

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

Registration No.

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	30.06.2020			31.12.2019		
		Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
ASSETS							
Property and equipment		520	-	520	627	-	627
Intangible assets		4,454	-	4,454	4,163	-	4,163
Right-of-use-assets		1,667	-	1,667	1,979	-	1,979
Financial Assets - available-for-sale	11(a)	205,204	3,361	208,565	133,651	3,799	137,450
Financial Assets - fair value through profit or loss	11(a)	7,993	1,391,104	1,399,097	8,035	1,073,692	1,081,727
Loan and receivables	12	-	17,014	17,014	-	43,883	43,883
Qard receivable		58,126	-	-	58,126	-	-
Other receivables	13	76,222	4,348	12,266	74,608	3,034	13,008
Retakaful assets	15	-	19,991	19,991	-	13,355	13,355
Takaful certificates receivables	14	-	10,117	10,117	-	6,285	6,285
Tax recoverables		9,652	(2,214)	7,438	9,723	(1,147)	8,576
Cash and cash equivalents		19,789	217,617	237,406	74,732	270,422	345,154
Total assets		383,627	1,661,338	1,918,535	365,644	1,413,323	1,656,207
EQUITY							
Share capital		300,000	-	300,000	300,000	-	300,000
General reserves		(33,333)	-	(33,333)	(33,333)	-	(33,333)
Accumulated losses		(14,302)	(72,126)	(72,428)	(14,772)	(72,126)	(72,898)
Available-for-sale fair value reserves		7,557	124	7,681	4,641	56	4,697
Total equity		259,922	(72,002)	201,920	256,536	(72,070)	198,466

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 (CONTINUED)

	30.06.2020			31.12.2019		
<u>Note</u>	<u>Shareholders' fund</u>	<u>Family takaful fund</u>	<u>Company</u>	<u>Shareholders' fund</u>	<u>Family takaful fund</u>	<u>Company</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES						
Expense liabilities	10,242	-	10,242	9,089	-	9,089
Takaful contract liabilities	15	1,511,500	1,511,500	-	1,283,307	1,283,307
Takaful certificates payables	-	17,491	17,491	-	27,047	27,047
Deferred tax liabilities	2,227	9,046	11,273	1,411	4,022	5,433
Qard payable	-	72,126	-	-	72,126	-
Lease liabilities	1,709	-	1,709	2,013	-	2,013
Other payables	16	123,177	164,400	96,595	98,891	130,852
Total liabilities	<u>123,705</u>	<u>1,733,340</u>	<u>1,716,615</u>	<u>109,108</u>	<u>1,485,393</u>	<u>1,457,741</u>
Total equity and liabilities	<u>383,627</u>	<u>1,661,338</u>	<u>1,918,535</u>	<u>365,644</u>	<u>1,413,323</u>	<u>1,656,207</u>

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

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UNAUDITED CONDENSED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2020

	6 months ended 30.06.2020			6 months ended 30.06.2019		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Gross earned contributions	-	505,645	505,645	-	463,128	463,128
Contributions ceded to retakaful	-	(16,052)	(16,052)	-	(12,214)	(12,214)
Net earned contributions	-	489,593	489,593	-	450,914	450,914
Investment income	4,101	25,281	29,382	4,120	18,841	22,961
Fees and commission income	163,542	-	-	159,438	68	68
Fair value (losses)/gains	(41)	57,789	57,748	335	46,402	46,737
Other operating income	3,293	-	3,293	2,115	-	2,115
Total revenue	170,895	572,663	580,016	166,008	516,225	522,795
Gross benefits and claims paid	-	(176,029)	(176,029)	-	(159,614)	(159,614)
Claims ceded to retakaful operator	-	(7,077)	(7,077)	-	8,765	8,765
Gross change to certificate liabilities	-	(221,557)	(221,557)	-	(196,583)	(196,583)
Change in Takaful contract liabilities ceded to retakaful operator	-	6,636	6,636	-	(1,022)	(1,022)
Net benefits and claims	-	(398,027)	(398,027)	-	(348,454)	(348,454)

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UNAUDITED CONDENSED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2020 (CONTINUED)

	6 months ended 30.06.2020			6 months ended 30.06.2019		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Fees and commission expenses	(108,623)	(163,542)	(108,623)	(103,264)	(159,438)	(103,264)
Management expenses	(58,559)	(1,223)	(59,782)	(54,961)	(924)	(55,885)
Other operating expenses	(10)	(3,142)	(3,152)	(106)	(2,066)	(2,172)
Change to expense liability	(1,154)	-	(1,154)	(889)	-	(889)
Bad and doubtful debts	(123)	(644)	(767)	-	(8)	(8)
Other expenses	(168,469)	(168,551)	(173,478)	(159,220)	(162,436)	(162,218)
Profit before taxation	2,426	6,085	8,511	6,788	5,335	12,123
Tax expense attributable to participants	-	(6,085)	(6,085)	-	(5,335)	(5,335)
Profit before taxation attributable to shareholders	2,426	-	2,426	6,788	-	6,788
Taxation	(1,956)	(6,085)	(8,041)	(2,545)	(5,335)	(7,880)
Tax expense attributable to participants	-	6,085	6,085	-	5,335	5,335
Tax expense attributable to shareholders	(1,956)	-	(1,956)	(2,545)	-	(2,545)
Net profit for the period	470	-	470	4,243	-	4,243
Profit per share (sen): Basic and diluted			0.16			1.41

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020

	<u>6 months ended 30.06.2020</u>			<u>6 months ended 30.06.2019</u>		
	<u>Shareholders' fund</u> RM'000	<u>Family takaful fund</u> RM'000	<u>Company</u> RM'000	<u>Shareholders' fund</u> RM'000	<u>Family takaful fund</u> RM'000	<u>Company</u> RM'000
Net profit for the period	470	-	470	4,243	-	4,243
Other comprehensive income:						
<u>Items that may be subsequently reclassified to profit or loss</u>						
Fair value change of available-for-sale financial assets	3,837	-	3,837	7,130	-	7,130
Deferred tax	(921)	(6)	(927)	(1,670)	(8)	(1,678)
Change in Takaful contract liabilities arising from unrealised fair value changes	-	74	74	-	96	96
Other comprehensive income for the period	<u>2,916</u>	<u>68</u>	<u>2,984</u>	<u>5,460</u>	<u>88</u>	<u>5,548</u>
Total comprehensive income for the period	<u><u>3,386</u></u>	<u><u>68</u></u>	<u><u>3,454</u></u>	<u><u>9,703</u></u>	<u><u>88</u></u>	<u><u>9,791</u></u>

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital RM'000	General reserves RM'000	Non- distributable available- for-sale fair value reserves RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2020	300,000	(33,333)	4,697	(72,898)	198,466
Total comprehensive income for the financial period	-	-	2,984	470	3,454
At 30 June 2020	<u>300,000</u>	<u>(33,333)</u>	<u>7,681</u>	<u>(72,428)</u>	<u>201,920</u>
At 1 January 2019	300,000	(33,333)	176	(88,149)	178,694
Total comprehensive income for the financial period	-	-	5,548	4,243	9,791
At 30 June 2019	<u>300,000</u>	<u>(33,333)</u>	<u>5,724</u>	<u>(83,906)</u>	<u>188,485</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020

	<u>30.06.2020</u>	<u>30.06.2019</u>
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation for the financial period	8,511	12,123
Adjustments for:		
Bad and doubtful debts	1,451	8
Bad debt written back	(684)	-
Depreciation of property and equipment	122	111
Depreciation of right of use assets	312	312
Amortisation of intangible assets	970	825
Net amortisation of premium on investments	972	399
Profit Income	(24,034)	(19,885)
Dividend Income	(6,320)	(3,475)
Finance cost of leases	35	-
Fair value gains on fair value through profit or loss (FVTPL) financial assets	(69,884)	(58,050)
Property and equipment written off	-	10
Operating loss before working capital changes	<u>(88,549)</u>	<u>(67,622)</u>
Decrease/(Increase) in loan and receivables	26,400	(6,550)
Decrease in other receivables	917	886
(Increase)/Decrease in Retakaful assets	(6,636)	1,022
(Increase)/Decrease in Takaful certificates receivables	(4,774)	3,149
Increase in net Takaful contract liabilities	228,193	195,560
Decrease in Takaful certificates payables	(9,556)	(11,252)
Increase/(Decrease) in other payables	33,548	(35,947)
Increase in expenses liabilities	1,153	889
Increase in financial assets	(313,003)	(154,957)
Cash used in operating activities	<u>(132,307)</u>	<u>(74,822)</u>
Income tax paid	(1,990)	(3,957)
Finance cost of leases paid	(35)	-
Profit income received	21,585	17,180
Dividend received	6,579	3,911
Net cash used in operating activities	<u>(106,168)</u>	<u>(57,688)</u>
Cash flow from investing activities		
Purchase of property and equipment	(15)	(111)
Purchase of intangible assets	(1,261)	(1,583)
Net cash used in investing activities	<u>(1,276)</u>	<u>(1,694)</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020 (CONTINUED)

	<u>30.06.2020</u> RM'000	<u>30.06.2019</u> RM'000
Cash flow from financing activity		
Repayment of lease liabilities	(304)	(295)
Net cash used in financing activity	<u>(304)</u>	<u>(295)</u>
Net decrease in cash and cash equivalents	(107,748)	(59,677)
Cash and cash equivalents at the beginning of the period	<u>345,154</u>	<u>286,334</u>
Cash and cash equivalents at the end of the period	<u>237,406</u>	<u>226,657</u>
Cash and cash equivalents comprise:		
Cash and bank balances	97,869	142,297
Fixed deposit with licensed Islamic bank	139,537	84,360
	<u>237,406</u>	<u>226,657</u>

Reconciliation of liabilities arising from financing activities:

	Balances as at beginning of the financial period RM'000	Net cash flow from operating activities RM'000	Net cash flow from financing activities RM'000	Additions to lease liability RM'000	Finance cost of leases RM'000	Balances as at end of the financial period RM'000
2020						
Lease liabilities	2,013	35	(304)	-	(35)	1,709

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

1 CORPORATE INFORMATION

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

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

Principal place of business

Level 14, Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur

Registered office

Level 29, Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur

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

The unaudited condensed interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 August 2020.

2 BASIS OF PREPARATION

The condensed interim financial statements of the Company are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), *134 Interim Financial Reporting*.

The Company have adopted the MFRS framework issued by the Malaysian Accounting Standards Board ("MASB") and Revised Guidelines on Financial Reporting for Takaful Operators issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2019.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020 (CONTINUED)

3 SIGNIFICANT CHANGE IN ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted by the Company's audited financial statements for the financial year ended 31 December 2019, except for the adoption of the following:

- 3.1 Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2020.

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial period beginning on 1 January 2020:

- Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform
- Amendments to MFRS 101 and MFRS 108 Definition of Material
- Amendment to MFRS 16 Covid-19-Related Rent Concessions
- The Conceptual Framework for Financial Reporting (Revised 2018)

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

- 3.2 Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.

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

Financial year beginning on/after 1 January 2023

- MFRS 17 "Insurance Contracts"

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

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3 SIGNIFICANT CHANGE IN ACCOUNTING POLICIES (CONTINUED)

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

Financial year beginning on/after 1 January 2023 (continued)

- MFRS 17 “Insurance Contracts” (continued)

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

Alternative measurement models are provided for the different insurance coverages:

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

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

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

The Company is in the midst of conducting a detailed assessment of the new standard. On 17 August 2020, the Malaysian Accounting Standards Board (“MASB”) issued the Amendments to MFRS 17 and the Amendments to MFRS 4 that defers the effective date of MFRS 17 and the temporary exemption from applying MFRS 9 to annual reporting periods beginning on or after 1 January 2023.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 January 2020 are not relevant to the Company.

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3 SIGNIFICANT CHANGE IN ACCOUNTING POLICIES (CONTINUED)

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

Financial year beginning on/after 1 January 2023 (continued)

- Amendments to MFRS 101 'Classification of liabilities as current or non-current'

Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020 (CONTINUED)

4 SEASONALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the financial period.

5 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 30 June 2020.

6 CHANGES IN ESTIMATES

There were no change in estimates of amounts reported in prior interim period or financial year that has a material effect in the financial period.

7 ISSUANCE FOR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities by the Company during the financial period.

8 DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

9 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the financial period ended 30 June 2020 that have not been reflected in the condensed interim financial statements.

10 SIGNIFICANT EVENTS

There were no significant events subsequent to the financial period ended 30 June 2020 that have not been reflected in the condensed interim financial statements.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020 (CONTINUED)

11 FINANCIAL ASSETS

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

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>30.6.2020</u>			
Financial assets - available-for-sale (AFS):			
Government investment issues	29,536	1,604	31,140
Unquoted corporate sukuks	173,159	1,737	174,896
Income due and accrued	2,509	20	2,529
	<u>205,204</u>	<u>3,361</u>	<u>208,565</u>
Financial assets at FVTPL:			
Government investment issues	-	214,505	214,505
Unquoted corporate sukuks	-	682,081	682,081
Quoted shariah approved shares	-	442,406	442,406
Unquoted shariah approved equities	7,993	23,607	31,600
Shariah approved unit trusts	-	10,192	10,192
REITs	-	8,115	8,115
Income due and accrued	-	10,198	10,198
	<u>7,993</u>	<u>1,391,104</u>	<u>1,399,097</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020 (CONTINUED)

11 FINANCIAL ASSETS (CONTINUED)

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

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2019</u>			
Financial assets - available-for-sale (AFS):			
Government investment issues	27,475	1,547	29,022
Unquoted corporate sukus	104,496	2,222	106,718
Income due and accrued	1,680	30	1,710
	<u>133,651</u>	<u>3,799</u>	<u>137,450</u>
Financial assets at FVTPL:			
Government investment issues	-	165,971	165,971
Unquoted corporate sukus	-	517,306	517,306
Quoted shariah approved shares	-	337,726	337,726
Unquoted shariah approved equities	8,035	27,308	35,343
Shariah approved unit trusts	-	10,096	10,096
REITs	-	6,927	6,927
Income due and accrued	-	8,358	8,358
	<u>8,035</u>	<u>1,073,692</u>	<u>1,081,727</u>

(b) Movement in carrying values

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>AFS</u>			
At 1 January 2019	106,756	5,303	112,059
Purchases	92,159	-	92,159
Disposals at fair value	(71,352)	(1,602)	(72,954)
Fair value gains recorded in:			
Other comprehensive income	5,806	117	5,923
Amortisation of premiums – net	(203)	(5)	(208)
Movement of investment income due and accrued	485	(14)	471
At 31 December 2019	<u>133,651</u>	<u>3,799</u>	<u>137,450</u>

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11 FINANCIAL ASSETS (CONTINUED)

(b) Movement in carrying values (continued)

	Shareholders' <u>fund</u> RM'000	Family Takaful <u>fund</u> RM'000	<u>Company</u> RM'000
<u>AFS</u> (continued)			
At 1 January 2020	133,651	3,799	137,450
Purchases	75,309	-	75,309
Disposals at fair value	(8,108)	(500)	(8,608)
Fair value gains recorded in:			
Other comprehensive income	3,837	74	3,911
Amortisation of premiums – net	(314)	(2)	(316)
Movement of investment income due and accrued	829	(10)	819
	<u>205,204</u>	<u>3,361</u>	<u>208,565</u>
At 30 June 2020	<u>205,204</u>	<u>3,361</u>	<u>208,565</u>
<u>FVTPL</u>			
At 1 January 2019	7,861	756,606	764,467
Purchases	-	392,242	392,242
Disposals at fair value	-	(149,000)	(149,000)
Fair value gains recorded in:			
Profit or loss	174	72,852	73,026
Amortisation of premiums – net	-	(648)	(648)
Movement of investment income due and accrued	-	1,640	1,640
	<u>8,035</u>	<u>1,073,692</u>	<u>1,081,727</u>
At 31 December 2019	8,035	1,073,692	1,081,727
Purchases	-	474,198	474,198
Disposals at fair value	-	(227,896)	(227,896)
Fair value (losses)/gains recorded in:			
Profit or loss	(42)	69,926	69,884
Amortisation of premiums – net	-	(656)	(656)
Movement of investment income due and accrued	-	1,840	1,840
	<u>7,993</u>	<u>1,391,104</u>	<u>1,399,097</u>
At 30 June 2020	<u>7,993</u>	<u>1,391,104</u>	<u>1,399,097</u>

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11 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy

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

	<u>30.06.2020</u> RM'000	<u>31.12.2019</u> RM'000
<u>AFS</u>		
<u>Shareholders' fund</u>		
Valuation techniques – market observable inputs (Level 2)	205,204	133,651
	<u> </u>	<u> </u>
<u>Family Takaful fund</u>		
Valuation techniques – market observable inputs (Level 2)	3,361	3,799
	<u> </u>	<u> </u>
<u>Company</u>		
Valuation techniques – market observable inputs (Level 2)	208,565	137,450
	<u> </u>	<u> </u>
<u>FVTPL</u>		
<u>Shareholders' fund</u>		
Valuation techniques – market observable inputs (Level 2)	7,993	8,035
	<u> </u>	<u> </u>
<u>Family Takaful fund</u>		
Quoted market price (Level 1)	461,233	355,528
Valuation techniques – market observable inputs (Level 2)	929,871	718,164
	<u> </u>	<u> </u>
	1,391,104	1,073,692
	<u> </u>	<u> </u>
<u>Company</u>		
Quoted market price (Level 1)	461,233	355,528
Valuation techniques – market observable inputs (Level 2)	937,864	726,199
	<u> </u>	<u> </u>
	1,399,097	1,081,727
	<u> </u>	<u> </u>

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11 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

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

Level 1:

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

Level 2:

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

Level 3:

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

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11 FINANCIAL ASSETS (CONTINUED)

(d) Interests in structured entities

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

The following table summarizes the Company's investment in unconsolidated structured entities as at 30 June 2020 and 31 December 2019:

	<u>30.06.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000
Investment Funds (1)		
Equity securities at fair value through profit or loss	18,307	17,023

Notes:

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

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

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12 LOAN AND RECEIVABLES

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>30.06.2020</u>			
Loans and receivables:			
Islamic investment accounts with licensed Islamic Bank	-	17,000	17,000
Accrued profit	-	14	14
	<u>-</u>	<u>17,014</u>	<u>17,014</u>
	<u>-</u>	<u>17,014</u>	<u>17,014</u>
<u>31.12.2019</u>			
Loans and receivables:			
Islamic investment accounts with licensed Islamic Bank	-	43,400	43,400
Accrued profit	-	483	483
	<u>-</u>	<u>43,883</u>	<u>43,883</u>
	<u>-</u>	<u>43,883</u>	<u>43,883</u>

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

	Shareholders' fund %	Family Takaful fund %	Company %
<u>30.06.2020</u>			
Loans and receivables:			
Islamic investment accounts with licensed Islamic Bank	-	2.35	2.35
	<u>-</u>	<u>2.35</u>	<u>2.35</u>
<u>31.12.2019</u>			
Loans and receivables:			
Islamic investment accounts with licensed Islamic Bank	-	3.44	3.44
	<u>-</u>	<u>3.44</u>	<u>3.44</u>

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13 OTHER RECEIVABLES

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

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>30.06.2020</u>			
Due from Family Takaful fund (Note 16)	68,304	-	-
Other receivables and deposits	8,882	4,348	13,230
Allowance for impairment	(964)	-	(964)
	<u>76,222</u>	<u>4,348</u>	<u>12,266</u>

31.12.2019

Due from Family Takaful fund (Note 16)	64,634	-	-
Due from related company	171	-	171
Other receivables and deposits	10,874	3,034	13,908
Allowance for impairment	(1,071)	-	(1,071)
	<u>74,608</u>	<u>3,034</u>	<u>13,008</u>

Movement in allowance for impairment

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>30.06.2020</u>			
At 1 January	(1,071)	-	(1,071)
Allowance for impairment during the period	107	-	107
At 30 June	<u>(964)</u>	<u>-</u>	<u>(964)</u>
<u>31.12.2019</u>			
At 1 January	(2,155)	-	(2,155)
Allowance for impairment during the year	1,084	-	1,084
At 31 December	<u>(1,071)</u>	<u>-</u>	<u>(1,071)</u>

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14 TAKAFUL CERTIFICATES RECEIVABLES

	<u>30.06.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000
<u>Family Takaful fund/Company</u>		
Due contribution including from agents/ brokers and co-takaful	14,047	14,863
Allowance for impairment	(4,546)	(2,988)
Written back/(Write off) during the financial period/year	616	(5,590)
	<u> </u>	<u> </u>
Net amount of financial assets presented in the statement of financial position	<u>10,117</u>	<u>6,285</u>
Receivable within 12 months	10,117	6,285

The following table shows the assets and liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at the end of the financial period 30 June 2020 and financial year ended 31 December 2019:

<u>Offsetting financial assets and financial liabilities</u>		
	<u>30.06.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000
Gross amount of recognised financial assets	15,093	16,030
Less:		
Gross amount of recognised financial liabilities set off in the statement of financial position	(1,046)	(1,167)
	<u> </u>	<u> </u>
Net amount of financial assets presented in the statement of financial position	<u>14,047</u>	<u>14,863</u>

Movement in allowance for impairment and write off

At 1 January	(2,988)	(8,034)
Allowance during the financial period/year		
- borne by Shareholders' fund	(815)	999
- borne by Family Takaful fund	(743)	4,047
	<u> </u>	<u> </u>
At 30 June/31 December	<u>(4,546)</u>	<u>(2,988)</u>
Written back/(Write off) during the financial period/year		
- borne by Shareholders' fund	517	(1,112)
- borne by Family Takaful fund	99	(4,478)
	<u> </u>	<u> </u>
At 30 June/31 December	<u>616</u>	<u>(5,590)</u>

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15 TAKAFUL CONTRACT LIABILITIES

Family Takaful fund/Company

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>30.06.2020</u>			
Participants' Risk Fund			
Claims liabilities	75,091	(19,461)	55,630
Actuarial liabilities	210,044	(530)	209,514
Net asset value attributable to certificate holders	1,063,413	-	1,063,413
AFS fair value adjustment	135	-	135
Underwriting profit attributable to participants	-	-	-
Unallocated surplus	162,817	-	162,817
	<u>1,511,500</u>	<u>(19,991)</u>	<u>1,491,509</u>
<u>31.12.2019</u>			
Participants' Risk Fund			
Claims liabilities	70,813	(12,783)	58,030
Actuarial liabilities	171,400	(572)	170,828
Net asset value attributable to certificate holders	925,042	-	925,042
AFS fair value adjustment	61	-	61
Underwriting profit attributable to participants	12,250	-	12,250
Unallocated surplus	103,741	-	103,741
	<u>1,283,307</u>	<u>(13,355)</u>	<u>1,269,952</u>

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15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

<u>Family Takaful fund/Company (continued)</u>	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
Movement of Takaful contract liabilities:			
<u>30.06.2020</u>			
At 1 January 2020	1,283,307	(13,355)	1,269,952
Decrease in claims liabilities	4,278	(6,678)	(2,400)
Certificate movement	38,644	42	38,686
Increase in net asset value attributable to certificate holders	138,371	-	138,371
Increase in AFS fair value adjustment	74	-	74
Decrease in underwriting profit distributable to participants	(12,250)	-	(12,250)
Unallocated surplus	59,076	-	59,076
At 30 June 2020	<u>1,511,500</u>	<u>(19,991)</u>	<u>1,491,509</u>
<u>31.12.2019</u>			
At 1 January 2019	919,787	(9,661)	910,126
Increase in claims liabilities	16,150	(3,847)	12,303
Certificate movement	43,241	153	43,394
Increase in net asset value attributable to certificate holders	257,847	-	257,847
Increase in AFS fair value adjustment	117	-	117
Decrease in underwriting profit distributable to participants	(2,750)	-	(2,750)
Unallocated surplus	48,915	-	48,915
At 31 December 2019	<u>1,283,307</u>	<u>(13,355)</u>	<u>1,269,952</u>

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16 OTHER PAYABLES

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>30.06.2020</u>			
Sundry payables	12,938	51,643	64,581
Accruals and provisions	50,862	3,204	54,066
Due to shareholders' fund (Note 13)	-	68,304	-
Due to related company	45,727	26	45,753
	<u>109,527</u>	<u>123,177</u>	<u>164,400</u>
<u>31.12.2019</u>			
Sundry payables	9,587	19,824	29,411
Accruals and provisions	34,682	14,381	49,063
Due to shareholders' fund (Note 13)	-	64,634	-
Due to related company	52,326	52	52,378
	<u>96,595</u>	<u>98,891</u>	<u>130,852</u>

* Total amounts in Shareholders' fund and Family Takaful fund do not equate amount in Company due to elimination of inter-fund balances.

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17 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2020 and 31 December 2019, as prescribed under Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") are as follows:

Company	30.06.2020 RM'000	31.12.2019 RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	300,000	300,000
Accumulated losses	(14,302)	(14,772)
Valuation surplus maintained in the Family Takaful funds	47,337	6,722
	<u>333,035</u>	<u>291,950</u>
<u>Tier 2 Capital</u>		
General reserves	(33,333)	(33,333)
Available for sale reserves	7,681	4,697
<i>Qard</i>	72,126	72,126
	<u>46,474</u>	<u>43,490</u>
Amount deducted from capital in accordance with paragraph 9.9 of RBCT Framework	62,562	61,301
Total Capital Available	<u>321,447</u>	<u>274,139</u>

18 CAPITAL COMMITMENTS

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

	30.06.2020 RM'000	31.12.2019 RM'000
<u>Capital expenditure:</u>		
Approved and contracted for:		
Intangible assets	<u>2,283</u>	<u>-</u>

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19 INVESTMENT-LINKED TAKAFUL FUNDS

Included in the unaudited condensed Income Statement for financial period ended 30 June 2020 and 30 June 2019, and unaudited condensed Statement of Financial Position as at 30 June 2020 and 31 December 2019 of the Family Takaful fund are the segmental information for the investment-linked Takaful funds.

(a) Statement of Income and Expenditure

	<u>30.06.2020</u> RM'000	<u>30.06.2019</u> RM'000
Investment income	8,006	4,532
Net fair value gains	32,211	18,507
	<u>40,217</u>	<u>23,039</u>
Other operating expenses	(3,141)	(2,067)
	<u>37,076</u>	<u>20,972</u>
Profit before taxation	37,076	20,972
Taxation	(2,797)	(1,624)
	<u>34,279</u>	<u>19,348</u>

(b) Statement of Financial Position

	<u>30.06.2020</u> RM'000	<u>31.12.2019</u> RM'000
ASSETS		
Financial assets at FVTPL:		
Government investment issues	25,649	5,399
Unquoted corporate sukuks	79,116	76,562
Quoted shariah approved shares	364,631	277,144
Unquoted shariah approved equities	6,657	10,611
Shariah approved unit trust fund	16,887	15,810
Income due and accrued	1,369	1,477
Other receivables	201	1,788
Cash and cash equivalents	87,090	75,346
Taxation	3	3
	<u>581,603</u>	<u>464,140</u>

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19 INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)

(b) Statement of Financial Position (continued)

	<u>30.06.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000
LIABILITIES		
Other payables	14,304	627
Deferred tax liabilities	4,019	1,222
Total liabilities	<u>18,323</u>	<u>1,849</u>
Net asset value of funds	<u>563,280</u>	<u>462,291</u>