



HSBC Amanah Takaful Investment-Linked Funds

Annual funds performance for the year ended 31 December 2014



Islamic Financial Solutions

Issued by HSBC Amanah Takaful (Malaysia) Berhad (Company No. 731530-M)

HSBC 
Amanah Takaful

HSBC Amanah Takaful was awarded the following by Malaysian Takaful Association (MTA).

- ▶ **2011 & 2012 Top Bancatakaful Provider**
- ▶ **2012, 2013 & 2014 Best Takaful Operator**
- ▶ **2012, 2013 & 2014 Top Bancatakaful Producer**

Each year, we at HSBC Amanah Takaful renew our commitment to provide financial solutions to realise your ambitions. This year, we move forward towards achieving our goal – to deserve the trust that you place in us.

We thank you for the continued support in choosing a top performing finance expert to safeguard a financial destiny that defies gravity.

Message from HSBC Amanah Takaful (Malaysia) Berhad

Dear Valued Participants,

First and foremost, thank you for your unfailing trust in us as it is the main reason we reaped success in 2014. With your unending support, HSBC Amanah Takaful was again awarded the *The Best Takaful Operator for Bancatakaful Business* and *The Top Bancatakaful Producer* by the Malaysian Takaful Association. HSBC Amanah also secured an award for the *Best Takaful Partner - Financial Institution* category.

It is with great pleasure that I present to you the 2014 Annual Fund Performance Report. This report details the performance of our business for the past year and provides you with the understanding you need on funds offered by HSBC Amanah Takaful.

In 2012, we introduced two new funds; HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund and HSBC Amanah Takaful's Dana Dividen. To date, both funds have increased in terms of fund size to MYR15 million and MYR16 million, respectively.

2014 key highlights;

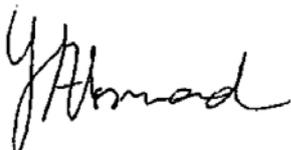
- ▶ Assets growing 10% to MYR1.293billion against 2013's MYR1.174 billion.
- ▶ Recorded MYR325 million of gross contribution.
- ▶ Remained at No. 5 rank for General Takaful business with 3% market share.
- ▶ Remained at No.2 rank with 17% market share for Single Premium Investment-Linked (SPIL) segment.
- ▶ Capital Adequacy Ratio (CAR), which is one of the measures of financial strength of the company, is 268% as at 31 December 2014, above the Target CAR of 245%.
- ▶ Awarded three awards at the Malaysian Takaful Association's Takaful Starnite 2015.

The takaful market outlook looks promising. The Malaysian Islamic banks' assets have grown 12% in 2014¹. The continued growth of the Islamic banking sector will help sustain the progress of the takaful industry². The insurance and takaful penetration is still very low, at 5%². As such, there is tremendous opportunity for growth and we expect the Malaysian takaful industry to continue to grow despite the challenging economic environment.

We at HSBC Amanah Takaful will continue to do our utmost to meet your needs as our success is due to you and your unwavering support. Takaful plays a very important part in financial planning and we have exciting new products coming up in 2015, so please do look out for them.

Again, thank you for your constant support and trust in us. HSBC Amanah Takaful will continue to strive to be your preferred Takaful provider.

Yours sincerely,



Yahya Adnan Ahmad
Appointed Representative for Chief Executive Officer

¹ Bank Negara Malaysia's monthly statistics as at February 2015

² Ernst & Young's Global Takaful Insight 2014

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▶3 Flying Dragon Portfolio

Investment Objective

This Takaful Structured Investment Linked Fund (TSILF) is a 5-year structured investment with 100% principal to be repaid in MYR if it is held to the Maturity Date. The investment aims to provide potential returns based on the calculated performance of Dow Jones Islamic Market China/Hong Kong Titans 30 Total Return Index (Bloomberg code DJICHKT Index) using a proprietary trading strategy, Volatility Cap Strategy (the "Strategy").

Flying Dragon Performance Review

All performance calculations below are indicative. All actual valuation and final performance calculations have to be confirmed by the Issuer (HSBC Amanah) at relevant valuation and/or payment dates.

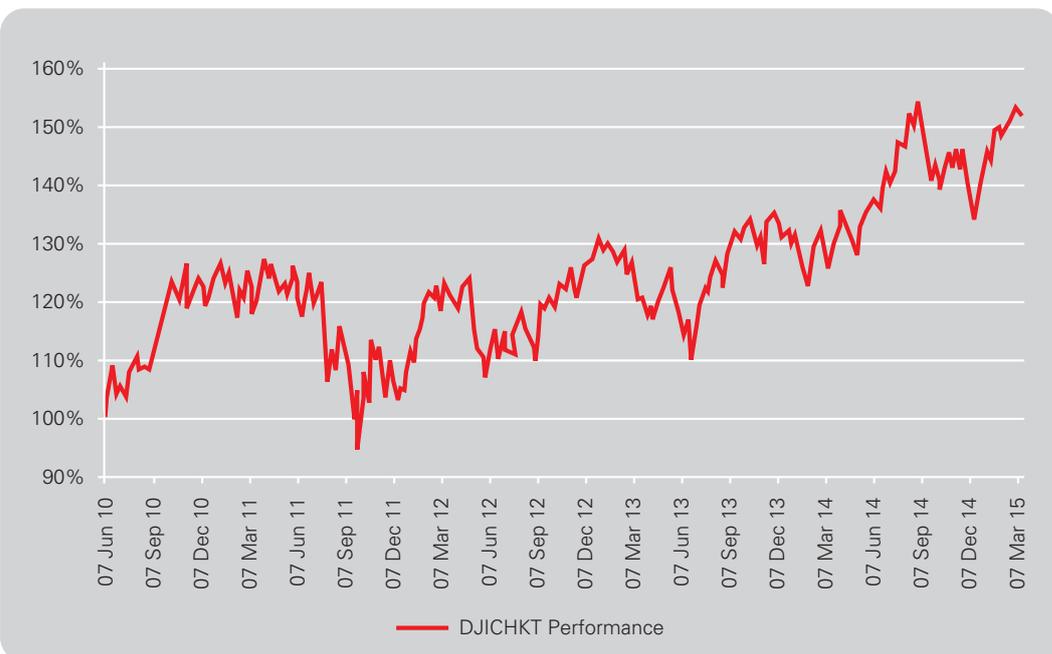
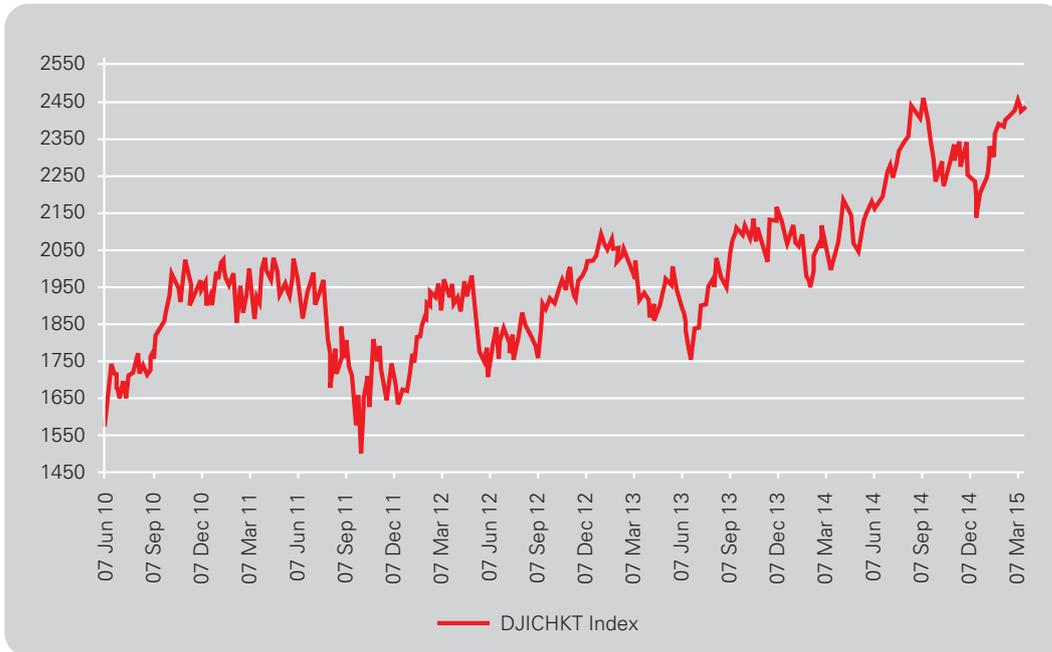
Product Description

Flying Dragon is a Shariah compliant structured investment which aims to provide potential returns based on the performance of the Dow Jones Islamic Market China/Hong Kong Titans 30 Total Return Index (Bloomberg code DJICHKT index) with a proprietary trading strategy Volatility Cap Strategy. This Strategy includes a risk control mechanism which adjusts the exposure to the Index depending on the volatility of the Index compared to a target volatility level of 15%. This Strategy safeguards investors by reducing exposure in risky asset when the market is going through extreme volatility.

Quarterly observations of the Index is made for the purpose of the calculation of final returns to investors at maturity, after adjustment with a Participation Rate of 65% and movement in spot rate of HKDMYR since the start of investment.

► 4 Flying Dragon Portfolio (continued)

Performance since inception



Note: Charts are not indicative of the likely or future performance of the investment.

► 5 Flying Dragon Portfolio (continued)

Since the inception of this investment, the underlying Index reached a highest recorded valuation level of 2456.07 on 8 Sept 2014. The index measures the 30 largest companies with primary operations in mainland China and Hong Kong but trade on the Stock Exchange of Hong Kong. Index components must pass rule-based screens for compliance with Islamic investment guidelines and the sector allocation as at March 2015 is as follows:

Sector	Allocation
1. Financials	19.87%
2. Technology	7.77%
3. Consumer, Cyclical	12.39%
4. Energy	13.70%
5. Utilities	7.77%
6. Consumer, Non-Cyclical	13.69%
7. Communications	16.87%
8. Industrial	7.93%

Source: S&P Dow Jones Indices, March 2015

Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

Comparative Performance Table

Flying Dragon Portfolio	2014	2013	2012	2011	2010
Total NAV	16,323,085	16,519,490	17,667,358	18,745,474	20,512,304
Units in Circulation	15,583,314	16,360,791	17,927,989	19,198,298	20,992,908
NAV per Unit	1.047	1.010	0.985	0.976	0.977
Highest NAV per unit	1.048	1.011	0.986	1.009	1.009
Lowest NAV per unit	1.007	0.978	0.944	0.927	0.954
Total Return					
- Capital Growth	3.74%	2.42%	4.55%	-4.82%	-0.94%
Performance Return					
1 year	3.74%				
3 years	5.88%				

▶ 6 HSBC Amanah LifeSelect Fixed Income Fund

Investment Objective

The Fund aims to achieve capital growth in the medium to long term by investing in Pacific Dana Murni ("Target Fund"), a Shariah-compliant unit trust fund managed by Pacific Mutual Fund Berhad which invests primarily in a diversified portfolio of Islamic private debt securities and other liquid assets which are permitted by the Shariah Advisory Council of the Securities Commission Malaysia ("SACSC").

Fees and Charges

Fund Management Fees – 1.00% per annum of the Fund value
(This is the fee charged for the ongoing portfolio management).

Trustee Fees – 0.04% per annum of the Fund value
(This is a fee paid to the Trustee for the custodial management and administration of a Fund's assets such as transaction settlement and custody).

** No trustee fees shall be imposed with effective from 28 June 2013 as the fund has been structured as a feeder fund that invests wholly in Pacific Dana Murni, a unit trust fund managed by Pacific Mutual Fund Berhad.*

These fees are calculated based on the Fund's value. It is accrued on daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement applied to the management on this fund.

Annual Review of Fixed Income Markets (1 January 2014 to 31 December 2014)

The markets started the year with a surprise rally in global bonds. Weaker economic data in the US and China along with the escalation of the Ukraine conflict led investors back to the safety of Treasuries. These gains during the first quarter came about despite the Federal Reserve's declaration that it would start the Quantitative Easing (QE) taper from January. The second quarter witnessed more modest gains across most categories. The first half ended with the 10-year US Treasury (UST) yield down 51 basis points to 2.53% as fund flows continued to support most fixed income asset classes including emerging markets and high yield debt.

US Treasuries continued gains in the second half of the year, albeit on higher volatility. Treasuries yields moved higher from August lows, as geopolitical tensions eased and strong US economic data emerged. However, the expression by the Federal Reserve that it would maintain its low interest rate policy helped ease investor worries of stalling global growth, setting the US Treasuries rallying in October. The 10-year yield fell to an intra-period low of 1.86%. QE in the US finally ended in October as expected. The Treasury market ended the period firmly on falling oil prices and comments from the European Central Bank (ECB) of the need to increase monetary stimulus to stave off deflationary risks and People's Bank of China (PBOC) act of cutting lending rates in November.

Malaysian bond yields rose along with other Asian markets in the first quarter on concerns over the US Federal Reserve's tapering of asset purchases. The 10-year Malaysia Government Securities (MGS) yield reached a high of 4.30% in late January with yields returning to peaks seen in July-August 2013. Thereafter, positive domestic releases as well as bullish UST movements moved MGS yields lower.

Selling pressure also weighed on the shorter-end of the curve on fears of a second successive rate hike in September, but reversed subsequently after the central bank decided to keep rates steady instead. The subsequent firming in bond prices, following a well-received Budget 2015 in which the government committed to achieving a fiscal deficit target of 3%, the removal of subsidy on petrol and diesel and remarks from Bank Negara of risk to growth, failed to sustain as falling oil prices gave rise to fears of twin deficits and potential outflow of foreign funds from the bond market. Malaysian government bonds ended the year fairly flat with the 10-year MGS yield of 4.119% at end of December compared to 4.15% at the beginning of the year.

▶ 7 HSBC Amanah LifeSelect Fixed Income Fund (continued)

Investment Strategy Review of HSBC Amanah LifeSelect Fixed Income Fund (1 January 2014 to 31 December 2014)

During the year under review, HSBC Amanah LifeSelect Fixed Income Fund returned 2.90%, while the benchmark rose 3.24%. The Fund is investing in a Shariah-compliant collective investment scheme known as Pacific Dana Murni ("referred to as Target Fund").

In 1Q2014, the Target Fund maintained its underweight bias in duration while maintaining overweight positions in domestic AA credits which provided attractive valuations after the broad market selloff triggered by the Fed's tapering concerns. Thereafter, the portfolio's duration positioning remained fairly consistent throughout the financial year given the cautious profit rate outlook. The Target Fund managed its profit rate risk by keeping portfolio duration below 4 years while seeking to maintain sufficient portfolio yield through a number of means including purchases of Ringgit denominated foreign issuer sukuk that offered a yield premium relative to comparable local issuers.

Following the liquidity driven rally which were concentrated on the longer-end of the yield curve, the Target Fund's shorter duration posture and yield curve positioning has led to a smaller outperformance in 3Q2014 as the 25bps Overnight Policy Rate (OPR) hike in July failed to trigger major sell-offs in the credit markets. In 4Q2014 performance of the credit markets were affected by the weak sovereign bond segment triggered by foreign fund outflows on the back of declining oil prices and weakening Ringgit. While registering a slight underperformance, the Target Fund managed to limit its performance drag via its conservative duration approach and lower asset allocation. The Target Fund rebalanced some of its sukuk holdings by switching into intermediate tenured sukuk and sought yield maximization from investing in primary issuances.

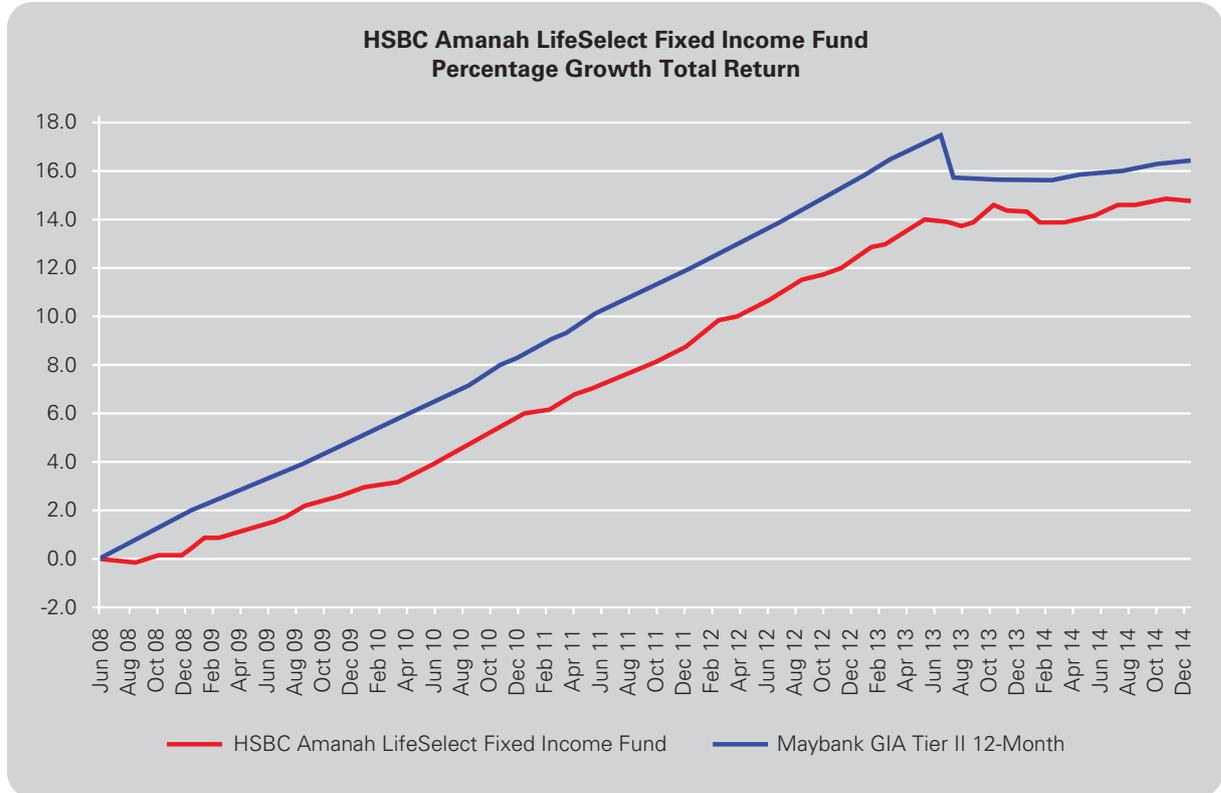
Throughout the financial period in review, the Target Fund adhered to its strategy of investing in a diversified portfolio while maintaining sufficient level of liquidity. The fundamentals of underlying corporate credits remain robust during the financial year which has contributed to the portfolio's stable rating trend. On average, fixed income allocation was held above 89% for most of financial year in review

Asset Allocation of Target Fund – Pacific Dana Murni (as at 31 December 2014)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Market Instruments	20.74%
Unquoted Sukuk	79.26%

8 HSBC Amanah LifeSelect Fixed Income Fund (continued)

Performance Graph



Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

Comparative Performance Table

HSBC Amanah LifeSelect Fixed Income Fund	2014	2013	2012	2011	2010
Total NAV	118,861,814	107,902,871	94,776,175	65,634,905	21,099,638
Units in Circulation	100,567,343	94,540,175	84,648,495	60,507,124	19,973,338
NAV per Unit	1.182	1.141	1.120	1.085	1.056
Highest NAV per unit	1.182	1.149	1.126	1.607	1.060
Lowest NAV per unit	1.150	1.126	1.089	1.029	1.005
Total Return					
- Capital Growth	2.90%	2.03%	4.63%	4.21%	4.52%
Performance Return					
1 year	2.90%				
3 years	8.54%				
5 years	14.84%				
Benchmark					
Maybank GIA Tier II 12-Month					
1 year	3.24%				
3 years	9.93%				
5 years	16.47%				

▶ 9 HSBC Amanah LifeSelect Equity Fund

Investment Objective

The Fund aims to achieve capital growth in medium to long term by investing in Pacific Dana Aman ("Target Fund") a Shariah-compliant unit trust fund managed by Pacific Mutual Fund Berhad which invests in a wide portfolio of authorised securities over investments which comply with Shariah principles.

Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund value
(This is the fee charged for the ongoing portfolio management).

Trustee Fees – 0.04% per annum of the Fund value
(This is a fee paid to the Trustee for the custodial management and administration of a Fund's assets such as transaction settlement and custody).

** No trustee fees shall be imposed with effective from 28 November 2013 as the fund has been structured as a feeder fund that invests wholly in Pacific Dana Aman, a unit trust fund managed by Pacific Mutual Fund Berhad.*

These fees are calculated based on the Fund's value. It is accrued on daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement applied to the management on this fund.

Annual Review of Local Equity Market (1 January 2014 to 31 December 2014)

The Malaysian stock market ended the year with a loss of 4.2% for the FBM Shariah Index, underperforming regional peers due mainly to the collapse in the price of oil during the final quarter. As a net energy exporter, investors were concerned over the rising risk of twin deficits for Malaysia, the negative impact on the Ringgit and sovereign credit rating.

Foreigners had been mainly net sellers of Malaysian equities during the financial year under review. The total foreign net sell for 2014 amounted to RM6.8 billion or about 2.8 times their net buy of RM2.4 billion in 2013. The Ringgit, which strengthened to a low of RM3.3511 per USD for the year reversed course in September, depreciating to RM3.4973 per USD at the end of 2014. The broad retreat in global markets was also triggered by concerns over a slowing Chinese economy, Russia's annexation of Crimea which led to Western-led sanctions and prospects of rising US interest rates.

Malaysia's Gross Domestic Product (GDP) in third quarter 2014 fell within estimates and posted a 5.6% (second quarter 2014: 6.5%) year-on-year growth. Growth in real exports slowed to 2.8% year-on-year in the third quarter from 8.8% in the second quarter, reflecting uneven pace of global economic recovery. Falling commodity prices, in particular oil and crude palm oil prices, also translated into lower export earnings in the third quarter. Private consumption was a key driver of GDP growth in the third quarter as it strengthened from 6.5% year-on-year in the second quarter to 6.7% in the third quarter. Meanwhile, private investment rose at a slower pace of 6.8% year-on-year (second quarter 2014: +12.1% year-on-year) while public investment recorded a larger contraction (-8.9% year-on-year; second quarter 2014: -3.3% year-on-year) due to the near completion of a few large public projects and amid the reining in of public sector debt. Separately, Malaysia's foreign reserves dropped RM17.6 billion in the first half of December, reflecting the heavy outflow of funds from the country's capital markets during the period.

In line with its effort to consolidate its fiscal position, the government announced further cuts to fuel subsidies in October. Taking this a step further, the government also announced the removal of subsidies for RON95 petrol and diesel effective 1 December 2014, with the retail prices to be fixed according to a managed float.

▶ 10 HSBC Amanah LifeSelect Equity Fund (continued)

Investment Strategy Review of HSBC Amanah LifeSelect Equity Fund (1 January 2014 to 31 December 2014)

During the year under review, HSBC Amanah LifeSelect Equity Fund registered a negative return of 3.9%, underperforming the benchmark's 3.8% decline. This underperformance occurred mainly in the fourth quarter during which the portfolio lagged the benchmark by 2.4%. The Fund is investing in a Shariah-compliant collective investment scheme known as Pacific Dana Aman ("referred to as Target Fund").

2014 was a challenging year for the local stock market. While maintaining an overall cautious stance, the Target Fund adopted a flexible and bottom up approach to ride through the heightened volatility in the market. The Target Fund started the year with a low equity exposure of 74.0%, which provided a cushion against the January sell off, spooked by net foreign fund outflow in anticipation of US tapering its Quantitative Easing (QE) program. Taking the view that a US-led recovery was underway and there was still ample liquidity in global markets, the Target Fund bought into the weakness, and raised its equity allocation to 84.7% at the end of first quarter.

The market subsequently trended up with the FBMKLCI reaching an all-time high of 1,893 points in July on better than expected domestic economic data and signs of further policy accommodation in the Eurozone, Japan and China. The Target Fund, however, turned net seller of equities, first on the small cap names as the liquidity driven rally ran ahead of fundamentals, and later on the big cap stocks due to rich valuation and potential downside in earnings. Equity exposure was reduced to 79.2% at the end of August.

OPEC's decision not to cut output on the 27th November sent the domestic stock market into a downward spiral as Malaysia stood out as the only energy exporter in the Asean region. Taking a tactical stance, the Target Fund bought into the correction, but trimmed part of the gain upon the rebound at the end of the year. As of end-December 2014, the Target Fund's equity allocation stood at 80.4%, with capital goods (17.7%), telecommunications (12.3%), real estates (11.2%), and utilities (10.0%) as its top sector exposures.

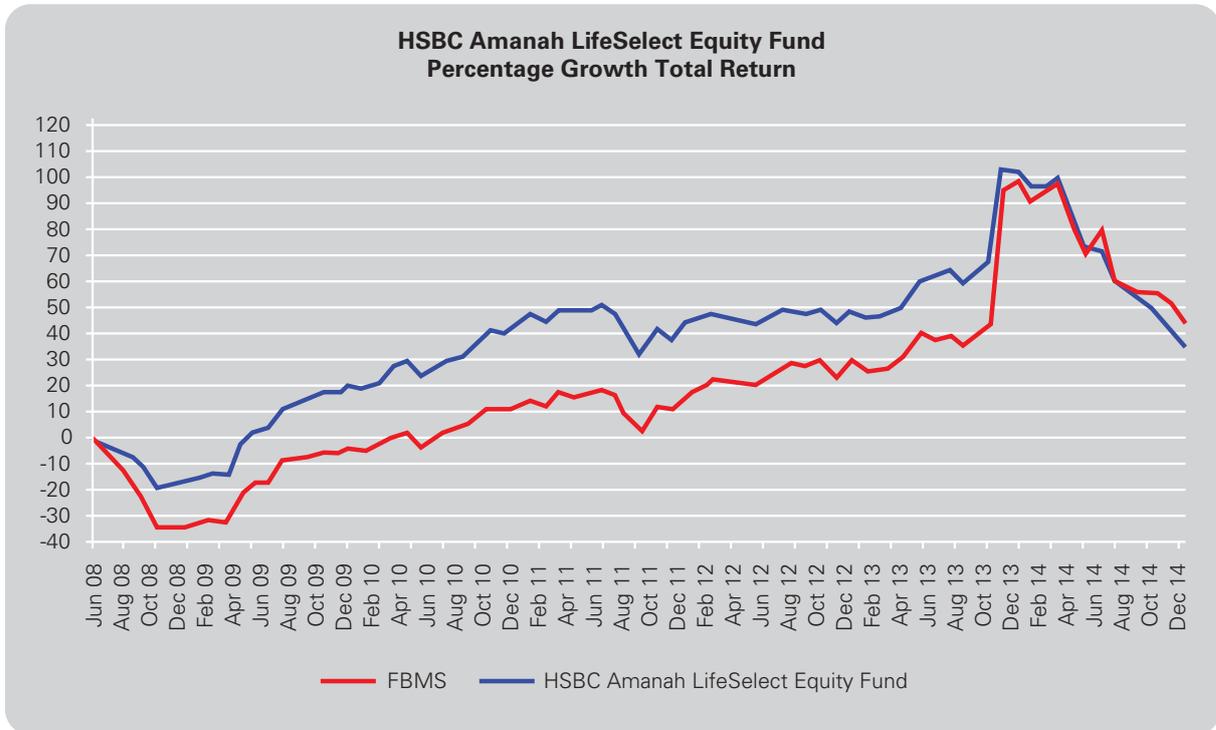
As of end-2014, Bursa Malaysia was trading at 14.3 times 2015 PER (Price Earnings Ratio), slightly above its 5-year mean, and its regional peers. Given the mounting concerns and demanding valuation, the Target Fund will adopt an overall defensive approach, and focus on liquid undervalued stocks with decent earnings growth and attractive yield.

Asset Allocation of Target Fund – Pacific Dana Aman (as at 31 December 2014)

Asset Category	Asset Allocation (% of NAV)
Shariah-compliant Collective Investment Scheme	2.35%
Islamic Money Market Instruments	17.22%
Quoted Shariah-compliant Equities	80.43%

▶ 11 HSBC Amanah LifeSelect Equity Fund (continued)

Performance Graph



Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

Comparative Performance Table

HSBC Amanah LifeSelect Equity Fund	2014	2013	2012	2011	2010
Total NAV	156,272,173	144,565,438	118,206,971	90,867,690	21,469,752
Units in Circulation	95,409,220	85,151,361	79,835,948	63,363,511	14,915,375
NAV per Unit	1.638	1.698	1.481	1.434	1.439
Highest NAV per unit	1.819	1.707	1.531	1.531	1.460
Lowest NAV per unit	1.559	1.453	1.178	1.178	0.839
Total Return					
- Capital Growth	-3.86%	14.48%	5.00%	-0.24%	24.54%
Performance Return					
1 year	-3.86%				
3 years	13.96%				
5 years	36.14%				
Benchmark					
95% FBMS + 3-Month IIMM Rate					
1 year	-3.78%				
3 years	20.91%				
5 years	45.45%				

▶ 12 HSBC Amanah Takaful's Dana Dividen Fund

Investment Objective

The Fund aims to achieve capital appreciation in medium to long term by investing in the Pacific Dana Dividen ("Target Fund"), a Shariah-compliant unit trust fund managed by Pacific Mutual Fund Berhad which invests primarily in a portfolio of Shariah-compliant Malaysian and foreign equity securities that have the track record of paying or have the potential to pay consistent and attractive dividends.

Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund value
(This is the fee charged for the ongoing portfolio management).

Trustee Fees – 0.04% per annum of the Fund value
(This is a fee paid to the Trustee for the custodial management and administration of a Fund's assets such as transaction settlement and custody).

** No trustee fees shall be imposed with effective from 26 August 2013 as the fund has been structured as a feeder fund that invests wholly in Pacific Dana Dividen, a unit trust fund managed by Pacific Mutual Fund Berhad.*

These fees are calculated based on the Fund's value. It is accrued on daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement applied to the management on this fund.

Annual Review of Global Equity Markets (1 January 2014 – 31 December 2014)

2014 started with a broad retreat in global equity markets which witnessed a currency rout in several emerging markets and raised concerns over a slowing China economy and its credit risks. Some positive leads eventually came through in February as the US Congress extended the US debt ceiling to March 2015 and the Federal Reserve gave assurance that continued monetary stimulus was necessary to bolster the US economy. In spite of geo-political concerns in March over Russia's annexation of Crimea and the subsequent Western imposed sanctions, improving macro data in US and China and indications of economic stimulus by the European Central Bank (ECB) and the Chinese government helped keep the market on an even keel.

The World Bank cut its growth forecast for the global economy in 2014 following a weak start to the year, to 2.8% compared with the 3.2% predicted in January. In the Eurozone, the bloc was still struggling to sustain a recovery and inflation had been persistently below the ECB's 2% target. These had led to the ECB to cut the benchmark interest rate, announce targeted loans to stimulate lending and even impose negative interest rates on the funds that lenders deposit with the central bank. In June, as tensions broke out in Iraq, concerns that oil prices could surge higher weighed on investors' sentiment.

Strong US data triggered fears of an earlier start to the raising of US interest rates, but investors' concerns were later soothed by US Federal Reserve Chairwoman Janet Yellen's comments that monetary policy would remain accommodative for a while due to continued slack in the US labour market. Some easing in geopolitical tensions in Ukraine and Gaza and hints of stronger monetary stimulus from Europe also helped underpin markets' recovery. Meanwhile, the USD strengthened rapidly which weighed heavily on already wavering oil prices.

By October, the Fed had finally ended the Quantitative Easing (QE) program which was tapered down since first announced in January, while the Bank of Japan announced that it would increase asset purchases from ¥50 trillion to ¥80 trillion annually. In November, the refusal of Organization of the Petroleum Exporting Countries (OPEC) to cut production to address a global crude glut drove oil prices sharply lower. Dampening sentiment in Asia was massive protests by pro-democracy activists opposed to Beijing's election plan for Hong Kong. Energy stocks and economies which are dependent on energy exports, of which Malaysia was one, bore the brunt of the sell off towards year-end.

▶ 13 HSBC Amanah Takaful's Dana Dividen Fund (continued)

Investment Strategy Review of Pacific Dana Dividen, the Target Fund ("Fund") of HSBC Amanah Takaful's Dana Dividen (1 January 2014 to 31 December 2014)

During the year under review, HSBC Amanah Takaful's Dana Dividen Fund registered a negative return of 0.9%, underperforming the benchmark's 3.6% return. The Fund is investing in a Shariah-compliant collective investment scheme known as Pacific Dana Dividen ("referred to as Target Fund"). This underperformance occurred mainly in the fourth quarter due mainly to the Target Fund's overweight exposure to the energy sector which was impacted by the sharp decline in oil price.

With significant fund inflow at the early part of the year, the Fund's low equity exposure of 75.1% in February provided a cushion against the broad retreat in global markets. Taking the view that a US-led recovery was on track and there was still ample liquidity in global markets, the fund bought into the weakness. Equity allocation was raised to 86.2% at the end of first quarter. US exposure was increased, and a position in Europe was initiated through a Shariah-compliant Exchange Traded Fund.

In the second quarter, global markets staged a handsome recovery, supported by accommodative monetary policies among major central banks and resilient economic data from China. The Fund, however, turned cautious, given emerging signs of deflationary trend in Europe and rich valuations of the US market. The Fund took some profit off its US positions and switched into regional markets with more palpable valuation multiples. On the domestic front, the Fund reduced its holdings in mid-to-small cap names and topped up positions in liquid and defensive big cap stocks.

The sharp decline in crude oil price worsened fundamentals of the emerging economies, especially those of net energy exporters such as Malaysia. Taking a tactical stance, the Fund bought into the correction, but trimmed part of the gain on the rebound at the end of the year.

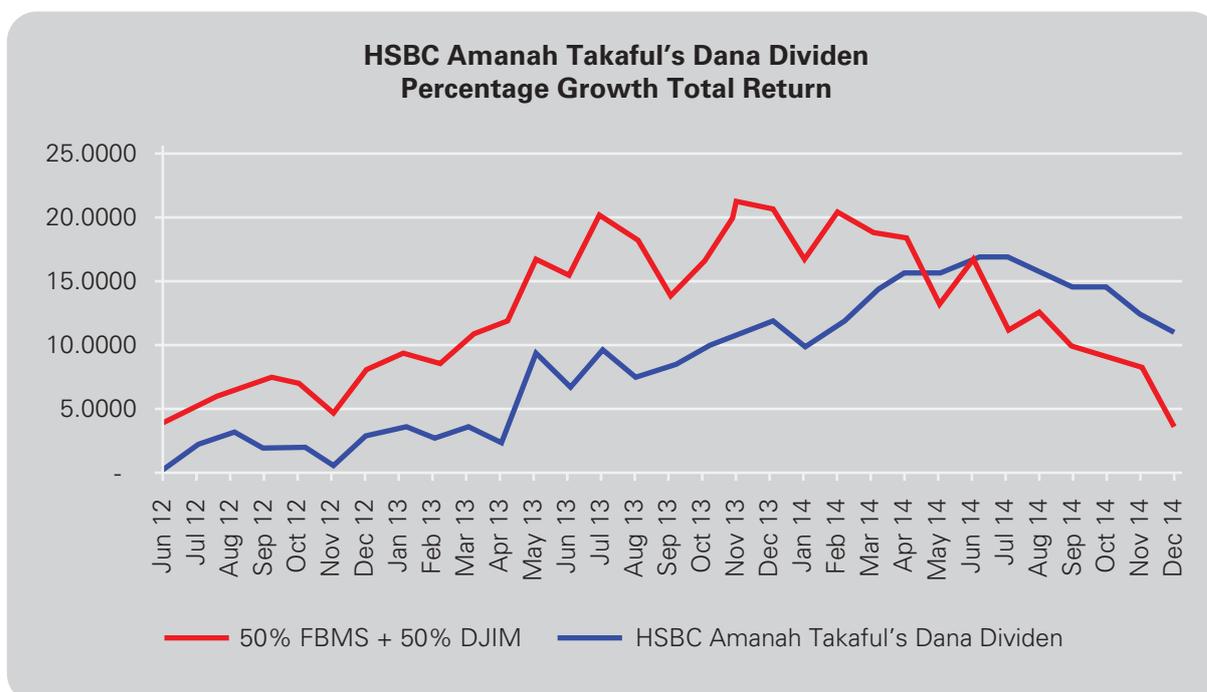
Valuations remain elevated with US and European markets trading at +1 standard deviation above their respective 5 year historical mean PER (Price Earnings Ratio) and Asia Pacific region at slightly over mean PER. Given the potential volatilities, the Fund will adopt an overall defensive strategy, and look for investment opportunities upon meaningful market weakness.

Asset Allocation of Target Fund – Pacific Dana Dividen (as at 31 December 2014)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Market Instruments	21.36%
Quoted Shariah-compliant Equities	78.64%

▶ 14 HSBC Amanah Takaful's Dana Dividen Fund (continued)

Performance Graph



Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

Comparative Performance Table

HSBC Amanah Takaful Dana Dividen	2014	2013	2012
Total NAV	16,352,812	11,223,936	4,375,824
Units in Circulation	14,782,691	10,047,376	4,261,133
NAV per Unit	1.106	1.117	1.027
Highest NAV per unit	1.179	1.117	1.033
Lowest NAV per unit	1.059	1.014	0.991
Total Return			
- Capital Growth	-0.88%	8.68%	3.90%
Performance Return			
1 Year	-0.88%		
Since Inception	10.79%		
Benchmark			
50% FBMS + 50% DJIM			
1 year	3.60%		

▶ 15 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund

Investment Objective

The Fund aims to achieve long term capital appreciation by investing in the CIMB Islamic Asia Pacific Equity Fund ("Target Fund"), a Shariah-compliant collective investment scheme.

Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund value
(This is the fee charged for the ongoing portfolio management).

Trustee Fees – 0.04% per annum of the Fund value
(This is a fee paid to the Trustee for the custodial management and administration of a Fund's assets such as transaction settlement and custody).

These fees are calculated based on the Fund's value. It is accrued on daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement applied to the management on this fund.

Annual Market Review for Asia Pacific ex Japan (1 January 2014 – 31 December 2014)

Market volatility was moderate in the first half of the year, but the latter half was marked by two major events. In September 2014, markets suffered a sell-off driven by renewed worries over China, political stability in Hong Kong and concerns over a strong US Dollar. In December 2014, markets were hit by a sharp decline in emerging market foreign exchange rates with the Russian ruble collapsing in response to falling oil prices. Both emerging market bond and equity funds suffered large redemptions.

Early in 2014, China started to fall off due to weak macro numbers, and purchasing managers index ("PMI") indicating shrinking manufacturing activity. The People's Bank of China ("PBOC") pumped more than USD126 billion into banks in September 2014 and October 2014 via short term loans. This followed a two time cut in reserve requirements for small and regional banks that cater to farmers and small businesses. Towards the end of October 2014, the markets started to price in monetary easing by the PBOC given the high real interest rates, high leverage in the system, and slowing economic growth.

As for India, the S&P Bombay Stock Exchange Sensitive Index ("SENSEX") rallied prior to elections as domestic macro indicators surprised positively on low expectations. The SENSEX rallied further on the back of expectations that the Bharatiya Janata Party ("BJP")-led coalition will win, and again post elections in mid-May after the BJP exceeded expectations by winning more than half of the needed seats in the lower house.

Meanwhile, ASEAN markets were generally tough (+10%) over the year with the strong performers being Thailand, Indonesia and Philippines. Singapore returned +6.2% while the Malaysian market lagged by dropping (-5.7%) for the year.

Martial law was imposed in Thailand in early May 2014 by the military government but market participants viewed it positively as there was now a functioning government. The political turmoil in Thailand was stabilizing, and investors were confident that after this issue is resolved, the country can come back with good growth prospects.

Indonesia, which was plagued by high inflation, a current account deficit and rising fiscal debt, had reported much better macro numbers -- trade surplus improving, inflation coming down -- saw the Jakarta Composite Index ("JCI") rebound from 2013 to become one of the best performing market in 2014. Reforms expected to happen after Jokowi won the Indonesian Presidential election in late July 2014.

▶ 16 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund (continued)

Investment Strategy Review of the CIMB Islamic Asia Pacific Equity (Target Fund of the HSBC Amanah Takaful's Islamic Asia Pacific Equity) (1 January 2014 – 31 December 2014)

During the year under review, HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund registered a positive return of 9.7%, outperforming the benchmark's 3.0% decline. The Fund is investing in a Shariah-compliant collective investment scheme known as CIMB Islamic Asia Pacific Equity ("referred to as Target Fund").

The Target Fund expect more monetary easing in China along with a series of mini fiscal stimulus packages aimed at shoring up growth. The broader economic and financial adjustments in emerging markets will continue as the US Federal Reserve ("The Fed") moves toward policy normalization. Emerging Asia will see divergent monetary policies and growth reflecting a global growth led by US and diverging G3 policy paths.

The Target Fund remains fully invested and defensively positioned. As earnings risks are still high, the Target Fund will remain careful and selective in the stock selection while focusing on finding new growth opportunities in an increasingly narrow market.

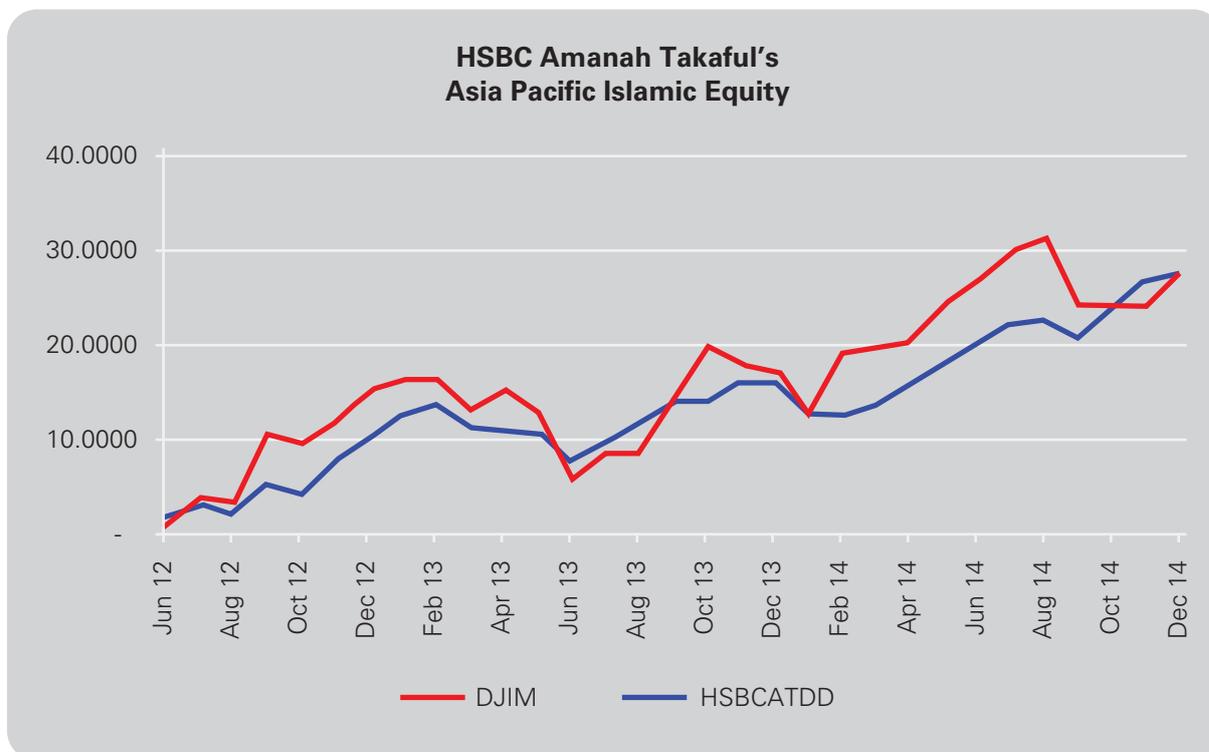
The Target Fund continues to be cautious on value and cyclical stocks as there are over-capacity and high-leverage in many industries. Betting on mean-reversion would not be a great idea in a world that is experiencing accelerated change.

Asset Allocation of Target Fund – CIMB Islamic Asia Pacific Equity Fund (as at 31 December 2014)

Asset Category	Asset Allocation (% of NAV)
Cash	22.95%
Shariah-compliant Equities (Foreign)	77.05%

▶ 17 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund (continued)

Performance Graph



Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the fund during the year.
2. There is no income distribution made and proposed during the year.

Comparative Performance Table

HSBC Amanah Takaful's Asia Pacific Islamic Equity	2014	2013	2012
Total NAV	15,171,174	10,264,864	2,990,174
Units in Circulation	11,946,178	8,873,596	2,722,756
NAV per Unit	1.270	1.157	1.098
Highest NAV per unit	1.280	1.160	1.059
Lowest NAV per unit	1.101	1.014	0.986
Total Return			
- Capital Growth	9.69%	6.43%	13.05%
Performance Return			
1 year	9.69%		
Since Inception	27.39%		
Benchmark			
Dow Jones Islamic Market Asia/ Pacific ex-Japan Total Return Index (DJIP2T)			
1 year	2.95%		
Since Inception	20.60%		

Financial Statements

For the year ended 31 December 2014

▶ 19 Manager's Report

The Manager has pleasure in submitting its report and the audited financial statements of the Investment-Linked Plans (hereinafter collectively referred to as "the Funds") for the year ended 31 December 2014.

Principal activities

The principal activities of the Funds are to invest in authorised investments. There have been no changes in the nature of these activities during the year.

Investment policy

The objective of the Funds is to provide participants with prospects for long-term capital growth by investing in portfolio of Shariah compliant equities and other assets/investments.

Results

Excess of income over expenditure before taxation

	MYR'000
- Rising Phoenix Portfolio	1,015
- Flying Dragon Portfolio	673
- HSBC Amanah LifeSelect Fixed Income Fund	3,260
- HSBC Amanah LifeSelect Equity Fund	(7,516)
- Takaful Dana Dividend Fund	(382)
- Asia Pacific Equity Fund	1,328
	<hr/>

Directors of the Manager

The Directors who served during the financial year are:-

Datuk Haron bin Siraj
Kasim bin Zakaria
Harpal Karicut
Sazaliza bin Zainuddin
Lim Eng Seong
Zainudin bin Ishak (resigned on 31 January 2015)

For and on behalf of the Manager,
HSBC Amanah Takaful (Malaysia) Berhad



Kasim bin Zakaria
Director

Kuala Lumpur
Date: 23 March 2015

HSBC Amanah Takaful (Malaysia) Berhad
(Formerly known as HSBC Amanah Takaful (Malaysia) Sdn. Bhd.)
Investment-Linked Plans (Established in Malaysia)

► 20 **Statement of Assets and Liabilities**
As at 31 December 2014

	Note	Rising Phoenix Portfolio MYR'000	Flying Dragon Portfolio MYR'000	HSBC Amanah LifeSelect Fixed Income Fund MYR'000	HSBC Amanah LifeSelect Equity Fund MYR'000	Takaful Dana Dividen MYR'000	Asia Pacific Equity MYR'000
2014							
Investments							
Structured investments	3	–	16,387	–	–	–	–
Collective investments scheme	4	–	–	118,846	155,314	16,161	15,299
Cash and cash equivalents							
Cash and bank balances		190	845	322	639	9	10
Deferred tax assets		–	–	–	558	96	–
Other assets		–	–	–	589	115	117
Total Assets		190	17,232	119,168	157,100	16,381	15,426
Provision for taxation		90	2	218	1,021	32	14
Deferred tax liabilities		–	65	189	–	–	175
Other liabilities		81	150	464	–	–	91
Total Liabilities		171	217	871	1,021	32	280
Net Assets Value of the Fund		19	17,015	118,297	156,079	16,349	15,146
Represented by:							
Participants' Funds		(856)	16,444	109,927	140,563	15,877	13,306
Generated income carried forward		875	571	8,370	15,516	472	1,840
		19	17,015	118,297	156,079	16,349	15,146
Number of units		–	15,583	100,567	95,409	14,783	11,946
Net Asset Value Per Unit (MYR)		–	1.09	1.18	1.64	1.11	1.27
2013							
Investments							
Structured investments	3	30,082	16,520	–	–	–	–
Collective investments scheme	4	–	–	100,102	140,700	6,957	9,632
Cash and cash equivalents							
Cash and bank balances		154	814	5,263	1,728	4,288	575
Other assets		–	–	2,817	3,356	11	133
Total Assets		30,236	17,334	108,182	145,784	11,256	10,340
Provision for taxation		–	–	214	995	–	–
Deferred tax liabilities		8	13	65	224	32	65
Other liabilities		238	141	–	–	–	10
Total Liabilities		246	154	279	1,219	32	75
Net Assets Value of the Fund		29,990	17,180	107,903	144,565	11,224	10,265
Represented by:							
Participants' Funds		30,048	17,228	102,665	122,289	10,466	9,630
Generated (loss)/income carried forward		(58)	(48)	5,238	22,276	758	635
		29,990	17,180	107,903	144,565	11,224	10,265
Number of units		29,977	16,361	94,540	85,151	10,047	8,874
Net Asset Value Per Unit (MYR)		1.00	1.05	1.14	1.70	1.12	1.16

▶ 21 Statement of Income and Expenditure

For the year ended 31 December 2014

	Rising Phoenix Portfolio	Flying Dragon Portfolio	HSBC Amanah LifeSelect Fixed Income Fund	HSBC Amanah LifeSelect Equity Fund	Takaful Dana Dividen	Asia Pacific Equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
2014						
Investment income						
Income distribution	–	–	1,944	2,391	1,232	–
Unrealised capital gain on investments	–	645	1,549	–	–	1,370
Net gain on disposal of investments	1,120	28	48	311	38	171
Total income	1,120	673	3,541	2,702	1,270	1,541
Unrealised capital loss on investment	(105)	–	–	(9,781)	(1,608)	–
Other outgo	–	–	(281)	(437)	(44)	(213)
Total outgo	(105)	–	(281)	(10,218)	(1,652)	(213)
Income/(Loss) before taxation	1,015	673	3,260	(7,516)	(382)	1,328
Taxation	(82)	(54)	(128)	756	96	(123)
Income after taxation	933	619	3,132	(6,760)	(286)	1,205
Generated (loss)/income brought forward	(58)	(48)	5,238	22,276	758	635
Generated income carried forward	875	571	8,370	15,516	472	1,840
2013						
Investment income						
Profit from deposits with licensed financial institutions	–	–	2,689	573	–	–
Income distribution	–	–	–	2,411	360	–
Unrealised capital gain on investments	957	403	73	7,008	357	600
Net gain on disposal of investments	–	–	–	11,545	–	–
Total income	957	403	2,762	21,537	717	600
Net loss on disposal of investments	(10)	(9)	–	–	–	–
Other outgo	–	–	(848)	(2,560)	(3)	(116)
Total outgo	(10)	(9)	(848)	(2,560)	(3)	(116)
Income before taxation	947	394	1,914	18,977	714	484
Taxation	(8)	(13)	(220)	(1,604)	(29)	(48)
Income after taxation	939	381	1,694	17,373	685	436
Generated (loss)/income brought forward	(997)	(429)	3,544	4,903	73	199
Generated (loss)/income carried forward	(58)	(48)	5,238	22,276	758	635

The accompanying notes on pages 25 to 29 form part of these financial statements.

▶ 22 Statement of Changes in Net Asset Value

For the year ended 31 December 2014

	Rising Phoenix Portfolio	Flying Dragon Portfolio	HSBC Amanah LifeSelect Fixed Income Fund	HSBC Amanah LifeSelect Equity Fund	Takaful Dana Dividen	Asia Pacific Equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
2014						
Net Asset Value of the Fund at beginning of financial year	29,990	17,180	107,903	144,565	11,224	10,265
Net creation of units	–	–	18,517	37,375	6,651	5,129
Net cancellation of units	(629)	(784)	(11,255)	(19,101)	(1,240)	(1,453)
Maturity	(30,275)	–	–	–	–	–
Income/(Loss) for the year	933	619	3,132	(6,760)	(286)	1,205
Net Asset Value of the Fund at end of financial year	19	17,015	118,297	156,079	16,349	15,146
2013						
Net Asset Value of the Fund at beginning of financial year	29,914	17,668	94,776	118,207	4,375	2,990
Net creation of units	–	–	23,774	26,669	7,042	7,319
Net cancellation of units	(863)	(869)	(12,341)	(17,684)	(878)	(480)
Income for the year	939	381	1,694	17,373	685	436
Net Asset Value of the Fund at end of financial year	29,990	17,180	107,903	144,565	11,224	10,265

▶ 23 Statement of Cash Flows

For the year ended 31 December 2014

	Rising Phoenix Portfolio	Flying Dragon Portfolio	HSBC Amanah LifeSelect Fixed Income Fund	HSBC Amanah LifeSelect Equity Fund	Takaful Dana Dividen	Asia Pacific Equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
2014						
Cash flows from operating activities						
Income/(Loss) before taxation	1,015	673	3,260	(7,516)	(382)	1,328
Adjustment for:						
Income distribution	–	–	(1,944)	(2,391)	(1,232)	–
Net gain on disposal of investments	(1,120)	(28)	(48)	(311)	(38)	(171)
Unrealised capital (gain)/loss on investments	–	(645)	(1,549)	9,781	1,608	(1,370)
Loss from operations before changes in operating assets and liabilities	(105)	–	(281)	(437)	(44)	(213)
Proceeds from disposal of investments	31,202	806	6,882	9,689	1,363	1,717
Purchase of investments	–	–	(24,029)	(33,773)	(12,137)	(5,842)
Decrease/(Increase) in other assets	–	–	3,281	2,767	(104)	16
(Decrease)/Increase in other liabilities	(157)	9	–	–	–	81
Cash generated from/(used in) operations	30,940	815	(14,147)	(21,754)	(10,922)	(4,241)
Income distribution	–	–	1,944	2,391	1,232	–
Net cash generated from/(used in) operating activities	30,940	815	(12,203)	(19,363)	(9,690)	(4,241)
Cash flows from financing activities						
Proceeds from creations of units	–	–	18,517	37,375	6,651	5,129
Payment for cancellation of units	(629)	(784)	(11,255)	(19,101)	(1,240)	(1,453)
Payment for maturity of units	(30,275)	–	–	–	–	–
Net cash (used in)/generated from financing activities	(30,904)	(784)	7,262	18,274	5,411	3,676
Net increase/(decrease) in cash and cash equivalents	36	31	(4,941)	(1,089)	(4,279)	(565)
Cash and cash equivalents at 1 January	154	814	5,263	1,728	4,288	575
Cash and cash equivalents at 31 December	190	845	322	639	9	10
Cash and cash equivalents comprise:						
Cash and bank balances	190	845	322	639	9	10

The accompanying notes on pages 25 to 29 form part of these financial statements.

▶ 24 **Statement of Cash Flows** (continued)
For the year ended 31 December 2014

	Rising Phoenix Portfolio	Flying Dragon Portfolio	HSBC Amanah LifeSelect Fixed Income Fund	HSBC Amanah LifeSelect Equity Fund	Takaful Dana Dividen	Asia Pacific Equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
2013						
Cash flows from operating activities						
Income before taxation	947	394	1,914	18,977	714	484
Adjustment for:						
Profit from deposits with financial institutions	–	–	(2,689)	(573)	–	–
Dividend income/income distribution	–	–	–	(2,411)	(360)	–
Loss/(Gain) on disposal of investments	10	9	–	(11,545)	–	–
Unrealised capital (gain) on investments	(957)	(403)	(73)	(7,008)	(357)	(600)
Increase in feeder funds units	–	–	(428)	(17)	(63)	–
Loss from operations before changes in operating assets and liabilities	–	–	(1,276)	(2,577)	(66)	(116)
Proceeds from disposal of investments	861	892	129,875	347,500	6,468	–
Purchase of investments	–	–	(142,433)	(363,677)	(8,911)	(6,266)
Decrease/(Increase) in other assets	–	2,828	(1,535)	(1,751)	(1)	(133)
Increase/(Decrease) in other liabilities	156	(2,037)	(554)	(2,716)	(5)	9
Cash generated from/(used in) operations	1,017	1,683	(15,923)	(23,221)	(2,515)	(6,506)
Profit received from deposits with financial institutions	–	–	2,563	573	–	–
Dividend income/income distribution received	–	–	–	2,411	360	–
Net cash generated from/(used in) operating activities	1,017	1,683	(13,360)	(20,237)	(2,155)	(6,506)
Cash flows from financing activities						
Proceeds from creations of units	–	–	23,774	26,669	7,042	7,319
Payment for cancellation of units	(863)	(869)	(12,341)	(17,684)	(878)	(480)
Net cash (used in)/generated from financing activities	(863)	(869)	11,433	8,985	6,164	6,839
Net increase/(decrease) in cash and cash equivalents	154	814	(1,927)	(11,252)	4,009	333
Cash and cash equivalents at 1 January	–	–	7,190	12,980	279	242
Cash and cash equivalents at 31 December	154	814	5,263	1,728	4,288	575
Cash and cash equivalents comprise:						
Cash and bank balances	154	814	5,263	1,728	4,288	575

The accompanying notes on pages 25 to 29 form part of these financial statements.

▶25 Notes to the Financial Statements

Information on the Funds

The Manager, HSBC Amanah Takaful (Malaysia) Berhad (formerly known as HSBC Amanah Takaful (Malaysia) Sdn. Bhd.), is a private limited liability company, incorporated and domiciled in Malaysia. The principal activities of the Manager consist of the managing of family takaful and general takaful businesses. The family takaful business includes management of investment-linked funds.

The address of its principal place of business and registered office are as follows:

Principal place of business	Registered office
8 th – 9 th Floor, North Tower No. 2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia	10 th Floor, North Tower No. 2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia

The principal activities of the Funds are to invest in authorised investments. Details of the nature of investments made by the Funds are as follows:

- a. HSBC Amanah LifeSelect Fixed Income Fund aims to achieve a steady return in medium to long term by investing in a collective investment scheme (the “Target Fund”) which invests in a diversified portfolio of Islamic private debt securities and other liquid assets which comply with Shariah principles. The Fund also aims for some degree of capital growth over a medium to long-term period.
- b. HSBC Amanah LifeSelect Equity Fund aims to achieve capital growth in medium to long term by investing in a collective investment scheme (the “Target Fund”) which invests in a portfolio of Shariah compliant Malaysian equities and equity related securities.
- c. ‘Rising Phoenix’ is a 5-year Malaysian Ringgit Denominated Structured Investment linked to a Basket of Shares. The Rising Phoenix Basket comprises Shariah compliant shares that offer access mainly to China equity markets.
- d. ‘Flying Dragon’ is a 5-year Malaysian Ringgit Denominated Structured Investment linked to Dow Jones Islamic Market China/Hong Kong Titans 30 Total Return Index.
- e. HSBC Amanah Takaful’s Dana Dividend Fund (“Takaful Dana Dividend”) seeks to achieve capital growth and income by investing in a collective investment scheme (the “Target Fund”) which invests in Shariah compliant Malaysian and foreign equity securities that are paying or have the potential to pay consistent and attractive dividends.
- f. HSBC Amanah Takaful’s Asia Pacific Islamic Equity Fund (“Asia Pacific Equity”) seeks to achieve capital growth and income by investing in a collective investment scheme (the “Target Fund”). The Target Fund aims to achieve long term capital appreciation and income while complying with Shariah investment criteria, through investments in the emerging and developed markets of Asia Pacific ex Japan.

The immediate holding company of the Manager is HSBC Insurance (Asia Pacific) Holdings Ltd., a company incorporated in Hong Kong. The ultimate holding company is HSBC Holdings Plc, a company incorporated in the United Kingdom.

The financial statements of the Funds were approved by the Board of Directors of the Manager on 23 March 2015.

1. Basis of preparation

a. Basis of accounting

The financial statements of the Funds have been prepared in accordance with the accounting policies as set out in Note 2 and the Guidelines on Investment-Linked Insurance/ Takaful Business.

b. Basis of measurement

The financial statements of the Funds have been prepared on the historical cost basis modified by the revaluation of investments as stated in Note 2(a).

c. Functional and presentation currency

The financial statements of the Funds are presented in Ringgit Malaysia ("RM"), which is the Fund's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

d. Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

There is no significant area of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than as disclosed in Note 2(a).

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

a. Investments

Structured investments are stated at the closing valuation prices based on a valuation technique as determined by HSBC Bank Malaysia Berhad in accordance with the terms and conditions of each fund at reporting date. The closing valuation prices of each fund takes into consideration the market values of Shariah compliant shares included in the structured investment portfolio.

All purchases of unit trusts (collective investment schemes) are recognised on their trade dates, i.e. the date the commitment exists to purchase the investments. The investments are initially recorded at cost, being fair value of the consideration given.

The attributable transaction costs are recognised in the statement of income and expenditure when incurred. The fair value is determined by using open market valuation at the year-end date.

Any increase or decrease in the value of the investments at each reporting date is recognised in the statement of income and expenditure.

2. Significant accounting policies (continued)

b. Net Creation of Units

Net creation of units represents contributions paid by participants as payment for a new certificate and net of cancellation from inception. Net creation of units is recognised on a received basis.

c. Net Cancellation of Units

Net cancellation of units represents cancellation of units arising from surrenders and withdrawals by participants. Net cancellation of units is recognised upon surrendering of the related takaful certificates.

d. Income Recognition

Income distribution is recognised when the right to receive payment is established.

Profit from deposits with licensed financial institutions is recognised on an accrual basis.

Gain or loss on disposal of investments is credited or charged to the statement of income and expenditure when they arise.

e. Income Tax Expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in statement of income and expenditure.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, including deposits with licensed financial institutions, that are readily convertible to known amounts of cash and which are not subject to a significant risk of changes in value.

▶ 28 Notes to the Financial Statements (continued)

3. Structured investments

	Rising Phoenix Portfolio		Flying Dragon Portfolio	
	2014 MYR'000	2013 MYR'000	2014 MYR'000	2013 MYR'000
Investments				
At cost	–	29,977	15,583	16,361
Unrealised capital loss	–	105	804	159
At market value	–	30,082	16,387	16,520

4. Collective investment scheme

	2014 MYR'000	2013 MYR'000
LifeSelect Fixed Income Fund		
At Cost	116,480	99,285
Unrealised capital gain	2,366	817
At indicative market value	118,846	100,102
LifeSelect Equity Fund		
At Cost	162,288	137,894
Unrealised capital (loss)/gain	(6,974)	2,806
At indicative market value	155,314	140,700
Takaful Dana Dividen		
At Cost	17,374	6,561
Unrealised capital (loss)/gain	(1,213)	396
At indicative market value	16,161	6,957
Asia Pacific Equity		
At Cost	13,113	8,816
Unrealised capital gain	2,186	816
At indicative market value	15,299	9,632

5. Distribution

There was no distribution of profit to participants during the year.

6. Financial instruments

The Funds are exposed to foreign currency, market, credit, liquidity and profit rate risks.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Fund's exposure to the foreign currency risk is mainly confined to structured investment fund as the final profit payment (if any) is calculated with reference to, amongst others, the final USD/MYR Spot Rate and will therefore be affected by fluctuations in the USD/MYR rate. The Funds have not entered into hedging activities to hedge against the foreign exchange fluctuation.

Market risk

Market risk arises when the value of the investments fluctuates in response to the activities of the individual companies, general market or economic conditions. The Manager manages the risk by continuous monitoring of the performance and risk profile of the investment portfolio.

Credit risk

Credit risk refers to the ability of a counterparty to make timely payments of income distribution, principle amounts and proceeds from realisation of investments. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

For proceeds from injection or subscription and redemption of collective investment schemes, the settlement terms are set out in the applicable operating memorandum agreement signed between HSBC Amanah Takaful (Malaysia) Berhad and the respective external fund managers.

The structured investment fund is placed with the Issuer and therefore reliance is placed on the ability of the Structured Investment Issuer to repay the principal amount (and any Final Profit Payment) at the Maturity Date. In this regard, it should be noted that the investment fund is not deemed to be a deposit with the Structured Investment Issuer. Instead, the investment fund is an unsecured liability with the Structured Investment Issuer. Therefore, reliance is placed on the ability of the Structured Investment Issuer to repay the principal at maturity.

Liquidity risk

Liquidity risk is the risk that the Investment-Linked Fund may encounter in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquidity to meet anticipated payment and redemption of units by participants.

Profit rate risk

Profit rate risk is the risk that the value of the Investment-Linked Funds will fluctuate because of changes in market profit rates. Profit rates moves in the opposite direction of Sukuk prices. When the profit rate rises, Sukuk prices fall and vice versa. The profit rate risk is monitored through periodic reviews of its assets and liabilities positions with the objective to limit the net changes in the value of assets and liabilities arising from profit rate movements.

Fair values

The fair values of investments have been disclosed in Note 3 and 4. The basis of deriving the fair values is disclosed in Note 2(a).

▶ 30 Statement by Manager

I, Kasim bin Zakaria, Director of HSBC Amanah Takaful (Malaysia) Berhad (f.k.a. HSBC Amanah Takaful (Malaysia) Sdn. Bhd.), state that, in the opinion of the Manager, the financial statements as of 31 December 2014 and for the year then ended set out on pages 20 to 29, are prepared in all material respects, in accordance with accounting policies set out in Note 2 and Guidelines on Investment-Linked Insurance/Takaful Business.

For and on behalf of the Manager,
HSBC Amanah Takaful (Malaysia) Berhad



Kasim bin Zakaria
Director

Kuala Lumpur
Date: 23 March 2015

▶ 31 Independent Auditors' Report

To the participants of HSBC Amanah Takaful Investment-Linked Plans ("the Funds")

Report on the Financial Statements

We have audited the financial statements of the Funds, which comprise the statements of assets and liabilities as at 31 December 2014, and the statements of income and expenditure, changes in net asset value and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 20 to 29.

Directors' Responsibility for the Financial Statements

The Directors of the Manager are responsible for the preparation of these financial statements in accordance with the accounting policies set out in Note 2 to the financial statements and Guidelines on Investment-Linked Insurance/Takaful Business, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements as of 31 December 2014 and for the year then ended have been prepared, in all material respects in accordance with accounting policies set out in Note 2 and Guidelines on Investment-Linked Insurance/Takaful Business.

Other Matter(s)

This report is made solely to the participants of the Funds, as a body, in accordance with the Guidelines on Investment-Linked Insurance/Takaful Business issued by Bank Negara Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


KPMG
Firm Number: AF 0758
Chartered Accountants

Petaling Jaya, Selangor
Date: 23 March 2015

