,733,999	4,773,708	4,773,278
Insurance contract liabilities	18	38,675,184	36,719,862	38,355,445	36,694,843
Deferred tax liabilities	19	516,931	470,131	516,632	470,131
Insurance payables	20	6,126,981	5,678,975	6,114,212	5,678,975
Current tax liabilities		12,463	36,272	11,870	36,544
Other payables	21	802,045	731,666	780,365	725,830
Liabilities of a disposal group classified as held-for-sale	14(iii)	-	-	321,699	-
Total liabilities		46,133,604	43,636,906	46,100,223	43,606,323
Total equity and liabilities		50,864,170	48,370,905	50,873,931	48,379,601

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Continuing operations					
Gross earned premiums	23(a)	8,762,903	8,248,731	8,483,574	7,936,061
Premiums ceded to reinsurers	23(b)	(907,962)	(390,891)	(885,445)	(368,812)
Net earned premiums		7,854,941	7,857,840	7,598,129	7,567,249
Investment income	24	2,137,996	2,074,062	2,121,126	2,055,749
Net realised gains	25	4,660	336	4,641	265
Fair value gains/(losses)	26	988,629	(170,086)	988,572	(169,972)
Other operating income/(expense)	27	52,257	9,289	38,415	(6,025)
Total net revenue		11,038,483	9,771,441	10,750,883	9,447,266
Gross benefits and claims paid	28(a)	(6,762,736)	(6,282,150)	(6,644,486)	(6,174,173)
Claims ceded to reinsurers	28(b)	479,353	189,441	472,776	185,130
Gross change to insurance contract liabilities	28c)	(1,952,201)	(897,881)	(1,970,353)	(914,920)
Change in insurance contract liabilities ceded to reinsurers	28(d)	106,883	39,198	107,587	37,914
Net insurance benefits and claims		(8,128,701)	(6,951,392)	(8,034,476)	(6,866,049)
Fee and commission expenses		(915,072)	(844,229)	(845,880)	(783,833)
Management expenses	29	(856,517)	(819,448)	(766,260)	(727,713)
Other expenses		(1,771,589)	(1,663,677)	(1,612,140)	(1,511,546)

Company No.

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AIA BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit before share of loss from associate		1,138,193	1,156,372	1,104,267	1,069,671
Share of loss from associate		(3,752)	(1,179)	-	-
Profit before tax		1,134,441	1,155,193	1,104,267	1,069,671
Tax expense attributable to policyholders and unitholders		(165,788)	(36,968)	(165,788)	(36,968)
Profit before tax attributable to shareholders from continuing operations		968,653	1,118,225	938,479	1,032,703
Tax expense	30	(325,943)	(260,469)	(317,109)	(241,125)
Tax expense attributable to policyholders and unitholders		165,788	36,968	165,788	36,968
Tax expense attributable to shareholders		(160,155)	(223,501)	(151,321)	(204,157)
Profit after tax for the financial year from continuing operations		808,498	894,724	787,158	828,546
Discontinued operations					
Profit after tax for the financial year from discontinued operations	42	-	-	25,312	69,062
Profit after tax for the financial year		808,498	894,724	812,470	897,608
Basic earnings per share (sen)					
Continuing operations		105.4	116.6	105.9	117.0
Discontinued operations		-	-	-	-
		105.4	116.6	105.9	117.0

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 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit after tax for the financial year	808,498	894,724	812,470	897,608
Other comprehensive (loss)/ income:				
Items that may be subsequently reclassified to profit or loss				
Net gains/(losses) arising during the financial year	66,053	(69,282)	64,336	(67,176)
Net realised gains transferred to income statements	(4,660)	(243)	(4,641)	(172)
Deferred taxation	(14,498)	16,548	(14,194)	16,016
	46,895	(52,977)	45,501	(51,332)
Share of other comprehensive income/(loss) from associate	225	(1)	-	-
Continuing operations	47,120	(52,978)	45,501	(51,332)
Discontinued operations (Note 42)	-	-	1,510	(2,230)
Change in available-for-sale fair value reserve	47,120	(52,978)	47,011	(53,562)
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	8,233	183,972	8,233	183,972
Deferred taxation	(227)	(7,046)	(227)	(7,046)
Change in insurance contract liabilities	(6,745)	(148,448)	(6,745)	(148,448)
Change in asset revaluation reserve - continuing operations	1,261	28,478	1,261	28,478
Remeasurements	2,050	(3,145)	2,050	(3,145)
Deferred taxation	(362)	555	(362)	555
Post employment benefit obligations - continuing operations	1,688	(2,590)	1,688	(2,590)
Total other comprehensive income/(loss) - net of tax, for the financial year	50,069	(27,090)	49,960	(27,674)

Company No.

790895	D

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total other comprehensive income/(loss) - net of tax, for the financial year				
Comprising:				
Continuing operations	50,069	(27,090)	48,450	(25,444)
Discontinued operations	-	-	1,510	(2,230)
	50,069	(27,090)	49,960	(27,674)
Total comprehensive income for the financial year	858,567	867,634	862,430	869,934
Comprising:				
Continuing operations	858,567	867,634	835,608	803,102
Discontinued operations	-	-	26,822	66,832
	858,567	867,634	862,430	869,934

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

Company No.

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AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017

Group

	Share capital	Share premium	Available-for-sale fair value reserve	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 2016	767,438	683,452	(57,703)	28,478	-	3,312,334	4,733,999
Profit after tax for the financial year	-	-	-	-	-	808,498	808,498
Other comprehensive income for the financial year	-	-	47,120	1,261	-	1,688	50,069
Total comprehensive income for the financial year	-	-	47,120	1,261	-	810,186	858,567
Share based compensation:							
- value of employee services	-	-	-	-	13,159	-	13,159
- repayment to ultimate parent company	-	-	-	-	(13,159)	-	(13,159)
Dividend paid for the financial year ended 30 November 2016 (Note 31)	-	-	-	-	-	(862,000)	(862,000)
Transfer to/(from) pursuant to the Companies Act 2016 (Note 2.4)	683,452	(683,452)	-	-	-	-	-
At 30 November 2017	1,450,890	-	(10,583)	29,739	-	3,260,520	4,730,566

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

Group

	Share capital RM'000	Share premium RM'000	Available-for-sale fair value reserve RM'000	Asset revaluation reserve RM'000	Share-based reserves RM'000	Retained earnings* RM'000	Total RM'000
At 1 December 2015	767,438	683,452	(4,725)	-	-	3,172,200	4,618,365
Profit after tax 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 (loss)/ income for the financial year	-	-	(52,978)	28,478	-	892,134	867,634
Share based compensation:							
- value of employee services	-	-	-	-	12,180	-	12,180
- repayment to ultimate parent company	-	-	-	-	(12,180)	-	(12,180)
Dividend paid for the financial year ended 30 November 2015 (Note 31)	-	-	-	-	-	(752,000)	(752,000)
At 30 November 2016	767,438	683,452	(57,703)	28,478	-	3,312,334	4,733,999

* Included in retained earnings is RM2,286 million (2016: RM2,460 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 2017 (CONTINUED)

Company	Non-distributable						Distributable	
	Share capital	Share premium	Available-for-sale fair value reserve	Asset revaluation reserve	Reserves of a disposal group classified as held-for-sale	Share-based reserves	Retained earnings*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 December 2016	767,438	683,452	(58,860)	28,478	-	-	3,352,770	4,773,278
Profit after tax for the financial year							812,470	812,470
Other comprehensive income for the financial year	-	-	47,011	1,261	-	-	1,688	49,960
Total comprehensive income for the financial year	-	-	47,011	1,261	-	-	814,158	862,430
Transfer to reserves of a disposal group classified as held-for-sale (Note 14(ii))	-	-	(152)	-	152	-	-	-
Share based compensation:								
- value of employee services	-	-	-	-	-	13,150	-	13,150
- repayment to ultimate parent company	-	-	-	-	-	(13,150)	-	(13,150)
Dividend paid for the financial year ended 30 November 2016 (Note 31)	-	-	-	-	-	-	(862,000)	(862,000)
Transfer to/(from) pursuant to the Companies Act 2016 (Note 2.4)	683,452	(683,452)	-	-	-	-	-	-
At 30 November 2017	1,450,890	-	(12,001)	29,739	152	-	3,304,928	4,773,708

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

				Non-distributable		Distributable	
Company	**Share capital**	**Share premium**	**Available-for-sale fair value reserve**	**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 after tax 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 (loss)/ income for the financial year	-	-	(53,562)	28,478	-	895,018	869,934
Share based compensation:							
- value of employee services	-	-	-	-	12,174	-	12,174
- repayment to ultimate parent company	-	-	-	-	(12,174)	-	(12,174)
Dividend paid for the financial year ended 30 November 2015 (Note 31)	-	-	-	-	-	(752,000)	(752,000)
At 30 November 2016	767,438	683,452	(58,860)	28,478	-	3,352,770	4,773,278

* Included in retained earnings is RM2,286 million (2016: RM2,460 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 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation					
Continuing operations		968,653	1,118,225	938,479	1,120,708
Discontinued operations		-	-	33,974	-
		968,653	1,118,225	972,453	1,120,708
Tax expense attributable to policyholders and unitholders		165,788	36,968	165,788	36,968
Rental, interest and dividend income		(2,158,810)	(2,100,676)	(2,155,847)	(2,096,991)
Realised gains	25	(4,660)	(243)	(4,260)	(243)
Fair value (gains)/losses	26	(988,629)	170,086	(988,629)	170,086
Allowance for impairment losses	27	4,067	22,533	4,067	22,533
Impairment losses on properties held for own use	27	-	1,786	-	1,786
Write off of intangible assets	27	2,216	-	2,216	-
Depreciation					
- property, plant and equipment	29	31,881	31,097	31,815	30,732
Amortisation					
- prepaid land lease payments	29	25	25	25	25
- intangible assets	29	14,755	12,994	14,529	12,692
Share of loss from associate		3,752	1,179	-	-
Write off of property, plant and equipment		76	159	76	159
Gain on sale of property, plant and equipment		(23)	(252)	(23)	(252)

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Changes in working capital:					
Increase in AFS and FVTPL financial assets		(1,307,868)	(1,269,997)	(1,323,752)	(1,270,598)
Increase in reinsurance assets		(106,095)	(38,466)	(106,095)	(38,466)
Decrease in insurance receivables		59,637	87,605	59,637	87,605
(Increase)/decrease in loans and receivables		(6,849)	(174,243)	923	(159,052)
Increase in insurance payables		448,006	405,913	448,006	405,913
Increase in insurance contract liabilities		1,948,576	879,779	1,947,961	879,437
Increase/(decrease) in payables		72,429	(1,633)	70,310	5,096
Cash used in operating activities		(853,073)	(817,161)	(860,800)	(791,862)
Income taxes paid		(318,039)	(244,236)	(318,103)	(243,606)
Rental income received		26,888	29,174	26,888	29,174
Interest income received		1,784,248	1,764,850	1,780,872	1,761,132
Dividend income received		364,172	317,608	364,172	317,608
Net cash inflows from operating activities		1,004,196	1,050,235	993,029	1,072,446
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of intangible assets		(25,193)	(27,211)	(25,193)	(27,211)
Purchase of property, plant and equipment		(14,457)	(28,642)	(14,429)	(28,630)
Purchase of investment properties		(1,012)	-	(1,012)	-
Investment in associates		(16,667)	-	-	-
Investment in subsidiaries		-	-	-	(10,000)
Proceed from disposal of property, plant and equipment		1,709	277	1,709	277
Proceed from disposal of intangible assets		-	5,088	-	5,088
Net cash outflows from investing activities		(55,620)	(50,488)	(38,925)	(60,476)

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Decrease in obligation on securities sold under repurchase agreements		-	(300,787)	-	(300,787)
Dividend paid		(862,000)	(752,000)	(862,000)	(752,000)
Net cash outflows from financing activities		(862,000)	(1,052,787)	(862,000)	(1,052,787)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		86,576	(53,040)	92,104	(40,817)
CASH AND CASH EQUIVALENTS AT 1 DECEMBER		691,018	744,058	672,882	713,699
TRANSFER TO ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE	**14 (B)**	-	-	(26,686)	-
CASH AND CASH EQUIVALENTS AT 30 NOVEMBER		777,594	691,018	738,300	672,882

Cash and cash equivalents comprised:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash and bank balances	270,404	276,091	255,540	272,992
Fixed and call deposits with licensed financial institutions	507,190	414,927	482,760	399,890
	777,594	691,018	738,300	672,882

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 2017

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 2016 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 26 February 2018.

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 2016 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 2.5 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 accounts 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.

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 equipments	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.

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 the 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 cash generating unit's fair value less costs of disposal and its value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to 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 the 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

__General__

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

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 decline in value, such further decline 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 the statement of financial position. A dividend proposed or declared after the date of the 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 the 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

Gross premium

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) Claims 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)

Life insurance contract liabilities **(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 benefits insurance liabilities or the total benefits insurance liabilities at the fund level derived as stated above.

In the case of a life policy where the future premiums are not determinable, 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 the 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)

Life insurance contract liabilities (continued)

(ii) Actuarial liabilities (continued)

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

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

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

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

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

(iii) Unallocated surplus

Surpluses of contracts with DPF are attributable to policyholders and shareholders and the amount and timing of the distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the 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)

Life insurance contract liabilities (continued)

(iv) Net asset value attributable to unitholders

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

(p) General insurance contracts

Gross premium

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

Acquisition costs and deferred acquisition costs ("DAC")

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

Commission costs are deferred to the extent that these 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 the 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

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 UPR at the date of the 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)

Claims and expenses (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 the 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’s insurance 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 the 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 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

Defined contribution plans

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

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)

Defined benefit plans

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) Non-current assets (or disposal group) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amounts are recovered principally throught a sale transaction rather than through continuing use and a sale is considered higly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(z) 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 and the Company's presentation currency.

(ii) Foreign currency transactions

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

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

(iii) 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)

(aa) 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.

(ab) 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 is 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

(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 2016

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial year ended 30 November 2017.

- 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"

The adoption of the above accounting standards, amendments and interpretations does not have any significant financial impact to the financial statements.

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

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

<u>Financial year beginning on/after 1 December 2017</u>

- 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Financial year beginning on/after 1 January 2019

- MFRS 9 “Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities” (effective from 1 January 2018).

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

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Financial year beginning on/after 1 January 2019 (continued)

- Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 ("Insurance Contracts"). The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 "Financial Instruments" before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 'Insurance Contracts', the related liabilities from insurance contracts are often measured on amortised cost basis.

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

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

  An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

- Amendments to MFRS 140 "Classification on 'Change in Use' – Assets transferred to/from, Investment Properties" (effective from 1 January 2018) clarify that to transfer to/from investment properties, there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

  The amendments also clarify the same principle applies to assets under construction.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

<u>Financial year beginning on/after 1 January 2019</u> (continued)

- IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration” (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

  IC Interpretation 22 provides guidance on how to determine ‘the date of transaction’ when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Financial year beginning on/after 1 January 2019 (continued)

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

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

Key provisions of the new standard are as follows:

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

<u>Financial year beginning on/after 1 January 2019</u>

- MFRS 16 “Leases” (effective from 1 January 2019) supercedes 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.

- IC Interpretation 23 “Uncertainty over Income Tax Treatments” (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Financial year beginning on/after 1 January 2021

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

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

  Alternative measurement models are provided for the different insurance coverages:
  a) Simplified premium allocation approach if the insurance coverage period is a year or less; and
  b) Variable fee approach should be applied for insurance contracts that specify a link between payments to the policyholders and the returns on the underlying items.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 December 2017 are not relevant to the Group.

2.4 Changes in regulatory requirements

The Companies Act 2016 (“the New Act”) was enacted to replace the Companies Act, 1965 with the objective of creating a regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act is effective from 31 January 2017.

The adoption of the New Act does not have any significant financial impact to the Group and the Company for the current financial year. The effect of adoption of the New Act is mainly on disclosures in the financial statements on the followings:

(i) <u>Share Capital</u>

The concept of authorised share capital and par value of share capital is abolished. Any amount standing to the credit of a company’s share premium account and capital redemption reserve shall become part of the company’s share capital pursuant to Section 618(2) of the New Act. Notwithstanding the above, a company may, within 24 months upon the commencement the New Act, use the amount standing to the credit of its share premium account and capital redemption reserve in accordance with the specific circumstances as provided in Section 618(3) and (4) of the New Act respectively.

As at 30 November 2017, the amount standing to the credit of the Company’s share premium account is RM683,452,000 and the Company does not have any capital redemption reserve. The Company has no intention to utilise the share premium account in accordance with the specific circumstances as provided in Section 618(3) of the New Act.

Accordingly, the Company transferred a total of RM683,452,000 from the share premium account to share capital pursuant to the New Act as shown in the statement of changes in equity and the share capital of the Company increased from RM767,438,000 to RM1,450,890,000.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in regulatory requirements (continued)

The adoption of the New Act does not have any significant financial impact to the Group and the Company for the current financial year. The effect of adoption of the New Act is mainly on disclosures in the financial statements on the followings: (continued)

(ii) Additional Disclosures in the Directors' Report

(a) The Ninth Schedule of the Companies Act, 1965 ("the Old Act") is removed and the New Act now requires certain disclosures previously required under the Ninth Schedule of the Old Act to be disclosed in the Directors' Report, such as Directors' remuneration and auditors' remuneration which are disclosed in the Directors' report and referred to Note 29 to the financial statements; and

(b) Information on subsidiary companies on name, place of incorporation, principal activities, percentage of shareholdings, particular of any qualified audit opinion issued by the auditor, and extent of subsidiaries' holding of shares in the holding company and in other related corporations are disclosed in the Directors' Report and referred to Note 7 to the financial statements.

Disclosure on particular of any qualified audit opinion issued by the auditor, and extent of subsidiaries' holding of shares in the holding company and in other related corporations are not relevant to the Group and Company and therefore no separate disclosures are made.

2.5 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 amounts recognised in the financial statements:

Key sources of estimation uncertainty

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 amounts recognised in the financial statements: (continued)

<u>Key sources of estimation uncertainty</u> (continued)

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

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 2017, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 36 to the financial statements.

(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 2017, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 36 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 amounts recognised in the financial statements: (continued)

Key sources of estimation uncertainty (continued)

(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 properties 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 2017								
Cost/Valuation								
At 1 December 2016	141,989	11,515	230,803	1,963	152,116	97,842	1,450	637,678
Additions	-	-	-	339	3,389	3,923	6,806	14,457
Revaluation surplus for the financial year recognised in other comprehensive income	170	234	7,829	-	-	-	-	8,233
Elimination of accumulated depreciation and impairment on revaluation	-	(14)	(7,959)	-	-	-	-	(7,973)
Disposal	-	-	-	-	-	(43,537)	-	(43,537)
Written off	-	-	-	-	(5,547)	(10)	-	(5,557)
Reclassification	-	-	-	-	6,062	1,183	(7,245)	-
At 30 November 2017	142,159	11,735	230,673	2,302	156,020	59,401	1,011	603,301

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 2017								
Accumulated depreciation and impairment								
At 1 December 2016	-	-	-	1,443	76,756	80,652	-	158,851
Depreciation charge for the financial year (Note 29)	-	14	7,959	197	15,660	8,051	-	31,881
Disposal	-	-	-	-	-	(41,851)	-	(41,851)
Written off	-	-	-	-	(5,474)	(7)	-	(5,481)
Elimination of accumulated depreciation and impairment on revaluation	-	(14)	(7,959)	-	-	-	-	(7,973)
At 30 November 2017	-	-	-	1,640	86,942	46,845	-	135,427
Net Book Value at 30 November 2017	142,159	11,735	230,673	662	69,078	12,556	1,011	467,874

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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 29)	-	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 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)

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 2017								
Cost/Valuation								
At 1 December 2016	141,989	11,515	230,803	1,963	151,116	96,514	1,450	635,350
Additions	-	-	-	339	3,389	3,895	6,806	14,429
Revaluation surplus for the financial year recognised in other comprehensive income	170	234	7,829	-	-	-	-	8,233
Elimination of accumulated depreciation and impairment on revaluation	-	(14)	(7,959)	-	-	-	-	(7,973)
Disposal	-	-	-	-	-	(43,537)	-	(43,537)
Written off	-	-	-	-	(5,547)	(10)	-	(5,557)
Reclassification	-	-	-	-	6,062	1,183	(7,245)	-
Transfer to assets of a disposal group classified as held-for-sale (Note 14(i))	-	-	-	-	(671)	(205)	-	(876)
At 30 November 2017	142,159	11,735	230,673	2,302	154,349	57,840	1,011	600,069

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 2016	-	-	-	1,443	75,756	79,403	-	156,602
Depreciation charge for the financial year (Note 29)	-	14	7,959	197	15,660	7,985	-	31,815
Disposal	-	-	-	-	-	(41,851)	-	(41,851)
Written off	-	-	-	-	(5,474)	(7)	-	(5,481)
Elimination of accumulated depreciation and impairment on revaluation	-	(14)	(7,959)	-	-	-	-	(7,973)
Transfer to assets of a disposal group classified as held-for-sale (Note 14(i))	-	-	-	-	(302)	(173)	-	(475)
At 30 November 2017	-	-	-	1,640	85,640	45,357	-	132,637
Net Book Value at 30 November 2017	142,159	11,735	230,673	662	68,709	12,483	1,011	467,432

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	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 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 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 29)	-	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 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)

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 RM8 million (2016: RM184 million) for the Group and Company were recognised in 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	
	30.11.2017	**30.11.2016**
	RM'000	**RM'000**
Freehold land	11,046	11,046
Leasehold land	6,187	6,194
Buildings owner occupied properties	179,744	186,164

4 INVESTMENT PROPERTIES

Group and Company	Freehold land RM'000	Buildings RM'000	Work-in-progress RM'000	Total RM'000
At 30 November 2017				
At 1 December 2016	202,100	176,200	-	378,300
Fair value changes (Note 26)	(2,000)	(7,000)	-	(9,000)
Addition	-	-	1,012	1,012
At 30 November 2017	200,100	169,200	1,012	370,312
At 30 November 2016				
At 1 December 2015	201,700	176,200	-	377,900
Fair value changes (Note 26)	400	-	-	400
At 30 November 2016	202,100	176,200	-	378,300

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.

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 2017 RM'000	Group and Company 2016 RM'000
Rental income	23,123	25,304
Direct operating expenses arising from investment properties that generate rental income	(6,386)	(7,862)

5 PREPAID LAND LEASE PAYMENTS

	Group and Company	
	30.11.2017	30.11.2016
	RM'000	RM'000
At beginning of the financial year	1,199	1,224
Amortisation for the financial year (Note 29)	(25)	(25)
At end of the financial year	1,174	1,199
Analysed as:		
Medium term leasehold land	582	599
Long term leasehold land	592	600
	1,174	1,199

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	
	30.11.2017	30.11.2016
	RM'000	RM'000
Current	25	25
Non current	1,149	1,174
	1,174	1,199

6 INTANGIBLE ASSETS

Group	Software	Membership	Work- in-progress	Total
	RM'000	RM'000	RM'000	RM'000
At 30 November 2017				
Cost				
At 1 December 2016	164,445	1,439	7,470	173,354
Additions	4,354	-	20,839	25,193
Written off	(796)	-	(1,500)	(2,296)
Reclassification	12,127	-	(12,127)	-
At 30 November 2017	180,130	1,439	14,682	196,251

6 INTANGIBLE ASSETS (CONTINUED)

Group	Software RM'000	Membership RM'000	Work-in-progress RM'000	Total RM'000
At 30 November 2017				
Accumulated amortisation				
At 1 December 2016	91,461	240	-	91,701
Amortisation for the financial year (Note 29)	14,733	22	-	14,755
Written off	(80)	-	-	(80)
At 30 November 2017	106,114	262	-	106,376
Net Book Value at 30 November 2017	74,016	1,177	14,682	89,875
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 29)	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)

Company	Software RM'000	Membership RM'000	Work-in-progress RM'000	Total RM'000
At 30 November 2017				
Cost				
At 1 December 2016	163,691	1,439	7,470	172,600
Additions	4,354	-	20,839	25,193
Written off	(796)	-	(1,500)	(2,296)
Reclassification	12,127	-	(12,127)	-
Transfer to assets of a disposal group classified as held-for-sale (Note 14(i))	(7,794)	-	(454)	(8,248)
At 30 November 2017	171,582	1,439	14,228	187,249
Accumulated amortisation				
At 1 December 2016	90,933	240	-	91,173
Amortisation for the financial year (Note 29)	14,507	22	-	14,529
Written off	(80)	-	-	(80)
Transfer to assets of a disposal group classified as held-for-sale (Note 14(i))	(4,005)	-	-	(4,005)
At 30 November 2017	101,355	262	-	101,617
Net Book Value at 30 November 2017	70,227	1,177	14,228	85,632

6 INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000	Membership RM'000	Work-in-progress RM'000	Total 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 29)	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

7 INVESTMENT IN SUBSIDIARIES

	Company 30.11.2017 RM'000	Company 30.11.2016 RM'000
Unquoted shares, at cost	163,000	163,000

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name	Country of incorporation	Effective interest 2017 %	2016 %	Principal activities
AIA General Berhad (formerly known as Green Health Certification Berhad)	Malaysia	100	100	Investment holding
AIA Pension and Asset Management Sdn. Bhd. ("APAM")	Malaysia	100	100	Managing private retirement scheme and asset management business

* Changed name to AIA General Berhad with effect from 22 February 2017.

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.

The following tables summarise the Group's interest in unconsolidated structured entities as at 30 November 2017:

	Group Investment funds RM'000	 Structured securities[1] RM'000
At 30 November 2017		
Available for sale debt securities	-	98,538
Debt securities at fair value through profit or loss	-	677,893
Equity securities at fair value through profit or loss	1,926,062[2]	-
	1,926,062	776,431

	Company Investment funds RM'000	 Structured securities[1] RM'000
At 30 November 2017		
Available for sale debt securities	-	95,517
Debt securities at fair value through profit or loss	-	677,893
Equity securities at fair value through profit or loss	1,926,062[2]	-
Assets of a disposal group classified as held-for-sale	-	3,021
	1,926,062	776,431

Notes:

(1) Structured securities include mortgage-backed securities.

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

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	
	Investment funds RM'000	**Structured securities[1] RM'000**
At 30 November 2016		
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

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 losses in these funds.

8 INVESTMENT IN ASSOCIATES

	Group		Company	
	30.11.2017 RM'000	**30.11.2016 RM'000**	**30.11.2017 RM'000**	**30.11.2016 RM'000**
Unquoted shares, at cost	50,088	33,421	88	88
Share of post-acquisition reserve	13,349	16,876	-	-
	63,437	50,297	88	88

8 INVESTMENT IN ASSOCIATES (CONTINUED)

Details of the associate companies are as follows:

Name	Country of incorporation	Effective interest 2017	Effective interest 2016	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 2017 have been used and appropriate adjustments have been made for the effects of significant transactions between 30 November 2017 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 Berhad.

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

	30.11.2017 RM'000	30.11.2016 RM'000
Assets and liabilities		
Current assets/total assets	276,198	219,558
Current liabilities/total liabilities	212,761	169,261
Net assets	63,437	50,297
Results		
Revenue	152,954	116,614
Loss for the financial year	(3,752)	(1,179)
Other comprehensive income/(loss)	225	(1)

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	30.11.2017	**30.11.2016**	**30.11.2017**	**30.11.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations				
At fair value				
Malaysian government securities	2,249,024	1,817,364	2,182,471	1,812,210
Cagamas papers	314,430	467,825	283,438	467,825
Unquoted corporate debt securities	5,478,956	5,460,004	5,343,734	5,404,108
Unquoted equity securities	4,625	4,625	4,625	4,625
Deposits with licensed bank	102,840	103,230	102,840	103,230
Accrued interest	87,988	86,796	85,221	86,118
	8,237,863	7,939,844	8,002,329	7,878,116
Carrying values of financial instruments				
At 1 December	7,939,844	7,978,051	7,878,116	7,916,446
Purchases	1,752,831	823,347	1,727,397	823,948
Maturities	(234,510)	(298,355)	(234,510)	(298,355)
Disposals at amortised cost	(1,278,402)	(485,855)	(1,237,469)	(485,855)
Fair value gains/(losses) recorded in:				
Other comprehensive income	61,393	(69,525)	61,681	(70,282)
Movement in accrued interest	1,192	(2,848)	1,570	(2,856)
Net amortisation of premiums (Note 24)	(4,485)	(4,971)	(4,464)	(4,930)
Transfer to assets of a disposal group classified as held-for-sale (Note 14(i))	-	-	(189,992)	-
At 30 November	8,237,863	7,939,844	8,002,329	7,878,116
Current	159,988	346,840	154,202	346,161
Non current	8,077,875	7,593,004	7,848,127	7,531,955
	8,237,863	7,939,844	8,002,329	7,878,116

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments

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

Group

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 30 November 2017				
Malaysian government securities	2,249,024	-	2,249,024	-
Cagamas papers	314,430	-	314,430	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,478,956	-	5,478,956	-
Deposits with licensed bank	102,840	-	102,840	-
Accrued interest	87,988	-	87,988	-
Total assets on a recurring fair value measurement basis	8,237,863	-	8,233,238	4,625
At 30 November 2016				
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	-
Total assets on a recurring fair value measurement basis	7,939,844	-	7,935,219	4,625

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments (continued)

Company

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 30 November 2017				
Continuing operations				
Malaysian government securities	2,182,471	-	2,182,471	-
Cagamas papers	283,438	-	283,438	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	5,343,734	-	5,343,734	-
Deposits with licensed bank	102,840	-	102,840	-
Accrued interest	85,221	-	85,221	-
Total assets on a recurring fair value measurement basis	8,002,329	-	7,997,704	4,625
Discontinued operations				
Malaysian government securities	41,249	-	41,249	-
Cagamas papers	30,992	-	30,992	-
Unquoted corporate debt securities	115,284	-	115,284	-
Accrued interest	2,467	-	2,467	-
Total assets on a recurring fair value measurement basis	189,992	-	189,992	-

9 AVAILABLE-FOR-SALE 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 2016				
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	-
Total assets on a recurring fair value measurement basis	7,878,116	-	7,873,491	4,625

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

	Group and Company Unquoted equity securities RM'000
Assets and liabilities	
At 1 December 2016/30 November 2017	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 15 to the financial statements.

10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	Group		Company	
	30.11.2017	**30.11.2016**	**30.11.2017**	**30.11.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations				
At fair value				
Malaysian government securities	4,132,076	4,356,632	4,132,076	4,356,632
Cagamas papers	1,608,235	1,949,936	1,608,235	1,949,936
Equity securities of corporations				
- Quoted	9,134,286	7,548,606	9,134,286	7,548,606
- Unquoted	236,481	223,698	231,132	223,698
Quoted real estate investment trust funds	481,246	432,658	481,246	432,658
Unquoted corporate debt securities	18,048,164	17,312,516	18,048,164	17,312,516
Mutual funds				
- Quoted	1,043,684	927,736	1,043,684	927,736
- Unquoted	401,131	281,721	401,131	281,721
Deposits with licensed bank	50,390	51,110	50,390	51,110
Malaysian government guaranteed loans	8,000	8,000	8,000	8,000
Accrued interest	282,345	275,735	282,345	275,735
	35,426,038	33,368,348	35,420,689	33,368,348
Carrying values of financial instruments				
At 1 December	33,368,348	32,316,487	33,368,348	32,316,487
Purchases	6,831,496	6,942,076	6,831,496	6,942,076
Maturities	(851,440)	(847,845)	(851,440)	(847,845)
Disposals at fair value	(4,912,094)	(4,863,128)	(4,912,094)	(4,863,128)
Fair value gains/(losses) recorded in income statements (Note 26)	997,629	(170,486)	997,629	(170,486)
Movement in accrued interest	6,610	7,589	6,610	7,589
Net amortisation of premiums (Note 24)	(14,511)	(16,345)	(14,511)	(16,345)
Transfer to assets of a disposal group classified as held-for-sale (Note 14(i))	-	-	(5,349)	-
At 30 November	35,426,038	33,368,348	35,420,689	33,368,348
Current	11,939,429	10,575,221	11,934,080	10,575,221
Non current	23,486,609	22,793,127	23,486,609	22,793,127
	35,426,038	33,368,348	35,420,689	33,368,348

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

Fair value of financial instruments

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

Group

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 30 November 2017				
Malaysian government securities	4,132,076	-	4,132,076	-
Cagamas papers	1,608,235	-	1,608,235	-
Equity securities of corporations				
- Quoted	9,134,286	9,132,327	1,959	-
- Unquoted	236,481	-	236,448	33
Quoted real estate investment trust funds	481,246	481,246	-	-
Unquoted corporate debt securities	18,048,164	-	18,048,164	-
Mutual funds				
- Quoted	1,043,684	1,043,684	-	-
- Unquoted	401,131	139,976	-	261,155
Deposits with licensed bank	50,390	-	50,390	-
Malaysian government guaranteed loans	8,000	-	-	8,000
Accrued interest	282,345	-	282,345	-
Total assets on a recurring fair value measurement basis	35,426,038	10,797,233	24,359,617	269,188
At 30 November 2016				
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 guaranteed 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

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 30 November 2017				
Continuing operations				
Malaysian government securities	4,132,076	-	4,132,076	-
Cagamas papers	1,608,235	-	1,608,235	-
Equity securities of corporations				
- Quoted	9,134,286	9,132,327	1,959	-
- Unquoted	231,132	-	231,099	33
Quoted real estate investment trust funds	481,246	481,246	-	-
Unquoted corporate debt securities	18,048,164	-	18,048,164	-
Mutual funds				
- Quoted	1,043,684	1,043,684	-	-
- Unquoted	401,131	139,976	-	261,155
Deposits with licensed bank	50,390	-	50,390	-
Malaysian government guaranteed loans	8,000	-	-	8,000
Accrued interest	282,345	-	282,345	-
Total assets on a recurring fair value measurement basis	35,420,689	10,797,233	24,354,268	269,188
Discontinued operations				
Unquoted equity securities of corporations	5,349	-	5,349	-

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 2016				
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 guaranteed 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)

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

	Group and Company		
	Malaysian government guaranteed loans RM'000	**Equity securities RM'000**	**Mutual funds RM'000**
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
Acquisition during the financial year	-	-	142,566
Disposal during the financial year	-	-	(17,616)
Fair value losses recorded in income statements	-	-	(19,260)
At 30 November 2017	8,000	33	261,155

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 15 to the financial statements.

11 LOANS AND RECEIVABLES

	Group		Company	
At amortised cost	**30.11.2017 RM'000**	**30.11.2016 RM'000**	**30.11.2017 RM'000**	**30.11.2016 RM'000**
Continuing operations				
Malaysian government guaranteed loans	517,000	517,000	517,000	517,000
Policy loans	1,543,840	1,543,945	1,543,840	1,543,945
Mortgage loans	2,368,494	2,343,986	2,368,494	2,343,986
Other secured loans	-	8	-	8
Staff loans	37,811	37,031	37,811	37,031
Unsecured loans	11,534	14,154	11,534	14,154
Accrued interest	58,922	59,579	58,775	59,579
	4,537,601	4,515,703	4,537,454	4,515,703
Allowance for impairment losses	(35,923)	(39,738)	(35,923)	(39,738)
	4,501,678	4,475,965	4,501,531	4,475,965
Fixed and call deposits with licensed financial institutions	119,603	113,779	80,000	90,000
Other receivables:				
Accrued dividend	9,010	13,644	9,010	13,644
Other receivables	242,502	262,200	182,126	262,053
Deposits and prepayments	14,832	13,859	14,832	13,859
	266,344	289,703	205,968	289,556
Allowance for impairment losses	(16,919)	(16,521)	(16,919)	(16,521)
	249,425	273,182	189,049	273,035
Total	4,870,706	4,862,926	4,770,580	4,839,000
Current	266,028	332,761	205,505	332,614
Non current	4,604,678	4,530,165	4,565,075	4,506,386
	4,870,706	4,862,926	4,770,580	4,839,000

11 LOANS AND RECEIVABLES (CONTINUED)

	Group		Company	
At fair value	**30.11.2017 RM'000**	**30.11.2016 RM'000**	**30.11.2017 RM'000**	**30.11.2016 RM'000**
Continuing operations				
Malaysian government guaranteed loans	535,685	532,211	535,685	532,211
Policy loans	1,543,840	1,543,945	1,543,840	1,543,945
Mortgage loans	2,384,442	2,302,945	2,384,442	2,302,945
Other secured loans	-	8	-	8
Staff loans	32,900	32,238	32,900	32,238
Unsecured loans	11,350	13,970	11,350	13,970
Accrued interest	58,922	59,579	58,775	59,579
	4,567,139	4,484,896	4,566,992	4,484,896
Fixed and call deposits with licensed financial institutions	120,573	115,749	80,860	91,970
	4,687,712	4,600,645	4,647,852	4,576,866
Discontinued operations				
Accrued interest	-	-	147	-
Fixed and call deposits with licensed financial institutions	-	-	10,110	-
	-	-	10,257	-

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

	30.11.2017 RM'000	**30.11.2016 RM'000**
Reinsurance of insurance contracts	232,991	126,896
Receivable within 12 months	224,720	126,896
Receivable after 12 months	8,271	-
	232,991	126,896

12 REINSURANCE ASSETS (CONTINUED)

Company

	30.11.2017 RM'000	30.11.2016 RM'000
Continuing operations		
Reinsurance of insurance contracts	215,669	126,896
Receivable within 12 months	215,669	126,896

13 INSURANCE RECEIVABLES

Group

	30.11.2017 RM'000	30.11.2016 RM'000
Outstanding premiums including agents' balances	333,424	410,352
Amount due from reinsurers	22,764	15,732
	356,188	426,084
Allowance for impairment losses	(29,882)	(34,487)
	326,306	391,597
Receivable within 12 months	326,306	391,597

Company

	30.11.2017 RM'000	30.11.2016 RM'000
Continuing operations		
Outstanding premiums including agents' balances	293,978	410,352
Amount due from reinsurers	20,042	15,732
	314,020	426,084
Allowance for impairment losses	(27,553)	(34,487)
	286,467	391,597
Receivable within 12 months	286,467	391,597

13 INSURANCE RECEIVABLES (CONTINUED)

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
2017						
Amount due from reinsurers	23,434	(670)	22,764	-	-	22,764
Amount due to reinsurers	(327,001)	670	(326,331)	-	-	(326,331)
Other receivables	249,425	-	249,425	-	(40,731)	208,694
	(54,142)	-	(54,142)	-	(40,731)	(94,873)
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)

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
2017						
Continuing operations						
Amount due from reinsurers	20,712	(670)	20,042	-	-	20,042
Amount due to reinsurers	(322,641)	670	(321,971)	-	-	(321,971)
Other receivables	189,049	-	189,049	-	(40,731)	148,318
	(112,880)	-	(112,880)	-	(40,731)	(153,611)
Discontinued operations						
Amount due from reinsurers	2,722	-	2,722	-	-	2,722
Amount due to reinsurers	(4,359)	-	(4,359)	-	-	(4,359)
Other receivables	58,280	-	58,280	-	-	58,280
	56,643	-	56,643	-	-	56,643
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

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 ASSETS CLASSIFIED AS HELD-FOR-SALE

Discontinued operations

The Directors have approved the separation of the general insurance and life insurance business of the Company pursuant to the requirements of the FSA.

Following the approval by the Directors to transfer the Company's general insurance business to AIA General Berhad (formerly known as Green Health Certification Berhad), a subsidiary of the Company, the assets and liabilities of the general insurance business of the Company have been presented as a disposal group classified as held-for-sale at the Company level. The proposed business separation is expected to be completed before 1 July 2018, subject to the approval by BNM.

Accordingly, the Company's statement of financial position, income statement, statements of comprehensive income and cash flows of the general insurance business have been classified as discontinued operations. There is no impact to the Group level as AIA General Berhad (formerly known as Green Health Certification Berhad) is a wholly-owned subsidiary of the Company.

(A) The components of assets and liabilities held-for-sale attributable to the discontinued operations are as follows:

(i) Assets of a disposal group classified as held-for-sale

	30.11.2017 RM'000
Property, plant and equipment (Note 3)	401
Intangible assets (Note 6)	4,243
Available-for-sale financial assets (a)	189,992
Fair value through profit or loss financial assets (b)	5,349
Insurance receivables (c)	39,839
Loans and receivables (d)	68,427
Reinsurance assets	17,322
Cash and cash equivalents	26,686
	352,259

(a) Available-for-sale financial assets:	
Malaysian government securities	41,249
Cagamas papers	30,992
Unquoted corporate debt securities	115,284
Accrued interest	2,467
	189,992

(b) Fair value through profit or loss financial assets:	
Unquoted equity securities of corporations	5,349

14 ASSETS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

Discontinued operations (continued)

(A) The components of assets and liabilities held-for-sale attributable to the discontinued operations are as follows: (continued)

(i) Assets of a disposal group classified as held-for-sale (continued)

	30.11.2017 **RM'000**
(c) Insurance receivables	
Outstanding premiums including agents' balances	39,446
Amount due from reinsurers	2,722
	42,168
Allowance for impairment losses	(2,329)
	39,839
Receivable within 12 months	39,839
(d) Loans and receivables:	
Fixed and call deposits with licensed financial institutions	10,000
Accrued interest	147
	10,147
Other receivables	58,280
	68,427

The carrying amounts of loans and 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.

(ii) Reserves of a disposal group classified as held-for-sale

	30.11.2017 **RM'000**
Available-for-sale reserve	152

(iii) Liabilities of a disposal group classified as held-for-sale

Insurance contract liabilities (Note 18)	294,105
Deferred tax liabilities (Note 19)	299
Insurance payables (e)	12,769
Current tax liabilities	802
Other payables (f)	13,724
	321,699

14 ASSETS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

Discontinued operations (continued)

(A) The components of assets and liabilities held-for-sale attributable to the discontinued operations are as follows: (continued)

(iii) Liabilities of a disposal group classified as held-for-sale (continued)

	30.11.2017
	RM'000
(e) Insurance payables:	
Due to reinsurers	4,359
Due to agents and insured	8,410
	12,769
(f) Other payables:	
Post employment benefit obligation	
- Defined benefit plan	4,213
Other payables	9,511
	13,724

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

(B) The components of the statement of cash flows held-for-sale attributable to the discontinued operations are as follows:

	30.11.2017	**30.11.2016**
	RM'000	**RM'000**
Operating cash flows	32,579	(73,425)
Investing cash flows	(601)	(785)
Financing cash flows	(19,196)	43,247
Net increase/(decrease) in cash and cash equivalents	12,782	(30,963)
Cash and cash equivalents at 1 December	13,904	44,867
Cash and cash equivalents at 30 November	26,686	13,904

15 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.

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 2017.

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.

15 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 2017, 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 2017.

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

Significant unobservable inputs for level 3 fair value measurements

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 flows	Expected market rental growth Discount rate Yield

15 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

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 the Group 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.

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

A summary of the fair value hierarchy of assets and liabilities not carried at fair value but for which fair value is disclosed as at 30 November 2017 is set out below.

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 November 2017				
Financial assets				
Loans and receivables	-	120,720	4,566,992	4,687,712
Financial liabilities				
Insurance payables	-	-	6,126,981	6,126,981
Other payables	-	-	802,045	802,045
	-	-	6,929,026	6,929,026
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

15 FAIR VALUE MEASUREMENTS (CONTINUED)

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

A summary of the fair value hierarchy of assets and liabilities not carried at fair value but for which fair value is disclosed as at 30 November 2017 is set out below. (continued)

Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 November 2017				
Continuing operations				
Financial assets				
Loans and receivables	-	80,860	4,566,992	4,647,852
Financial liabilities				
Insurance payables	-	-	6,114,212	6,114,212
Other payables	-	-	780,365	780,365
	-	-	6,894,577	6,894,577
Discontinued operations				
Financial assets				
Loans and receivables	-	10,257	-	10,257
Financial liabilities				
Insurance payables	-	-	12,769	12,769
Other payables	-	-	13,724	13,724
	-	-	26,493	26,493
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

16 SHARE CAPITAL

	Number of shares		Amount	
	30.11.2017	**30.11.2016**	**30.11.2017**	**30.11.2016**
	'000	**'000**	**RM'000**	**RM'000**
Company				
Ordinary shares at RM1 each:				
At 1 December/At 30 November	-	800,000	-	800,000
Issued and paid up share capital				
At 1 December/ At 30 November	767,438	767,438	767,438	767,438
Transfer from share premium pursuant to the Companies Act 2016 (Note 2.4)	683,452	-	683,452	-
	1,450,890	767,438	1,450,890	767,438

The New Act, which became effective on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM683,452,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act.

17 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 2016. 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.

18 INSURANCE CONTRACT LIABILITIES

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2017			
Life insurance (Note A)	38,381,079	(215,669)	38,165,410
General insurance (Note B)	294,105	(17,322)	276,783
	38,675,184	(232,991)	38,442,193
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

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2017			
Continuing operations			
Life insurance (Note A)	38,355,445	(215,669)	38,139,776
General insurance (Note B)	-	-	-
	38,355,445	(215,669)	38,139,776
Discontinued operations			
Life insurance (Note A)	-	-	-
General insurance (Note B)	294,105	(17,322)	276,783
	294,105	(17,322)	276,783
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

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Group		Company	
	30.11.2017 RM'000	30.11.2016 RM'000	30.11.2017 RM'000	30.11.2016 RM'000
Continuing operations				
Current	1,216,823	1,270,202	1,072,594	1,270,202
Non-current	37,458,361	35,449,660	37,282,851	35,424,641
	38,675,184	36,719,862	38,355,445	36,694,843

(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 2017			
Claims liabilities	334,717	(55,234)	279,483
Actuarial liabilities (Note 36 (i))	30,301,166	(160,435)	30,140,731
Unallocated surplus	1,572,004	-	1,572,004
Asset revaluation reserve	155,193	-	155,193
Net asset value attributable to unitholders	6,017,999	-	6,017,999
	38,381,079	(215,669)	38,165,410
At 30 November 2016			
Claims liabilities	294,683	(50,811)	243,872
Actuarial liabilities (Note 36 (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

18 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 2017			
Claims liabilities	334,717	(55,234)	279,483
Actuarial liabilities (Note 36 (i))	30,301,166	(160,435)	30,140,731
Unallocated surplus	1,546,370	-	1,546,370
Asset revaluation reserve	155,193	-	155,193
Net asset value attributable to unitholders	6,017,999	-	6,017,999
	38,355,445	(215,669)	38,139,776
At 30 November 2016			
Claims liabilities	294,683	(50,811)	243,872
Actuarial liabilities (Note 36 (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

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

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

(ii) Movements of life insurance contract liabilities

Group	With DPF	Without DPF	Gross Total
	RM'000	RM'000	RM'000
At 30 November 2017			
At 1 December 2016	27,148,347	9,255,019	36,403,366
Policy movement	329,117	248,518	577,635
Movement in claims liabilities	7,991	32,043	40,034
Model refinement	-	-	-
Adjustments due to changes in assumptions:			
Expense	(156,161)	-	(156,161)
Lapse and surrender rates	(25,916)	(42,992)	(68,908)
Discount rate	(74,080)	178,490	104,410
Mortality/morbidity	-	-	-
Change in bonus	438,587	-	438,587
Others	(5)	(147,141)	(147,146)
Change in net asset value attributable to unitholders	-	1,040,897	1,040,897
Change in asset revaluation reserve	6,745	-	6,745
Unallocated surplus	141,620	-	141,620
At 30 November 2017	27,816,245	10,564,834	38,381,079

	With DPF	Without DPF	Reinsurance Total
	RM'000	RM'000	RM'000
At 1 December 2016	(21,096)	(86,984)	(108,080)
Policy movement	2,696	(105,862)	(103,166)
Movement in claims liabilities	10,814	(15,237)	(4,423)
At 30 November 2017	(7,586)	(208,083)	(215,669)

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

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

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

Group			Gross
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
At 30 November 2016			
At 1 December 2015	26,661,111	8,678,545	35,339,656
Policy movement	803,925	149,734	953,659
Movement in claims 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
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
At 1 December 2015	(19,870)	(50,296)	(70,166)
Policy movement	3,768	(9,692)	(5,924)
Movement in claims liabilities	(4,994)	(26,996)	(31,990)
At 30 November 2016	(21,096)	(86,984)	(108,080)

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

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

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

Company			**Gross**
	With DPF	**Without DPF**	**Total**
	RM'000	**RM'000**	**RM'000**
At 30 November 2017			
At 1 December 2016	27,123,328	9,255,019	36,378,347
Policy movement	329,117	248,518	577,635
Movement in claims liabilities	7,991	32,043	40,034
Model refinement	-	-	-
Adjustments due to changes in assumptions:			
Expense	(156,161)	-	(156,161)
Lapse and surrender rates	(25,916)	(42,992)	(68,908)
Discount rate	(74,080)	178,490	104,410
Mortality/morbidity	-	-	-
Change in bonus	438,587	-	438,587
Others	(5)	(147,141)	(147,146)
Change in net asset value attributable to unitholders	-	1,040,897	1,040,897
Change in asset revaluation reserve	6,745	-	6,745
Unallocated surplus	141,005	-	141,005
At 30 November 2017	27,790,611	10,564,834	38,355,445

			Reinsurance
	With DPF	**Without DPF**	**Total**
	RM'000	**RM'000**	**RM'000**
At 1 December 2016	(21,096)	(86,984)	(108,080)
Policy movement	2,696	(105,862)	(103,166)
Movement in claims liabilities	10,814	(15,237)	(4,423)
At 30 November 2017	(7,586)	(208,083)	(215,669)

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance (continued)

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

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

Company	With DPF RM'000	Without DPF RM'000	Gross Total RM'000
At 30 November 2016			
At 1 December 2015	26,636,434	8,678,545	35,314,979
Policy movement	803,925	149,734	953,659
Movement in claims 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	(738,488)	-	(738,488)
At 30 November 2016	27,123,328	9,255,019	36,378,347

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

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2017			
Provision for claims reported by policyholders	102,566	(8,151)	94,415
Provision for incurred but not reported ("IBNR") claims	81,370	(3,994)	77,376
Claims liabilities	183,936	(12,145)	171,791
Premium liabilities	110,169	(5,177)	104,992
	294,105	(17,322)	276,783
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
Claims liabilities	202,703	(12,850)	189,853
Premium liabilities	113,793	(5,966)	107,827
	316,496	(18,816)	297,680

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2017			
Discontinued operations			
Provision for claims reported by policyholders	102,566	(8,151)	94,415
Provision for incurred but not reported ("IBNR") claims	81,370	(3,994)	77,376
Claims liabilities	183,936	(12,145)	171,791
Premium liabilities	110,169	(5,177)	104,992
	294,105	(17,322)	276,783

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2016			
Continuing operations			
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
Claims liabilities	202,703	(12,850)	189,853
Premium liabilities	113,793	(5,966)	107,827
	316,496	(18,816)	297,680

(i) Claims liabilities

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2017			
At 1 December 2016	202,703	(12,850)	189,853
Claims incurred in the current accident year	107,926	(5,822)	102,104
Movement in claims incurred in prior accident years	(1,002)	203	(799)
Claims paid during the financial year	(118,250)	6,577	(111,673)
Others	(9,027)	-	(9,027)
Change in expense liabilities and risk margin	1,586	(253)	1,333
At 30 November 2017	183,936	(12,145)	171,791

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(i) Claims liabilities (continued)

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2016			
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

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2017			
Discontinued operations			
At 1 December 2016	202,703	(12,850)	189,853
Claims incurred in the current accident year	107,926	(5,822)	102,104
Movement in claims incurred in prior accident years	(1,002)	203	(799)
Claims paid during the financial year	(118,250)	6,577	(111,673)
Others	(9,027)	-	(9,027)
Change in expense liabilities and risk margin	1,586	(253)	1,333
At 30 November 2017	183,936	(12,145)	171,791

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(i) Claims liabilities

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
Continuing operations			
At 30 November 2016			
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

(ii) Premium liabilities

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2017			
At 1 December 2016	113,793	(5,966)	107,827
Premium written during the financial year (Note 23)	275,705	(21,728)	253,977
Premium earned during the financial year	(279,329)	22,517	(256,812)
At 30 November 2017	110,169	(5,177)	104,992

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(ii) Premium liabilities (continued)

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2016			
At 1 December 2015	131,895	(6,698)	125,197
Premium written during the financial year (Note 23)	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

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 November 2017			
Discontinued operations			
At 1 December 2016	113,793	(5,966)	107,827
Premium written during the financial year (Note 23)	275,705	(21,728)	253,977
Premium earned during the financial year	(279,329)	22,517	(256,812)
At 30 November 2017	110,169	(5,177)	104,992
At 30 November 2016			
Continuing operations			
At 1 December 2015	131,895	(6,698)	125,197
Premium written during the financial year (Note 23)	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

19 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.

	Group		Company	
	30.11.2017	**30.11.2016**	**30.11.2017**	**30.11.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	516,931	470,131	516,632	470,131
Continuing operations				
Current	13,215	(11,629)	13,792	(11,629)
Non current	503,716	481,760	502,840	481,760
	516,931	470,131	516,632	470,131

	Group		Company	
	30.11.2017	**30.11.2016**	**30.11.2017**	**30.11.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 December	470,131	445,154	470,131	445,154
Recognised in:				
Income statements (Note 30)	31,713	35,034	31,541	35,206
Other comprehensive income	15,087	(10,057)	15,259	(10,229)
Transfer to liabilities of a disposal group classified as held-for-sale (Note 14(iii))	-	-	(299)	-
At 30 November	516,931	470,131	516,632	470,131
Recognised in:				
Income statements (Note 30)				
Continuing operations	31,713	35,034	31,839	32,897
Discontinued operations	-	-	(298)	2,309
	31,713	35,034	31,541	35,206
Other comprehensive income				
Continuing operations	15,087	(10,057)	14,783	(9,525)
Discontinued operations	-	-	476	(704)
	15,087	(10,057)	15,259	(10,229)

19 DEFERRED TAX LIABILITIES (CONTINUED)

Group	Fair value of properties RM'000	Unallocated surplus RM'000	Revaluation of investments RM'000	Accelerated depreciation RM'000	Total RM'000
At 30 November 2017					
Deferred tax liabilities at 1 December 2016	8,954	503,082	-	9,805	521,841
Recognised in:					
Income statements	(720)	(39,398)	47,284	(693)	6,473
Other comprehensive income	227	362	(3,658)	-	(3,069)
Deferred tax liabilities at 30 November 2017 (before offsetting)	8,461	464,046	43,626	9,112	525,245
Offsetting					(8,314)
Deferred tax liabilities at 30 November 2017 (after offsetting)					516,931

	Impairment allowance RM'000	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 December 2016	(615)	(46,654)	(4,441)	(51,710)
Recognised in:				
Income statements	56	28,498	(3,314)	25,240
Other comprehensive income	-	18,156	-	18,156
Deferred tax assets at 30 November 2017 (before offsetting)	(559)	-	(7,755)	(8,314)
Offsetting				8,314
Deferred tax assets at 30 November 2017 (after offsetting)				-

19 DEFERRED TAX LIABILITIES (CONTINUED)

Group	Fair value of properties RM'000	Unallocated surplus RM'000	Revaluation of investments RM'000	Accelerated depreciation RM'000	Total RM'000
At 30 November 2016					
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)				-

19 DEFERRED TAX LIABILITIES (CONTINUED)

Company	Fair value of properties RM'000	Unallocated surplus RM'000	Revaluation of investments RM'000	Accelerated depreciation RM'000	Total RM'000
At 30 November 2017					
Deferred tax liabilities at 1 December 2016	8,954	503,254	-	9,805	522,013
Recognised in:					
Income statements	(720)	(39,570)	47,284	(693)	6,301
Other comprehensive income	227	362	(3,658)	-	(3,069)
Transfer to liabilities of a disposal group classified as held-for-sale (Note 14 (iii))	-	-	(35)	(934)	(969)
Deferred tax liabilities at 30 November 2017 (before offsetting)	8,461	464,046	43,591	8,178	524,276
Offsetting					(7,644)
Deferred tax liabilities at 30 November 2017 (after offsetting)					516,632

	Impairment allowance RM'000	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 December 2016	(615)	(46,826)	(4,441)	(51,882)
Recognised in:				
Income statements	56	28,498	(3,314)	25,240
Other comprehensive income	-	18,328	-	18,328
Transfer to liabilities of a disposal group classifiesd as held-for-sale (Note 14 (iii))	559	-	111	670
Deferred tax assets at 30 November 2017 (before offsetting)	-	-	(7,644)	(7,644)
Offsetting				7,644
Deferred tax assets at 30 November 2017 (after offsetting)				-

19 DEFERRED TAX LIABILITIES (CONTINUED)

Company	Fair value of properties RM'000	Unallocated surplus RM'000	Revaluation of investments RM'000	Accelerated depreciation RM'000	Total RM'000
At 30 November 2016					
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)				-

20 INSURANCE PAYABLES

Group

	30.11.2017 RM'000	30.11.2016 RM'000
Dividend payable to policyholders	5,108,830	4,768,481
Due to reinsurers	326,331	187,811
Due to agents and insureds	447,368	448,715
Premium deposits	244,452	273,968
	6,126,981	5,678,975

Company

Continuing operations

	30.11.2017 RM'000	30.11.2016 RM'000
Dividend payable to policyholders	5,108,830	4,768,481
Due to reinsurers	321,971	187,811
Due to agents and insureds	438,959	448,715
Premium deposits	244,452	273,968
	6,114,212	5,678,975

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 the 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.

21 OTHER PAYABLES

	Group		Company	
	30.11.2017 RM'000	30.11.2016 RM'000	30.11.2017 RM'000	30.11.2016 RM'000
Continuing operations				
Amount due to ultimate holding company	3,225	3,890	3,225	3,890
Amount due to penultimate holding company	4,765	7,942	4,765	7,942
Finance lease liabilities	-	370	-	370
Post employment benefit obligation - defined benefit plan	28,088	28,920	23,875	28,920
Accruals	224,123	169,369	224,123	169,369
Other payables	541,844	521,175	524,377	515,339
	802,045	731,666	780,365	725,830

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.

22 OPERATING REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations				
Gross earned premiums (Note 23)	8,762,903	8,248,731	8,483,574	7,936,061
Investment income (Note 24)	2,137,996	2,074,062	2,121,126	2,055,749
	10,900,899	10,322,793	10,604,700	9,991,810
Discontinued operations (Note 42)				
Gross earned premiums (Note 23)	-	-	279,329	312,670
Investment income (Note 24)	-	-	13,910	14,631
	-	-	293,239	327,301

23 NET EARNED PREMIUMS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations				
(a) Gross earned premiums				
Insurance contracts:				
Life	8,483,574	7,936,061	8,483,574	7,936,061
General (Note 18(B)(ii))	275,705	294,568	-	-
Gross premium	8,759,279	8,230,629	8,483,574	7,936,061
Change in premium liabilities	3,624	18,102	-	-
	8,762,903	8,248,731	8,483,574	7,936,061
(b) Premiums ceded to reinsurers				
Insurance contracts:				
Life	(885,445)	(368,812)	(885,445)	(368,812)
General (Note 18(B)(ii))	(21,728)	(21,347)	-	-
Gross premium (ceded)	(907,173)	(390,159)	(885,445)	(368,812)
Change in premium liabilities	(789)	(732)	-	-
	(907,962)	(390,891)	(885,445)	(368,812)
Net earned premiums	7,854,941	7,857,840	7,598,129	7,567,249
Discontinued operations (Note 42)				
(a) Gross earned premiums				
Insurance contracts:				
General (Note 18(B)(ii))	-	-	275,705	294,568
Gross premium	-	-	275,705	294,568
Change in premium liabilities	-	-	3,624	18,102
	-	-	279,329	312,670
(b) Premiums ceded to reinsurers				
Insurance contracts:				
General (Note 18(B)(ii))	-	-	(21,728)	(21,347)
Gross premium (ceded)	-	-	(21,728)	(21,347)
Change in premium liabilities	-	-	(789)	(732)
	-	-	(22,517)	(22,079)
Net earned premiums	-	-	256,812	290,591

24 INVESTMENT INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations				
Rental income	26,888	29,174	26,888	29,174
Financial assets at FVTPL – designated upon initial recognition:				
Interest income	1,140,790	1,129,907	1,140,790	1,129,907
Dividend income:				
- equity securities quoted in Malaysia	287,347	251,020	287,347	251,020
- equity securities quoted outside Malaysia	11,146	19,349	11,146	19,349
- equity securities unquoted in Malaysia	11,270	8,324	10,982	8,180
- equity securities unquoted outside Malaysia	23,533	22,173	23,533	22,173
- unit and property trusts	26,243	22,407	26,243	22,407
Amortisation of premiums - net	(14,511)	(16,345)	(14,511)	(16,345)
AFS financial assets:				
Interest income	372,678	363,421	360,695	351,247
Amortisation of premiums - net	(4,485)	(4,971)	(4,110)	(4,509)
Loan and receivables:				
Interest income	254,468	252,713	253,943	252,187
Cash and cash equivalents:				
Interest income	23,443	23,504	21,936	22,192
Others	2,960	4,632	-	-
	2,161,770	2,105,308	2,144,882	2,086,982
Less:				
Investment expenses	(23,774)	(31,246)	(23,756)	(31,233)
	2,137,996	2,074,062	2,121,126	2,055,749

24 INVESTMENT INCOME (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Discontinued operations (Note 42)				
Financial assets at FVTPL – designated upon initial recognition:				
Dividend income:				
- equity securities unquoted in Malaysia	-	-	288	144
AFS financial assets:				
Interest income	-	-	10,365	9,577
Amortisation of premiums - net	-	-	(354)	(421)
Loan and receivables:				
Interest income	-	-	525	526
Cash and cash equivalents:				
Interest income	-	-	141	183
Others	-	-	2,960	4,632
	-	-	13,925	14,641
Less:				
Investment expenses	-	-	(15)	(10)
	-	-	13,910	14,631

25 NET REALISED GAINS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations				
Property, plant and equipment				
Realised gains	-	93	-	93
AFS financial assets				
Realised gains:				
Debt securities				
- unquoted in Malaysia	5,506	832	5,106	761
Realised losses:				
Debt securities				
- unquoted in Malaysia	(846)	(589)	(465)	(589)
	4,660	243	4,641	172
Total net realised gains	4,660	336	4,641	265
Discontinued operations (Note 42)				
AFS financial assets				
Realised gains:				
Debt securities				
- unquoted in Malaysia	-	-	-	71
Realised losses:				
Debt securities				
- unquoted in Malaysia	-	-	(381)	-
	-	-	(381)	71
Total net realised (losses)/gains	-	-	(381)	71

26 FAIR VALUE GAINS/(LOSSES)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations				
Investment properties	(9,000)	400	(9,000)	400
Financial assets at FVTPL				
- designated upon initial recognition	997,629	(170,486)	997,572	(170,372)
	988,629	(170,086)	988,572	(169,972)
Discontinued operations (Note 42)				
Financial assets at FVTPL				
- designated upon initial recognition	-	-	57	(114)
	-	-	57	(114)

27 OTHER OPERATING INCOME/(EXPENSES)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations				
Foreign exchange (losses)/gains:				
- realised	(657)	(4,304)	(657)	(4,400)
- unrealised	26,042	(9,159)	26,042	(19,719)
Reversal of/(allowance for) impairment losses:				
- loans and receivables	3,815	(787)	3,815	(787)
- insurance receivables	(5,654)	(12,094)	(4,887)	(16,797)
- other receivables	(2,228)	(4,253)	(4,241)	(4,253)
Writeback/(write off) of bad debts:				
- loans and receivables	(4,046)	-	(4,046)	-
- insurance receivables	1,732	(2,331)	(299)	(2,259)
- other receivables	(458)	-	(436)	-
Service level agreement charges and other service fees from related companies	42,720	32,637	43,508	33,215
Restructuring costs	(947)	(582)	-	(432)
Impairment losses on properties held for own use	-	(1,786)	-	(1,786)
Write off of intangible assets	(2,216)	-	(2,216)	-
Others	(5,846)	11,948	(18,168)	11,193
	52,257	9,289	38,415	(6,025)

27 OTHER OPERATING INCOME/(EXPENSES) (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Discontinued operations (Note 42)				
Foreign exchange gains:				
- realised	-	-	-	96
- unrealised	-	-	-	10,560
(Allowance for)/reversal of allowance for impairment losses:				
- insurance receivables	-	-	(767)	4,703
- other receivables	-	-	2,013	-
Writeback/(write off) of bad debts:				
- insurance receivables	-	-	2,031	(72)
- other receivables	-	-	(22)	-
Restructuring costs	-	-	(947)	(150)
Others	-	-	4,226	(3,054)
	-	-	6,534	12,083

28 NET INSURANCE BENEFITS AND CLAIMS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Gross benefits and claims paid				
Continuing operations				
Insurance contracts:				
Life	(6,644,486)	(6,174,173)	(6,644,486)	(6,174,173)
General	(118,250)	(107,977)	-	-
	(6,762,736)	(6,282,150)	(6,644,486)	(6,174,173)
Discontinued operations (Note 42)				
Insurance contracts:				
General	-	-	(118,250)	(107,977)

28 NET INSURANCE BENEFITS AND CLAIMS (CONTINUED)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(b) Claims ceded to reinsurers				
Continuing operations				
Insurance contracts:				
Life	472,776	185,130	472,776	185,130
General	6,577	4,311	-	-
	479,353	189,441	472,776	185,130
Discontinued operations (Note 42)				
Insurance contracts:				
General	-	-	6,577	4,311
(c) Gross change to insurance contract liabilities:				
Continuing operations				
Insurance contracts:				
Life	(1,970,968)	(915,262)	(1,970,353)	(914,920)
General	18,767	17,381	-	-
	(1,952,201)	(897,881)	(1,970,353)	(914,920)
Discontinued operations (Note 42)				
Insurance contracts:				
General	-	-	18,767	17,381
(d) Change in insurance contract liabilities ceded to reinsurers				
Continuing operations				
Insurance contracts:				
Life	107,587	37,914	107,587	37,914
General	(704)	1,284	-	-
	106,883	39,198	107,587	37,914
Discontinued operations (Note 42)				
Insurance contracts:				
General	-	-	(704)	1,284

29 MANAGEMENT EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations				
Advertising	22,830	26,859	21,829	25,434
Fees payable to PricewaterhouseCoopers PLT				
- Statutory audit				
- current financial year	1,237	1,206	1,007	1,003
- underprovision in prior financial year	-	100	-	100
- audit related services	163	-	163	-
- non-audit services	711	60	705	60
Fees payable to other member Firms of PricewaterhouseCoopers International Limited				
- audit related services	800	-	800	-
Staff salaries and bonuses	300,115	286,759	266,123	250,088
Contribution to EPF	45,447	43,165	40,711	38,002
Pension benefits	1,586	1,514	1,367	1,258
Post-employment medical benefits	391	355	336	355
Share-based payments	13,133	12,155	12,030	11,106
Staff benefits	18,515	15,617	16,287	13,164
Travelling expenses	5,846	6,933	5,228	6,065
Office rental lease payments	9,398	12,000	8,609	10,962
Printing and stationery	9,154	9,008	7,514	7,254
Postage	16,218	14,148	14,515	12,220
Directors' remuneration and other emoluments	4,942	5,717	4,909	5,687
Depreciation				
- property, plant and equipment (Note 3)	31,881	31,097	30,655	29,703
Amortisation				
- prepaid land lease payments (Note 5)	25	25	25	25
- intangible assets (Note 6)	14,755	12,994	13,139	11,418
IT expenses	70,800	54,200	64,680	49,294
Medical fees	3,621	3,080	3,621	3,080
Legal expenses	455	1,301	417	1,136
Repairs and maintenance	17,391	11,605	15,750	10,466
Other expenses	267,103	269,550	235,840	239,833
	856,517	819,448	766,260	727,713

29 MANAGEMENT EXPENSES (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Discontinued operations (Note 42)				
Advertising	-	-	1,001	1,425
Auditors' remuneration				
Statutory audit:				
- current financial year	-	-	150	100
Staff salaries and bonuses	-	-	31,095	34,068
Contribution to EPF	-	-	4,736	5,163
Pension benefits	-	-	219	256
Post-employment medical benefits	-	-	55	-
Share based payment	-	-	1,103	1,049
Staff benefits	-	-	1,858	1,885
Travelling expenses	-	-	600	816
Office rental lease payments	-	-	789	1,038
Printing and stationery	-	-	1,334	1,465
Postage	-	-	1,703	1,928
Depreciation				
- property, plant and equipment (Note 3)	-	-	1,160	1,029
Amortisation				
- intangible assets (Note 6)	-	-	1,390	1,274
IT expenses	-	-	6,102	4,906
Legal expenses	-	-	38	165
Repairs and maintenance	-	-	1,640	1,139
Other expenses	-	-	30,093	28,659
	-	-	85,066	86,365

29 MANAGEMENT EXPENSES (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive Directors:				
- Remuneration	2,613	3,472	2,613	3,472
- Share-based payments	932	1,019	932	1,019
- Other remuneration or emoluments	420	382	420	382
	3,965	4,873	3,965	4,873
Non-executive Directors:				
- Fees	784	726	760	702
- Allowances	193	118	184	112
	977	844	944	814
Total	4,942	5,717	4,909	5,687

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	
	2017	2016	2017	2016
Executive Directors:				
RM2,000,001 – RM5,000,000	1	2	1	2
Non-executive Directors:				
RM100,001 – RM200,000	1	2	1	2
RM200,001 – RM300,000	3	2	3	2

Total staff costs of the Group and Company (including the Executive Director) is RM379,187,000 and RM359,565,000 respectively (2016: 375,920,000 and RM356,394,000).

In the current financial year, the Executive Director is also the CEO of the Company. For the financial year 2016, 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.

30 TAX EXPENSE

Continuing operations

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax expense:				
- current	294,230	225,435	285,270	208,228
- deferred (Note 19)	31,713	35,034	31,839	32,897
	325,943	260,469	317,109	241,125
Current tax				
Current financial year	336,866	305,811	327,991	286,734
Over provision in prior financial years	(42,636)	(80,376)	(42,721)	(78,506)
	294,230	225,435	285,270	208,228
Deferred tax				
Origination and reversal of temporary differences	31,713	35,034	31,839	32,897
	31,713	35,034	31,839	32,897
Total	325,943	260,469	317,109	241,125

Discontinued operations (Note 42)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Tax expense/(credit):				
- current	-	-	8,960	16,634
- deferred (Note 19)	-	-	(298)	2,309
	-	-	8,662	18,943
Current tax				
Current financial year	-	-	8,875	18,504
Under/(over) provision in prior financial years	-	-	85	(1,870)
	-	-	8,960	16,634
Deferred tax				
Origination and reversal of temporary differences	-	-	(298)	2,309
	-	-	(298)	2,309
Total	-	-	8,662	18,943

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

30 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:

Continuing operations

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	1,134,441	1,155,193	1,104,267	1,069,671
Tax at Malaysian statutory tax rate of 24%	272,266	277,246	265,024	256,721
Income not subject to tax	(1)	(5,951)	(1)	(3,392)
Expenses not deductible for tax purposes	31,700	37,547	30,193	34,299
Tax relief on actuarial surplus transferred to Shareholders' fund	(74,742)	(52,766)	(74,742)	(52,766)
Single tier tax relief	(10,000)	(5,044)	(10,000)	(5,044)
Tax impact on investment income attributable to policyholders and unitholders	149,356	89,813	149,356	89,813
Over provision of tax expense in prior financial years	(42,636)	(80,376)	(42,721)	(78,506)
Tax expense	325,943	260,469	317,109	241,125

Discontinued operations (Note 42)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	-	-	33,974	88,005
Tax at Malaysian statutory tax rate of 24%	-	-	8,154	21,121
Income not subject to tax	-	-	-	(2,559)
Expenses not deductible for tax purposes	-	-	423	2,251
Under/(over) provision of tax expense in prior financial years	-	-	85	(1,870)
Tax expense	-	-	8,662	18,943

31 DIVIDENDS

	Group and Company	
	2017 RM'000	2016 RM'000
Dividends paid:		
In respect of the financial year 30 November 2016:		
Final single tier dividend on 767,438,174 ordinary shares	862,000	-
In respect of the financial year 30 November 2015:		
Final single tier dividend on 767,438,174 ordinary shares	-	752,000
	862,000	752,000
Dividend per share (sen)	112	98

32 CAPITAL COMMITMENTS

	Group and Company	
	30.11.2017 RM'000	30.11.2016 RM'000
Capital expenditure		
Approved and contracted for:		
Property and equipment	17,923	5,248
Intangible assets	374	19,203
Investments	297,481	463,290
	315,778	487,741
Approved but not contracted for:		
Property and equipment	203	845
Intangible assets	3,292	1,694
	3,495	2,539
Total	319,273	490,280

33 OPERATING LEASE ARRANGEMENTS

(a) The Company as lessee

The Company has entered into operating lease agreements for the use of buildings, computers and printers.

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	
	30.11.2017	30.11.2016
	RM'000	RM'000
Future minimum rental payments:		
Not later than 1 year	20,561	18,066
Later than 1 year and not later than 5 years	47,114	34,122
More than 5 years	3,599	171,994
	71,274	224,182

The lease payments recognised in the income statements during the financial year are disclosed in Note 29 to the financial statements.

(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	
	30.11.2017	30.11.2016
	RM'000	RM'000
Not later than 1 year	17,730	19,617
Later than 1 year and not later than 6 years	7,453	12,645
	25,183	32,262

	Company	
	30.11.2017	30.11.2016
	RM'000	RM'000
Not later than 1 year	17,685	19,651
Later than 1 year and not later than 6 years	7,502	12,645
	25,187	32,296

Rental income recognised in the income statements during the financial year are disclosed in Note 24 to the financial statements.

34 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 following are the significant transactions held by the Group and the Company with the related parties during the financial year:

	Group		Company	
	2017 **RM'000**	**2016** **RM'000**	**2017** **RM'000**	**2016** **RM'000**
Ultimate holding company:				
AIA Group Ltd.				
- Employees benefits	(13,150)	(12,239)	(13,150)	(12,174)
- Managerial, secretarial or like services	(248)	(395)	(248)	(395)
Penultimate holding company:				
AIA Company Ltd.				
- Group service fee	(51,188)	(60,581)	(51,188)	(60,581)
- Computer services	(5,103)	(498)	(5,103)	(498)
- Reinsurance	(258)	(26)	(258)	(26)
Fellow related companies:				
AIA Shared Services (Hong Kong) Ltd.				
- Computer services	(7,748)	(9,765)	(7,748)	(9,765)
- Managerial, secretarial or like services	(3,090)	(3,299)	(3,090)	(3,299)
AIA Information Technology (Guangzhou) Co. Ltd.				
- Computer services	(5,994)	(3,629)	(5,994)	(3,629)
AIA Information Technology (Beijing) Co. Ltd.				
- Computer services	(2,215)	(2,684)	(2,215)	(2,684)

34 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

The following are the significant transactions held by the Group and the Company with the related parties during the financial year: (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fellow related companies: (continued)				
AIA Shared Services Sdn. Bhd.				
- Computer services				
- paid	(3,963)	(3,697)	(3,963)	(3,697)
- received	279	898	279	898
- Rental income	452	441	452	441
- Premium income	492	325	492	325
- Managerial, secretarial or like services				
- paid	(1,111)	(840)	(1,111)	(840)
- received	149	96	149	96
AIA Health Services Sdn. Bhd.				
- Claims administration fee	(48,684)	(44,960)	(48,684)	(44,960)
- Managerial, secretarial or like services received	4,801	5,695	4,801	5,695
- Rental income	1,473	1,483	1,473	1,483
- Premium income	98	67	98	67
AIA Public Takaful Bhd.				
- Managerial, secretarial or like services received	37,722	26,083	37,722	26,083
- Rental income	696	684	696	684
AIA Reinsurance Ltd.				
- Reinsurance premium expense	(235,355)	(31,705)	(235,355)	(31,705)

34 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

The following are the significant transactions held by the Group and the Company with the related parties during the financial year: (continued)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Subsidiary companies:				
AIA General Berhad (formerly known as Green Health Certification Berhad)				
- Managerial, secretarial or like services received	-	-	130	125
AIA Pension and Asset Management Sdn. Bhd.				
- Rental income	-	-	210	106
- Managerial, secretarial or like services received	-	-	428	317
- Premium income	-	-	21	28

(b) Related party balances

	Group		Company	
	30.11.2017	**30.11.2016**	**30.11.2017**	**30.11.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receivables				
Insurance receivables	25	-	25	-
Other receivables	44,765	36,803	44,853	36,940
	44,790	36,803	44,878	36,940
Payables				
Insurance payables	(176,868)	(3,823)	(176,868)	(3,823)
Other payables	(9,324)	(16,429)	(9,324)	(16,429)
	(186,192)	(20,252)	(186,192)	(20,252)

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

34 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

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

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

	Group and Company	
	2017	2016
	RM'000	RM'000
Short-term employee benefits	17,608	20,161
Post-employment benefits		
- Defined contribution plan	2,328	2,486
Share-based payments	3,181	5,811
Fees and allowances	944	814
	24,061	29,272

Included in the compensation of key management personnel are:

	Group and Company	
	2017	2016
	RM'000	RM'000
Executive Directors:		
- Remuneration	2,613	3,472
- Share-based payments	932	1,019
- Other remuneration or emoluments	420	382
	3,965	4,873

35 RISK MANAGEMENT

Risk Management Framework

The Company's Risk Management Framework consist of the following key components – Risk Culture, Risk Management Process, Risk Governance, Risk Appetite and Risk Landscape as set out in part of the Directors' Report on Statement on Corporate Governance on Internal Control Framework.

Capital Management Framework

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

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

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

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

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

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

35 RISK MANAGEMENT (CONTINUED)

Governance and Regulatory Framework

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

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

36 INSURANCE RISK

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

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 has 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 oversees 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.

36 INSURANCE RISK (CONTINUED)

(b) Pricing and underwriting risk

Pricing and underwriting risk refers 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 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. The Group also uses reinsurance solutions to help reduce concentration risk.

36 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 2017	**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	19,700,934	1,448,758	21,149,692	7,393	9,310	16,703	21,132,989
Endowment	5,599,932	208,713	5,808,645	154	503	657	5,807,988
Term assurance	11,330	2,246,479	2,257,809	-	112,248	112,248	2,145,561
Riders	554,781	284,159	838,940	40	30,745	30,785	808,155
Others	199,710	46,370	246,080	-	42	42	246,038
Total	26,066,687	4,234,479	30,301,166	7,587	152,848	160,435	30,140,731

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

36 INSURANCE RISK (CONTINUED)

(i) Life insurance contracts (continued)

Group and Company (continued)

30 November 2016	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net 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

36 INSURANCE RISK (CONTINUED)

(i) Life insurance contracts (continued)

Key assumptions

Mortality, total permanent disability and critical illness

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

Expense

Expense assumption was derived based on actual expense analysis which was translated into unit cost factors with appropriate expense carriers (e.g. per premium, per sum assured and per policy) 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 assumption vary by policy year, product type and/or premium payment method 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 basis 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.

Where total guaranteed and non-guaranteed benefits were considered, the discount rate used 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 for AIA Participating Fund and 7 years for Business Acquired Participating Fund respectively. Long-term interest rate refers to the long-term interest assumption for the participating funds, which was determined based on the expected long term asset mix for the participating funds, historical yields on these asset classes over the last 5 years, as well as current market yields and future outlook. The graded period was determined based on the duration of the existing fixed income portfolio with reference to the relationship between asset and liability durations 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 the methodology adopted in the insurer's annual bonus investigations.

36 INSURANCE RISK (CONTINUED)

(i) Life insurances contracts (continued)

Key assumptions (continued)

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, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the insurance contract 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.

		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
2017				
Mortality	+10	588,619	(292,689)	(243,133)
Expense	+10	139,853	(46,873)	(38,937)
Lapse rate	+10	(39,759)	(71,471)	(59,370)
Discount rate	-0.5	378,485	(298,955)	(248,338)
2016				
Mortality	+10	564,845	(267,205)	(221,654)
Expense	+10	143,280	(43,310)	(35,927)
Lapse rate	+10	(31,066)	77,494	64,283
Discount rate	-0.5	332,296	(251,516)	(208,640)

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

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

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

Group

	30 November 2017			30 November 2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities						
Personal accident	98,400	(9,959)	88,441	113,405	(11,770)	101,635
Motor	77,186	(1,012)	76,174	85,155	(951)	84,204
Fire	7,801	(1,162)	6,639	3,808	(121)	3,687
Miscellaneous and liabilities	549	(12)	537	335	(8)	327
Total	183,936	(12,145)	171,791	202,703	(12,850)	189,853
Premium liabilities						
Personal accident	76,025	(3,407)	72,618	81,115	(4,076)	77,039
Motor	25,158	(627)	24,531	26,426	(1,442)	24,984
Fire	8,688	(1,128)	7,560	5,864	(425)	5,439
Miscellaneous and liabilities	298	(15)	283	388	(23)	365
Total	110,169	(5,177)	104,992	113,793	(5,966)	107,827

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

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

Company

	Discontinued operations			Continuing operations		
	30 November 2017			30 November 2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities						
Personal accident	98,400	(9,959)	88,441	113,405	(11,770)	101,635
Motor	77,186	(1,012)	76,174	85,155	(951)	84,204
Fire	7,801	(1,162)	6,639	3,808	(121)	3,687
Miscellaneous and liabilities	549	(12)	537	335	(8)	327
Total	183,936	(12,145)	171,791	202,703	(12,850)	189,853
Premium liabilities						
Personal accident	76,025	(3,407)	72,618	81,115	(4,076)	77,039
Motor	25,158	(627)	24,531	26,426	(1,442)	24,984
Fire	8,688	(1,128)	7,560	5,864	(425)	5,439
Miscellaneous and liabilities	298	(15)	283	388	(23)	365
Total	110,169	(5,177)	104,992	113,793	(5,966)	107,827

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Key assumptions

Expenses

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

Premium liabilities

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 is 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 overhead 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 10.0% 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 is 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.

36 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.

		Group and Company			
	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
2017					
Expected loss ratio	+10	12,590	11,957	(11,957)	(9,087)
2016					
Expected loss ratio	+10	12,808	12,253	(12,253)	(9,312)

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

<u>Key assumptions</u> (continued)

<u>Claims development table</u>

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.

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table

Group

Gross Claims Liabilities as at 30.11.2017:

Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At end of accident year		226,907	252,624	276,542	257,497	169,793	108,657	107,920	
One year later		226,234	232,634	280,151	240,380	161,191	102,693		
Two years later		213,045	235,098	278,308	236,933	158,326			
Three years later		213,046	235,778	276,243	236,751				
Four years later		211,271	235,405	275,406					
Five years later		211,062	235,890						
Six years later		211,743							
Current estimate of cumulative claims incurred		211,743	235,890	275,406	236,751	158,326	102,693	107,920	
At end of accident year		(145,468)	(165,281)	(183,774)	(169,749)	(96,783)	(36,488)	(46,816)	
One year later		(192,443)	(213,998)	(254,384)	(216,580)	(133,213)	(75,669)		
Two years later		(203,070)	(223,788)	(265,715)	(225,861)	(147,752)			
Three years later		(206,614)	(229,496)	(270,390)	(230,010)				
Four years later		(207,633)	(230,600)	(271,508)					
Five years later		(207,941)	(232,678)						
Six years later		(208,109)							
Cumulative payments to-date		(208,109)	(232,678)	(271,508)	(230,010)	(147,752)	(75,669)	(46,816)	
Gross claims liabilities	5,330	3,634	3,212	3,898	6,741	10,574	27,024	61,104	121,517
Treaty inwards and MMIP									35,880
Best estimate of claims liabilities									157,397
Claims handling expenses									8,109
PRAD at 75% confidence level									18,430
Gross claims liabilities									183,936

36 INSURANCE RISK (CONTINUED)

(iii) General insurance contracts (continued)

Claims development table (continued)

Group (continued)

Net Claims Liabilities as at 30.11.2017:

Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At end of accident year		212,897	233,328	256,068	248,076	163,819	103,548	102,102	
One year later		210,380	215,201	245,302	230,865	155,047	97,224		
Two years later		200,323	217,684	243,233	227,940	150,699			
Three years later		200,212	217,772	239,890	227,707				
Four years later		198,447	217,515	239,898					
Five years later		198,266	218,079						
Six years later		198,881							
Current estimate of cumulative claims incurred		198,881	218,079	239,898	227,707	150,699	97,224	102,102	
At end of accident year		(137,790)	(154,111)	(171,511)	(164,546)	(93,632)	(35,307)	(44,365)	
One year later		(181,714)	(198,975)	(223,021)	(209,064)	(128,679)	(72,866)		
Two years later		(191,429)	(208,401)	(232,156)	(217,879)	(140,908)			
Three years later		(194,532)	(211,993)	(235,870)	(221,904)				
Four years later		(195,491)	(213,045)	(236,821)					
Five years later		(195,791)	(214,986)						
Six years later		(195,952)							
Cumulative payments to-date		(195,952)	(214,986)	(236,821)	(221,904)	(140,908)	(72,866)	(44,365)	
Net claims liabilities	3,555	2,929	3,093	3,077	5,803	9,791	24,358	57,737	110,343
Treaty inwards and MMIP									35,880
Best estimate of claims liabilities									146,223
Claims handling expenses									8,109
PRAD at 75% confidence level									17,459
Net claims liabilities									171,791

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table (continued)

Company

Gross Claims Liabilities as at 30.11.2017:

Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At end of accident year		226,907	252,624	276,542	257,497	169,793	108,657	107,920	
One year later		226,234	232,634	280,151	240,380	161,191	102,693		
Two years later		213,045	235,098	278,308	236,933	158,326			
Three years later		213,046	235,778	276,243	236,751				
Four years later		211,271	235,405	275,406					
Five years later		211,062	235,890						
Six years later		211,743							
Current estimate of cumulative claims incurred		211,743	235,890	275,406	236,751	158,326	102,693	107,920	
At end of accident year		(145,468)	(165,281)	(183,774)	(169,749)	(96,783)	(36,488)	(46,816)	
One year later		(192,443)	(213,998)	(254,384)	(216,580)	(133,213)	(75,669)		
Two years later		(203,070)	(223,788)	(265,715)	(225,861)	(147,752)			
Three years later		(206,614)	(229,496)	(270,390)	(230,010)				
Four years later		(207,633)	(230,600)	(271,508)					
Five years later		(207,941)	(232,678)						
Six years later		(208,109)							
Cumulative payments to-date		(208,109)	(232,678)	(271,508)	(230,010)	(147,752)	(75,669)	(46,816)	
Gross claims liabilities	5,330	3,634	3,212	3,898	6,741	10,574	27,024	61,104	121,517
Treaty inwards and MMIP									35,880
Best estimate of claims liabilities									157,397
Claims handling expenses									8,109
PRAD at 75% confidence level									18,430
Gross claims liabilities									183,936

Company No.

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(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table (continued)

Company (continued)

Net Claims Liabilities as at 30.11.2017:

Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At end of accident year									
One year later		212,897	233,328	256,068	248,076	163,819	103,548	102,102	
Two years later		210,380	215,201	245,302	230,865	155,047	97,224		
Three years later		200,323	217,684	243,233	227,940	150,699			
Four years later		200,212	217,772	239,890	227,707				
Five years later		198,447	217,515	239,898					
Six years later		198,881	218,079						
Current estimate of cumulative claims incurred		198,881	218,079	239,898	227,707	150,699	97,224	102,102	
At end of accident year		(137,790)	(154,111)	(171,511)	(164,546)	(93,632)	(35,307)	(44,365)	
One year later		(181,714)	(198,975)	(223,021)	(209,064)	(128,679)	(72,866)		
Two years later		(191,429)	(208,401)	(232,156)	(217,879)	(140,908)			
Three years later		(194,532)	(211,993)	(235,870)	(221,904)				
Four years later		(195,491)	(213,045)	(236,821)					
Five years later		(195,791)	(214,986)						
Six years later		(195,952)							
Cumulative payments to-date		(195,952)	(214,986)	(236,821)	(221,904)	(140,908)	(72,866)	(44,365	
Net claims liabilities	3,555	2,929	3,093	3,077	5,803	9,791	24,358	57,737	110,343
Treaty inwards and MMIP									35,880
Best estimate of claims liabilities									146,223
Claims handling expenses									8,109
PRAD at 75% confidence level									17,459
Net claims liabilities									171,791

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table (continued)

Group and Company

Gross Claims 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 claims liabilities	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 claims liabilities									176,257
Claims handling expenses									8,160
PRAD at 75% confidence level									18,286
Gross claims liabilities									202,703

36 INSURANCE RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table (continued)

Group and Company (continued)

Net Claims 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 claims liabilities	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 claims liabilities									164,126
Claims handling expenses									8,160
PRAD at 75% confidence level									17,567
Net claims liabilities									189,853

37 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 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 are 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").

37 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 2017			
Available-for-sale financial assets	8,237,863	-	8,237,863
Fair value through profit or loss financial assets	29,635,518	5,790,520	35,426,038
Loans and receivables	4,861,854	8,852	4,870,706
Reinsurance assets	232,991	-	232,991
Insurance receivables	326,306	-	326,306
Cash and cash equivalents	492,012	285,582	777,594
	43,786,544	6,084,954	49,871,498
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

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

Company	Continuing operations Insurance and shareholders' fund RM'000	Investment-linked RM'000	Total RM'000
At 30 November 2017			
Available-for-sale financial assets	8,002,329	-	8,002,329
Fair value through profit or loss financial assets	29,630,169	5,790,520	35,420,689
Loans and receivables	4,761,728	8,852	4,770,580
Reinsurance assets	215,669	-	215,669
Insurance receivables	286,467	-	286,467
Cash and cash equivalents	452,718	285,582	738,300
	43,349,080	6,084,954	49,434,034

	Discontinued operations General fund RM'000
Available-for-sale financial assets	189,992
Fair value through profit or loss financial assets	5,349
Loans and receivables	68,427
Reinsurance assets	17,322
Insurance receivables	39,839
Cash and cash equivalents	26,686
	347,615

Company	Continuing operations 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

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

The table below provides information on the credit risk exposure of the Group and the 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	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 2017							
AFS financial assets							
Malaysian government securities	-	2,249,024	-	-	-	-	2,249,024
Cagamas papers	314,430	-	-	-	-	-	314,430
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,777,313	2,701,643	-	-	-	-	5,478,956
Deposits with licensed banks	102,840	-	-	-	-	-	102,840
Accrued interest	41,251	46,737	-	-	-	-	87,988

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group (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 2017 (continued)							
FVTPL financial assets							
Malaysian government securities	-	4,028,864	-	-	103,212	-	4,132,076
Cagamas papers	1,606,780	-	-	-	1,455	-	1,608,235
Equity securities	-	-	-	-	3,428,751	5,942,016	9,370,767
Real estate investment trust funds	-	-	-	-	30,544	450,702	481,246
Corporate debt securities	10,268,751	6,443,307	-	-	1,336,106	-	18,048,164
Mutual funds	-	-	-	-	862,880	581,935	1,444,815
Malaysian government guaranteed loans	-	-	-	-	8,000	-	8,000
Deposits with licensed banks	50,390	-	-	-	-	-	50,390
Accrued interest	154,898	107,875	-	-	19,572	-	282,345

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	Neither past due nor impaired						
Group (continued)	**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 2017 (continued)							
Loans and receivables							
Loan receivables	-	4,441,639	1,117	35,923	-	-	4,478,679
Fixed and call deposits with licensed banks	119,603	-	-	-	-	-	119,603
Other receivables	-	240,573	-	16,919	8,852	-	266,344
Reinsurance assets	-	232,991	-	-	-	-	232,991
Insurance receivables	-	326,306	-	29,882	-	-	356,188
Cash and cash equivalents	489,427	2,585	-	-	285,582	-	777,594
Accrued interest	1,756	57,166	-	-	-	-	58,922
Allowance for impairment losses	-	-	-	(82,724)	-	-	(82,724)
	15,927,439	20,878,710	1,117	-	6,084,954	6,979,278	49,871,498

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group	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	-	1,817,364	-	-	-	-	1,817,364
Cagamas papers	467,825	-	-	-	-	-	467,825
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,724,572	2,735,432	-	-	-	-	5,460,004
Deposits with licensed banks	103,230	-	-	-	-	-	103,230
Accrued interest	43,134	43,662	-	-	-	-	86,796
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 guaranteed loans	-	-	-	-	8,000	-	8,000
Deposits with licensed banks	51,110	-	-	-	-	-	51,110
Accrued interest	148,009	109,863	-	-	17,863	-	275,735

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group (continued)	Neither past due nor impaired: Investment grade (AAA-A) RM'000	Neither past due nor impaired: Not rated RM'000	Past due but not impaired RM'000	Past due and impaired/ partially impaired RM'000	Investment-linked RM'000	Not subject to credit risks RM'000	Total RM'000
At 30 November 2016 (continued)							
Loans and receivables							
Loan receivables	-	4,415,615	771	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	367,624	8,070	-	-	315,324	-	691,018
Accrued interest	1,754	57,825	-	-	-	-	59,579
Allowance for impairment losses	-	-	-	(90,746)	-	-	(90,746)
	15,200,992	21,150,598	771	-	5,038,062	5,990,206	47,380,629

37 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 2017							
Continuing operations							
AFS financial assets							
Malaysian government securities	-	2,182,471	-	-	-	-	2,182,471
Cagamas papers	283,438	-	-	-	-	-	283,438
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	2,692,105	2,651,629	-	-	-	-	5,343,734
Deposits with licensed banks	102,840	-	-	-	-	-	102,840
Accrued interest	39,694	45,527	-	-	-	-	85,221

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company (continued)	Neither past due nor impaired: Investment grade (AAA-A) RM'000	Neither past due nor impaired: Not rated RM'000	Past due but not impaired RM'000	Past due and impaired/ partially impaired RM'000	Investment-linked RM'000	Not subject to credit risks RM'000	Total RM'000
At 30 November 2017 (continued)							
Continuing operations (continued)							
FVTPL financial assets							
Malaysian government securities	-	4,028,864	-	-	103,212	-	4,132,076
Cagamas papers	1,606,780	-	-	-	1,455	-	1,608,235
Equity securities	-	-	-	-	3,428,751	5,936,667	9,365,418
Real estate investment trust funds	-	-	-	-	30,544	450,702	481,246
Corporate debt securities	10,268,751	6,443,307	-	-	1,336,106	-	18,048,164
Mutual funds	-	-	-	-	862,880	581,935	1,444,815
Malaysian government guaranteed loans	-	-	-	-	8,000	-	8,000
Deposits with licensed banks	50,390	-	-	-	-	-	50,390
Accrued interest	154,898	107,875	-	-	19,572	-	282,345

37 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 2017 (continued)							
Continuing operations (continued)							
Loans and receivables							
Loan receivables	-	4,441,639	1,117	35,923	-	-	4,478,679
Fixed and call deposits with licensed banks	80,000	-	-	-	-	-	80,000
Other receivables	-	180,197	-	16,919	8,852	-	205,968
Reinsurance assets	-	215,669	-	-	-	-	215,669
Insurance receivables	-	286,467	-	27,553	-	-	314,020
Cash and cash equivalents	450,201	2,517	-	-	285,582	-	738,300
Accrued interest	1,608	57,167	-	-	-	-	58,775
Allowance for impairment losses	-	-	-	(80,395)	-	-	(80,395)
	15,730,705	20,643,329	1,117	-	6,084,954	6,973,929	49,434,034

37 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 2017 (continued)							
Discontinued operations							
AFS financial assets							
Malaysian government securities	-	41,249	-	-	-	-	41,249
Cagamas papers	30,992	-	-	-	-	-	30,992
Corporate debt securities	85,208	30,076	-	-	-	-	115,284
Accrued interest	1,557	910	-	-	-	-	2,467
FVTPL financial assets							
Unquoted equity securities	-	-	-	-	-	5,349	5,349

37 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 2017							
Discontinued operations (continued)							
Loans and receivables							
Fixed and call deposits with licensed banks	10,000	-	-	-	-	-	10,000
Other receivables	-	58,280	-	-	-	-	58,280
Reinsurance assets	-	17,322	-	-	-	-	17,322
Insurance receivables	-	39,839	-	2,329	-	-	42,168
Cash and cash equivalents	26,618	68	-	-	-	-	26,686
Accrued interest	147	-	-	-	-	-	147
Allowance for impairment losses	-	-	-	(2,329)	-	-	(2,329)
	154,522	187,744	-	-	-	5,349	347,615

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company	Neither past due nor impaired: Investment grade (AAA-A) RM'000	Neither past due nor impaired: Not rated RM'000	Past due but not impaired RM'000	Past due and impaired/ partially impaired RM'000	Investment-linked RM'000	Not subject to credit risks RM'000	Total 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
Malaysian government guaranteed loans	-	-	-	-	8,000	-	8,000
Deposits with licensed banks	51,110	-	-	-	-	-	51,110
Accrued interest	148,009	109,863	-	-	17,863	-	275,735

37 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 2016 (continued)							
Loans and receivables							
Loan receivables	-	4,415,615	771	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	349,488	8,070	-	-	315,324	-	672,882
Accrued interest	1,754	57,825	-	-	-	-	59,579
Allowance for impairment losses	-	-	-	(90,746)	-	-	(90,746)
	15,159,077	21,088,723	771	-	5,038,062	5,990,206	47,276,839

37 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
		30.11.2017 RM'000	30.11.2016 RM'000
Policy loans	Cash surrender value	1,543,840	1,543,945
Mortgage loans	Properties	2,368,494	2,343,986
Other secured loans	Properties	-	8
Staff loans	Motor vehicles and properties	37,811	37,031
Unsecured loans	Nil	11,534	14,154
Accrued interest	Nil	47,482	48,139
		4,009,161	3,987,263

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

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

	Type of collateral	Company 30.11.2017 RM'000	Company 30.11.2016 RM'000
Policy loans	Cash surrender value	1,543,840	1,543,945
Mortgage loans	Properties	2,368,494	2,343,986
Other secured loans	Properties	-	8
Staff loans	Motor vehicles and properties	37,811	37,031
Unsecured loans	Nil	11,534	14,154
Accrued interest	Nil	47,335	48,139
		4,009,014	3,987,263

Age analysis of financial assets past-due but not impaired

Group and Company

	30 days RM'000	60 days RM'000	> 90 days RM'000	Total RM'000
At 30 November 2017				
Loan receivables	417	166	534	1,117
At 30 November 2016				
Loan receivables	216	119	436	771

37 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

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

	Loan receivables		Other receivables		Insurance receivables	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 December	39,738	38,951	16,521	12,268	34,487	22,393
Net (recovery)/charge for the financial year	(3,815)	787	2,228	4,253	5,654	12,094
Write off of allowance for impairment losses	-	-	(1,830)	-	(10,259)	-
At 30 November	35,923	39,738	16,919	16,521	29,882	34,487

Company

	Loan receivables		Other receivables		Insurance receivables	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 December	39,738	38,951	16,521	12,268	34,487	22,393
Net (recovery)/charge for the financial year	(3,815)	787	4,241	4,253	5,654	12,094
Write off of allowance for impairment losses	-	-	(1,830)	-	(10,259)	-
Transfer to assets of a disposal group classified as held-for-sale	-	-	(2,013)	-	(2,329)	-
At 30 November	35,923	39,738	16,919	16,521	27,553	34,487

37 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 analysis. 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 continuously 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.

37 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 the 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 2017								
Available-for-sale financial assets	8,237,863	460,773	1,318,085	1,438,563	9,975,014	9,777	-	13,202,212
Fair value through profit or loss financial assets	35,426,038	1,444,263	3,725,780	3,831,084	26,225,485	6,974,654	5,790,520	47,991,786
Loans and receivables	4,870,706	670,804	981,107	410,932	2,887,617	1,529,698	8,852	6,489,010
Reinsurance assets	232,991	224,720	7,108	934	229	-	-	232,991
Insurance receivables	326,306	326,306	-	-	-	-	-	326,306
Cash and cash equivalents	777,594	492,012	-	-	-	-	285,582	777,594
Total assets	49,871,498	3,618,878	6,032,080	5,681,513	39,088,345	8,514,129	6,084,954	69,019,899
Insurance contract liabilities:								
With DPF	27,816,245	739,378	1,421,253	893,102	23,035,314	1,727,198	-	27,816,245
Without DPF	10,858,939	477,445	192,912	121,940	4,048,643	-	6,017,999	10,858,939
Insurance payables	6,126,981	6,126,981	-	-	-	-	-	6,126,981
Other payables	802,045	778,276	-	-	-	-	23,769	802,045
Total liabilities	45,604,210	8,122,080	1,614,165	1,015,042	27,083,957	1,727,198	6,041,768	45,604,210

37 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 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	688,615	-	-	-	-	43,051	731,666
Total liabilities	43,130,503	7,637,792	1,541,071	1,250,430	26,102,225	1,578,832	5,020,153	43,130,503

37 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

At 30 November 2017	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
Company								
Continuing operations								
Available-for-sale financial assets	8,002,329	446,669	1,246,784	1,364,721	9,823,471	4,625	-	12,886,270
Fair value through profit or loss financial assets	35,420,689	1,444,263	3,725,780	3,831,084	26,225,485	6,969,305	5,790,520	47,986,437
Loans and receivables	4,770,580	570,151	981,107	410,932	2,887,617	1,529,698	8,852	6,388,357
Reinsurance assets	215,669	215,669	-	-	-	-	-	215,669
Insurance receivables	286,467	286,467	-	-	-	-	-	286,467
Cash and cash equivalents	738,300	452,718	-	-	-	-	285,582	738,300
Total assets	49,434,034	3,415,937	5,953,671	5,606,737	38,936,573	8,503,628	6,084,954	68,501,500
Insurance contract liabilities:								
With DPF	27,790,611	739,378	1,421,253	893,102	23,035,314	1,701,564	-	27,790,611
Without DPF	10,564,834	333,216	68,236	102,647	4,042,736	-	6,017,999	10,564,834
Insurance payables	6,114,212	6,114,212	-	-	-	-	-	6,114,212
Other payables	780,365	756,596	-	-	-	-	23,769	780,365
Total liabilities	45,250,022	7,943,402	1,489,489	995,749	27,078,050	1,701,564	6,041,768	45,250,022

37 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

At 30 November 2017	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
Company (continued)								
Discontinued operations								
Available-for-sale financial assets	189,992	12,052	64,291	32,396	151,543	-	-	260,282
Fair value through profit or loss financial assets	5,349	-	-	-	-	5,349	-	5,349
Loans and receivables	68,427	68,952	-	-	-	-	-	68,952
Reinsurance assets	17,322	9,051	7,108	934	229	-	-	17,322
Insurance receivables	39,839	39,839	-	-	-	-	-	39,839
Cash and cash equivalents	26,686	26,686	-	-	-	-	-	26,686
Total assets	347,615	156,580	71,399	33,330	151,772	5,349	-	418,430
Insurance contract liabilities:								
With DPF	-	-	-	-	-	-	-	-
Without DPF	294,105	144,229	124,676	19,293	5,907	-	-	294,105
Insurance payables	12,769	12,769	-	-	-	-	-	12,769
Other payables	13,724	13,724	-	-	-	-	-	13,724
Total liabilities	320,598	170,722	124,676	19,293	5,907	-	-	320,598

37 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 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	682,779	-	-	-	-	43,051	725,830
Total liabilities	43,099,648	7,631,956	1,541,071	1,250,430	26,102,225	1,553,813	5,020,153	43,099,648

37 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.

37 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 2017			
+50 basis points shift in yield curves	(768,989)	-	(243,732)
- 50 basis points shift in yield curves	817,724	-	260,874
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 2017			
Company			
Continuing operations			
+50 basis points shift in yield curves	(768,989)	-	(239,051)
- 50 basis points shift in yield curves	817,724	-	255,945

37 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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 2017			
Company			
Discontinued operations			
+50 basis points shift in yield curves	-	-	(3,939)
- 50 basis points shift in yield curves	-	-	4,163
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

(ii) Equity price risk

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

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.

37 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Equity price risk (continued)

	Impact on insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Group			
At 30 November 2017			
+ 10% shift in equity price	587,650	56,494	43,172
- 10% shift in equity price	(587,650)	(56,494)	(43,172)
At 30 November 2016			
+ 10% shift in equity price	486,284	58,828	42,782
- 10% shift in equity price	(486,284)	(58,828)	(42,782)
At 30 November 2017			
Company			
Continuing operations			
+ 10% shift in equity price	587,650	55,959	42,765
- 10% shift in equity price	(587,650)	(55,959)	(42,765)
Discontinued operations			
+ 10% shift in equity price	-	535	407
- 10% shift in equity price	-	(535)	(407)
At 30 November 2016			
+ 10% shift in equity price	486,284	55,338	42,232
- 10% shift in equity price	(486,284)	(55,338)	(42,232)

37 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(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"), EURO ("EUR"), Hong Kong Dollar ("HKD"), Singapore Dollar ("SGD") 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.

	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 2017				
AUD	10% strengthening	11,976	2,999	2,292
USD	10% strengthening	42,676	7,471	5,710
EUR	10% strengthening	758	274	210
HKD	10% strengthening	18,677	5,263	4,022
SGD	10% strengthening	3,494	1,199	916
TWD	10% strengthening	3,265	1,703	1,302
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

37 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(iii) Currency risks (continued)

At 30 November 2017

	Change in variable	Impact on insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Company				
Continuing operations				
AUD	10% strengthening	11,976	2,999	2,292
USD	10% strengthening	42,676	7,471	5,710
EUR	10% strengthening	758	274	210
HKD	10% strengthening	18,677	5,263	4,022
SGD	10% strengthening	3,494	1,199	916
TWD	10% strengthening	3,265	1,703	1,302
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

38 NON FINANCIAL RISKS

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

(a) Operational risk

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

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

(b) Strategic risk

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

39 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 (2016: 301,100,000), representing approximately 2.5% (2016: 2.5%) of the number of shares in issue of AIA Group Ltd. ("AIAGL") as at 30 November 2017.

	Group		Company	
	30.11.2017 Number of shares	30.11.2016 Number of shares	30.11.2017 Number of shares	30.11.2016 Number of shares
Outstanding at beginning of financial year	2,050,518	2,013,530	1,940,173	1,903,185
Granted	617,193	758,869	617,193	758,869
Vested	(600,283)	(372,713)	(600,283)	(372,713)
Transferred in	56,898	-	56,898	-
Transferred out	(10,812)	-	(10,812)	-
Forfeited or expired	(244,923)	(349,168)	(244,923)	(349,168)
Outstanding at end of financial year	1,868,591	2,050,518	1,758,246	1,940,173

39 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 (2016: 301,100,000), representing approximately 2.5% (2016: 2.5%) of the number of shares in issue of AIAGL as at 30 November 2017.

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

	2017		2016	
	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	42,542	41.90	-	-
Granted	37,472	50.30	42,542	41.90
Transferred out	-	-	-	-
Outstanding at end of financial year	80,014	45.83	42,542	41.90
Share options exercisable at end of financial year	-	-	-	-

39 SHARE-BASED PAYMENT (CONTINUED)

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

The range of exercise prices for the share options outstanding as of 30 November 2017 is summarised in the table below.

	30 November 2017		30 November 2016	
	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$36 – HK$45	42,542	9.27	45,542	9.27
HK$46 – HK$55	37,472	9.27	-	-
Outstanding at end of financial year	80,014	9.27	45,542	9.27

(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 2017, eligible employees paid RM4,727,977 (2016: RM3,756,213) to purchase 162,447 (2016: 142,867) ordinary shares of AIAGL.

<u>Valuation methodology</u>

The Company utilises a binomial lattice model to calculate the fair value of the share options grant, 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.

39 SHARE-BASED PAYMENT (CONTINUED)

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

Valuation methodology (continued)

Group and Company	Share Options	Restricted Share Units	ESPP Restricted Stock Purchase Units
Assumptions			
2017			
Risk free interest rate	1.45%	0.83%*	0.68% - 1.29%
Volatility	20%	20%	20%
Dividend yield	1.80%	1.80%	1.80%
Option life (in years)	10	N/A	N/A
Exercise price (HK$)	61.55	N/A	N/A
Expected life (in years)	8	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK$)	11.89	51.01	58.36
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

* *Applicable to RSU with market condition.*

The weighted average share price for share option valuation is HK$61.55 (2016: HK$41.90).

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 2017 are RM13,159,000 (2016: RM12,180,000) and RM13,150,000 (2016: RM12,174,000) respectively.

40 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 November 2017, as prescribed under the RBC Framework is provided below:

	Company	
	30.11.2017	**30.11.2016**
	RM'000	**RM'000**
Eligible Tier 1 Capital		
Share capital (paid up)	1,450,890	767,438
Share premium	-	683,452
Reserves, including retained earnings	12,042,525	12,378,827
	13,493,415	13,829,717
Tier 2 Capital		
Revaluation reserves	190,969	182,758
Available-for-sale fair value reserves	(14,241)	(68,642)
	176,728	114,116
Amount deducted from capital	(238,995)	(286,272)
Total capital available	13,431,148	13,657,561

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The Directors have on 23 February 2017 approved the separation of the general insurance and life insurance businesses of the Company pursuant to the requirements of the FSA. The general insurance business has been approved to be transferred to AIA General Berhad (formerly known as Green Health Certification Berhad), a subsidiary of the Company. The proposed business separation is expected to be completed before 1 July 2018, subject to the approval by BNM.

The Directors have also on 23 November 2017 approved the change in the Company's financial year end from 30 November to 31 December, for the financial year ending 31 December 2018, covering a thirteen months financial year end from 1 December 2017 to 31 December 2018. Thereafter, the financial year end of the Company shall revert to twelve months ending 31 December for each subsequent year.

42 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 liabilities are determined before inter-fund balances and inter-fund transactions are eliminated as part of the consolidation process.

As set out in Note 41 to the financial statements, the Directors have approved the proposed disposal of the Company's General Insurance business as required under the FSA. Accordingly, the statement of financial position, income statement and statements of comprehensive income and cash flows of the General Fund have been classified as discontinued operations in the financial statements.

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2017

At 30 November 2017

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	922	466,952	-	467,874
Investment properties	-	370,312	-	370,312
Prepaid land lease payments	592	582	-	1,174
Intangible assets	4,243	85,632	-	89,875
Investment in associates	37,716	25,721	-	63,437
Available-for-sale financial assets	1,479,483	6,758,380	-	8,237,863
Fair value through profit or loss financial assets	5,349	35,420,689	-	35,426,038
Loans and receivables	3,986,604	4,758,076	(3,873,974)	4,870,706
Reinsurance assets	17,322	215,669	-	232,991
Insurance receivables	39,839	286,467	-	326,306
Cash and cash equivalents	40,826	736,768	-	777,594
Total assets	5,612,896	49,125,248	(3,873,974)	50,864,170
Equity and liabilities				
Total equity	4,730,566	-	-	4,730,566
Insurance contract liabilities	294,105	38,381,079	-	38,675,184
Deferred tax liabilities	467,504	49,427	-	516,931
Insurance payables	12,769	6,114,212	-	6,126,981
Current tax liabilities	55,846	(43,383)	-	12,463
Other payables	52,106	4,623,913	(3,873,974)	802,045
Total liabilities	882,330	49,125,248	(3,873,974)	46,133,604
Total equity and liabilities	5,612,896	49,125,248	(3,873,974)	50,864,170

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2017 (CONTINUED)

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 associates	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

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2017 (CONTINUED)

At 30 November 2017

	Continuing operations				Dis-continued operations
Company	**Shareholders' Fund RM'000**	**Life Fund RM'000**	**Inter-fund Elimination RM'000**	**Total RM'000**	**General Fund RM'000**
Assets					
Property, plant and equipment	480	466,952	-	467,432	401
Investment properties	-	370,312	-	370,312	-
Prepaid land lease payments	592	582	-	1,174	-
Intangible assets	-	85,632	-	85,632	4,243
Investment in subsidiaries	163,000	-	-	163,000	-
Investment in associates	-	88	-	88	-
Available-for-sale financial assets	1,243,949	6,758,380	-	8,002,329	189,992
Fair value through profit or loss financial assets	-	35,420,689	-	35,420,689	5,349
Loans and receivables	3,886,478	4,758,076	(3,873,974)	4,770,580	68,427
Reinsurance assets	-	215,669	-	215,669	17,322
Insurance receivables	-	286,467	-	286,467	39,839
Cash and cash equivalents	1,532	736,768	-	738,300	26,686
Total assets	5,296,031	49,099,615	(3,873,974)	50,521,672	352,259

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2017 (CONTINUED)

At 30 November 2017 (continued)

	Continuing operations				Discontinued operations
Company	**Shareholders' Fund RM'000**	**Life Fund RM'000**	**Inter-fund Elimination RM'000**	**Total RM'000**	**General Fund RM'000**
Equity and liabilities					
Total equity	4,773,556	-	-	4,773,556	152
Insurance contract liabilities	-	38,355,445	-	38,355,445	294,105
Deferred tax liabilities	467,205	49,427	-	516,632	299
Insurance payables	-	6,114,212	-	6,114,212	12,769
Current tax liabilities	55,253	(43,383)	-	11,870	802
Other payables	17	4,654,322	(3,873,974)	780,365	13,724
Total liabilities	522,475	49,130,023	(3,873,974)	45,778,524	321,699
Total equity and liabilities	5,296,031	49,130,023	(3,873,974)	50,552,080	321,851
Interfund balances	-	(30,408)	-	(30,408)	30,408

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2017 (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 associates	-	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017 (CONTINUED)

42 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2017

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums	279,329	8,483,574	-	8,762,903
Premiums ceded to reinsurers	(22,517)	(885,445)	-	(907,962)
Net earned premiums	256,812	7,598,129	-	7,854,941
Investment income	78,205	2,059,791	-	2,137,996
Net realised gains	361	4,299	-	4,660
Fair value gains	57	988,572	-	988,629
Other operating income/ (expenses)	13,161	39,884	(788)	52,257
Total net revenue	348,596	10,690,675	(788)	11,038,483
Gross benefits and claims paid	(118,250)	(6,644,486)	-	(6,762,736)
Claims ceded to reinsurers	6,577	472,776	-	479,353
Gross change to insurance contract liabilities	18,767	(1,970,968)	-	(1,952,201)
Change in insurance contract liabilities ceded to reinsurers	(704)	107,587	-	106,883
Net insurance benefits and claims	(93,610)	(8,035,091)	-	(8,128,701)
Fee and commission expenses	(69,192)	(845,880)		(915,072)
Management expenses	(106,727)	(750,578)	788	(856,517)
Other expenses	(175,919)	(1,596,458)	788	(1,771,589)
Profit before share of loss from associate	79,067	1,059,126	-	1,138,193
Share of (losses)/gains from associate	(4,367)	615	-	(3,752)
Profit before tax	74,700	1,059,741	-	1,134,441
Tax expense attributable to policyholders and unitholders	-	(165,788)	-	(165,788)
Profit before tax attributable to shareholders	74,700	893,953	-	968,653
Transfer from Revenue Accounts	893,953	(893,953)	-	-
Profit before tax attributable to shareholders	968,653	-	-	968,653
Tax expense attributable to shareholders	(160,155)	-	-	(160,155)
Profit after tax for the financial year	808,498	-	-	808,498

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2017

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	808,498	-	-	808,498
Other comprehensive (loss)/ income:				
Items that may be subsequently reclassified to profit or loss				
Net gains arising during the financial year	66,053	-	-	66,053
Net realised gains transferred to income statements	(4,660)	-	-	(4,660)
Deferred taxation	(14,498)	-	-	(14,498)
Change in available-for-sale fair value reserves	46,895	-	-	46,895
Share of other comprehensive income from associate	225	-	-	225
	47,120	-	-	47,120
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	8,233	-	-	8,233
Deferred taxation	(227)	-	-	(227)
Change in insurance contract liabilities	(6,745)	-	-	(6,745)
Change in asset revaluation reserves	1,261	-	-	1,261
Remeasurements	2,050	-	-	2,050
Deferred taxation	(362)	-	-	(362)
Post employment benefit obligations	1,688	-	-	1,688
Other comprehensive income – net of tax, for the financial year	50,069	-	-	50,069
Total comprehensive income for the financial year	858,567	-	-	858,567

42 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)
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

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS (CONTINUED)

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 losses arising during the financial year	(69,282)	-	-	(69,282)
Net realised gains transferred to income statements	(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)
	(52,978)	-	-	(52,978)
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

42 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2017

Company	Continuing operations Shareholders' Fund RM'000	Continuing operations Life Fund RM'000	Continuing operations Total RM'000	Discontinued operations General Fund RM'000
Gross earned premiums	-	8,483,574	8,483,574	279,329
Premiums ceded to reinsurers	-	(885,445)	(885,445)	(22,517)
Net earned premiums	-	7,598,129	7,598,129	256,812
Investment income	61,335	2,059,791	2,121,126	13,910
Net realised gains/(loss)	342	4,299	4,641	(381)
Fair value gains	-	988,572	988,572	57
Other operating (expenses)/ income	(1,470)	39,885	38,415	6,534
Total net revenue	60,207	10,690,676	10,750,883	276,932
Gross benefits and claims paid	-	(6,644,486)	(6,644,486)	(118,250)
Claims ceded to reinsurers	-	472,776	472,776	6,577
Gross change to insurance contract liabilities	-	(1,970,353)	(1,970,353)	18,767
Change in insurance contract liabilities ceded to reinsurers	-	107,587	107,587	(704)
Net insurance benefits and claims	-	(8,034,476)	(8,034,476)	(93,610)
Fee and commission expenses	-	(845,880)	(845,880)	(64,282)
Management expenses	(15,682)	(750,578)	(766,260)	(85,066)
Other expenses	(15,682)	(1,596,458)	(1,612,140)	(149,348)
Profit before tax	44,525	1,059,742	1,104,267	33,974
Tax expense attributable to policyholders and unitholders	-	(165,788)	(165,788)	-
Profit before tax attributable to shareholders	44,525	893,954	938,479	33,974
Transfer from Revenue Accounts	893,954	(893,954)	-	-
Profit before tax attributable to shareholders	938,479	-	938,479	33,974
Tax expense attributable to shareholders	(151,321)	-	(151,321)	(8,662)
Profit after tax for the financial year	787,158	-	787,158	25,312

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2017

Company	Continuing operations			Discontinued operations
	Shareholders' Fund RM'000	Life Fund RM'000	Total RM'000	General Fund RM'000
Profit after tax for the financial year	787,158	-	787,158	25,312
Other comprehensive (loss)/ income:				
Items that may be subsequently reclassified to profit or loss				
Net gains arising during the financial year	64,336	-	64,336	1,605
Net realised (gains)/losses transferred to income statements	(4,641)	-	(4,641)	381
Deferred taxation	(14,194)	-	(14,194)	(476)
Change in available-for-sale fair value reserves	45,501	-	45,501	1,510
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	8,233	-	8,233	-
Deferred taxation	(227)	-	(227)	-
Change in insurance contract liabilities	(6,745)	-	(6,745)	-
Change in asset revaluation reserves	1,261	-	1,261	-
Remeasurements	2,050	-	2,050	-
Deferred taxation	(362)	-	(362)	-
Post employment benefit obligations	1,688	-	1,688	-
Other comprehensive income - net of tax, for the financial year	48,450	-	48,450	1,510
Total comprehensive income for the financial year	835,608	-	835,608	26,822

42 INSURANCE FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2016

	Continuing operations			Discontinued operations
Company	**Shareholders' Fund RM'000**	**Life Fund RM'000**	**Total RM'000**	**General Fund RM'000**
Gross earned premiums	-	7,936,061	7,936,061	312,670
Premiums ceded to reinsurers	-	(368,812)	(368,812)	(22,079)
Net earned premiums	-	7,567,249	7,567,249	290,591
Investment income	65,678	1,990,071	2,055,749	14,631
Net realised gains	181	84	265	71
Fair value losses	-	(169,972)	(169,972)	(114)
Other operating income/ (expenses)	12,414	(18,439)	(6,025)	12,083
Total net revenue	78,273	9,368,993	9,447,266	317,262
Gross benefits and claims paid	-	(6,174,173)	(6,174,173)	(107,977)
Claims ceded to reinsurers	-	185,130	185,130	4,311
Gross change to insurance contract liabilities	-	(914,920)	(914,920)	17,381
Change in insurance contract liabilities ceded to reinsurers	-	37,914	37,914	1,284
Net insurance benefits and claims	-	(6,866,049)	(6,866,049)	(85,001)
Fee and commission expenses	-	(783,833)	(783,833)	(57,891)
Management expenses	(16,754)	(710,959)	(727,713)	(86,365)
Other expenses	(16,754)	(1,494,792)	(1,511,546)	(144,256)
Profit before tax	61,519	1,008,152	1,069,671	88,005
Tax expense attributable to policyholders and unitholders	-	(36,968)	(36,968)	-
Profit before tax attributable to shareholders	61,519	971,184	1,032,703	88,005
Transfer from Revenue Accounts	971,184	(971,184)	-	-
Profit before tax attributable to shareholders	1,032,703	-	1,032,703	88,005
Tax expense attributable to shareholders	(204,157)	-	(204,157)	(18,943)
Profit after tax for the financial year	828,546	-	828,546	69,062

42 INSURANCE FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2016

Company	Continuing operations			Discontinued operations
	Shareholders' Fund RM'000	Life Fund RM'000	Total RM'000	General Fund RM'000
Profit after tax for the financial year	828,546	-	828,546	69,062
Other comprehensive (loss)/ income:				
Items that may be subsequently reclassified to profit or loss				
Net losses arising during the financial year	(67,176)	-	(67,176)	(2,863)
Net realised gains transferred to income statements	(172)	-	(172)	(71)
Deferred taxation	16,016	-	16,016	704
Change in available-for-sale fair value reserves	(51,332)	-	(51,332)	(2,230)
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	(25,444)	-	(25,444)	(2,230)
Total comprehensive income for the financial year	803,102	-	803,102	66,832

42 INSURANCE FUNDS (CONTINUED)

Included in the Income Statements for the financial years ended 30 November 2016 and 2017, and the Statements of Financial Position as at 30 November 2016 and 2017 of the Life fund are the segmental information for the investment-linked funds.

STATEMENTS OF FINANCIAL POSITION FOR INVESTMENT-LINKED FUNDS AS AT 30 NOVEMBER 2017

	Group and Company	
	2017	2016
	RM'000	RM'000
Assets		
Fair value through profit or loss financial assets	5,790,520	4,714,038
Other receivables	8,852	8,700
Cash and cash equivalents	285,582	315,324
Total assets	6,084,954	5,038,062
Less: Liabilities		
Other payables	23,769	43,051
Deferred tax liabilities	37,371	16,974
Current tax liabilities	5,815	935
Total liabilities	66,955	60,960
Net asset value	6,017,999	4,977,102

INCOME STATEMENTS FOR INVESTMENT-LINKED FUNDS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2017

	Group and Company	
	2017	2016
	RM'000	RM'000
Investment income	178,506	147,504
Fair value gains	373,175	930
Other operating income	3,273	4,436
	554,954	152,870
Management expenses	(60,595)	(50,133)
Profit before tax	494,359	102,737
Tax	(32,578)	(2,971)
Profit after tax for the financial year	461,781	99,766