

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)

(Incorporated in Malaysia)

**Unaudited interim condensed financial statements
for the six months period ended 30 June 2017**

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)

(Incorporated in Malaysia)

Unaudited interim statement of financial position

	Note	30.06.2017			31.12.2016				
		Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Assets									
Plant and equipment		245	-	-	245	281	-	-	281
Intangible assets		15,558	-	-	15,558	16,605	-	-	16,605
Investment assets	12	135,422	39,996	1,051,389	1,226,807	139,911	49,858	994,290	1,184,059
Retakaful assets	13	-	36,791	36,218	73,009	-	32,851	34,415	67,266
Current tax assets		5,320	-	31	3,242	5,276	-	-	724
Financing receivables, excluding takaful receivables		46,942	1,617	6,486	37,376	47,260	1,530	6,727	37,721
Takaful receivables		-	1,976	5,240	7,216	-	3,647	4,371	8,018
Deferred tax assets		666	118	534	1,318	735	123	1,615	2,473
Cash and cash equivalents		10,769	14,887	32,235	57,891	2,896	7,328	44,580	54,804
Total assets		214,922	95,385	1,132,133	1,422,662	212,964	95,337	1,085,998	1,371,951

The accompanying Notes on pages 8 to 22 form an integral part of the financial statements.

Company No.731530-M

Unaudited interim statement of financial position

(continued)

	Note	30.06.2017			31.12.2016				
		Takaful Operator	General Takaful Fund	Family Takaful Fund	Company	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Shareholders' equity									
Share capital		100,000	-	-	100,000	100,000	-	-	100,000
Retained earnings		26,011	-	-	26,011	19,182	-	-	19,182
Available-for-sale assets fair value reserves		(45)	-	-	(45)	(441)	-	-	(441)
Total equity		125,966	-	-	125,966	118,741	-	-	118,741
Liabilities									
Takaful contract liabilities	14	-	83,941	1,104,910	1,188,851	-	88,431	1,050,191	1,138,622
Expense reserves		44,069	-	-	44,069	47,014	-	-	47,014
Takaful payables		673	602	5,629	6,904	817	910	5,338	7,064
Other payables		17,214	9,221	21,106	29,872	19,392	4,990	26,923	33,510
Current tax liabilities		-	1,621	488	-	-	1,006	3,546	-
Amount due to shareholders		27,000	-	-	27,000	27,000	-	-	27,000
Total liabilities		88,956	95,385	1,132,133	1,296,696	94,223	95,337	1,085,998	1,253,210
Total equity and liabilities		214,922	95,385	1,132,133	1,422,662	212,964	95,337	1,085,998	1,371,951

The accompanying Notes on pages 8 to 22 form an integral part of the financial statements.

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)

(Incorporated in Malaysia)

Unaudited interim statement of comprehensive income for the six months ended 30 June 2017

	01.01.2017 to 30.06.2017				01.01.2016 to 30.06.2016			
	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	26,657	19,242	104,586	129,725	29,066	17,562	89,622	112,477
Takaful Operator income	22,939	-	-	-	25,495	-	-	-
Gross contributions	-	18,241	84,372	102,613	-	16,594	68,018	84,612
Contributions ceded to retakaful	-	(1,559)	(8,532)	(10,091)	-	(1,199)	(8,382)	(9,581)
Changes in unearned contribution reserves	-	2,144	-	2,144	-	2,056	-	2,056
Actuarial reserves	-	(1,415)	-	(1,415)	-	(252)	-	(252)
Net earned contributions	-	17,411	75,840	93,251	-	17,199	59,636	76,835
Gross benefits and claims paid	-	(3,143)	(60,848)	(63,991)	-	(2,966)	(55,918)	(58,884)
Claims ceded to retakaful	-	822	5,284	6,106	-	1,046	13,670	14,716
Gross changes in claims liabilities	-	(4,731)	3,282	(1,449)	-	(915)	2,767	1,852
Changes in claims liabilities ceded to retakaful	-	6,430	2,987	9,417	-	(214)	(5,512)	(5,726)
Net benefits and claims	-	(622)	(49,295)	(49,917)	-	(3,049)	(44,993)	(48,042)
Investment income	3,718	1,001	20,214	27,112	3,571	968	21,604	27,865
Realised gain/(loss)	23	-	228	251	306	-	(14,185)	(13,879)
Fee and commission income	-	-	854	854	-	-	-	-
(Reversal of)/allowance for impairment	-	(191)	-	(191)	-	86	(1)	85
Other Income	40	-	115	155	-	-	-	-
Other income	3,781	810	21,411	28,181	3,877	1,054	7,418	14,071

The accompanying Notes on pages 8 to 22 form an integral part of the financial statements.

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Unaudited interim statement of comprehensive income for the six months ended 30 June 2017 (continued)

	01.01.2017 to 30.06.2017				01.01.2016 to 30.06.2016			
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Wakalah fees	-	(10,944)	(8,052)	-	-	(10,377)	(8,384)	-
Commission paid	(6,432)	-	-	(6,432)	(6,014)	-	-	(6,014)
Expense reserves	2,945	-	-	2,945	5,030	-	-	5,030
Fair value gain/(loss) (unrealised)	-	-	11,019	11,019	-	-	(4,704)	(4,704)
Management expenses	(23,650)	-	-	(23,650)	(23,430)	-	-	(23,430)
Other expenses	(775)	(2)	(221)	(998)	(289)	(13)	1,741	1,439
Other expenses	(27,912)	(10,946)	2,746	(17,116)	(24,703)	(10,390)	(11,347)	(27,679)
Total profit for the period/Net underwriting surplus from operations	(1,192)	6,653	50,702	54,399	4,669	4,814	10,714	15,185
Surplus attributable to the participants' risk fund *	-	-	(1,764)	(1,764)	-	(2,132)	(4,194)	(6,326)
Surplus attributable to Takaful Operator *	-	-	(1,764)	-	-	(2,132)	(2,880)	-
Net surplus retained in takaful funds *	-	2,047	(43,314)	(41,268)	-	(474)	(4,741)	(4,190)
Profit/Surplus before zakat and taxation	(1,192)	8,700	3,860	11,367	4,669	76	(1,101)	4,669

* Estimated amount subjected to Board of Directors Approval

The accompanying Notes on pages 8 to 22 form an integral part of the financial statements.

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Unaudited interim statement of comprehensive income for the six months ended 30 June 2017 (continued)

	01.01.2017 to 30.06.2017				01.01.2016 to 30.06.2016			
	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Zakat	-	-	-	-	-	-	-	-
Taxation	15 8,021	(8,699)	(3,858)	(4,537)	(2,173)	(76)	1,101	(2,173)
Profit for the period attributable to owners of the Company	6,829	1	2	6,830	2,496	-	-	2,496
Other comprehensive income / (expenses)								
Fair value of available-for-sale financial assets								
- Gains/(Losses) arising during the period	521	103	2,522	3,146	623	82	7,394	8,099
Tax effect thereon	(125)	(25)	(202)	(352)	(156)	(21)	(592)	(769)
Other comprehensive income attributable to Takaful Operator/change in participants liabilities	-	(78)	(2,320)	(2,398)	-	(61)	(6,802)	(6,863)
Total other comprehensive income for the period	396	-	-	396	467	-	-	467
Total comprehensive income for the period attributable to owners of the Company	7,225	1	2	7,226	2,963	-	-	2,963

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Unaudited interim statement of changes in equity for the six months ended 30 June 2017

	← Non- distributable →	Distributable		
	Share capital	Available for sale financial assets ("AFS") fair value reserves	(Accumulated losses) / Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	100,000	(441)	19,182	118,741
Total other comprehensive income for the period	-	396	-	396
Profit for the period	-	-	6,829	6,829
At 30 June 2017	<u>100,000</u>	<u>(45)</u>	<u>26,011</u>	<u>125,966</u>
At 1 January 2016	100,000	(128)	18,467	118,339
Total other comprehensive income for the period	-	467	-	467
Profit for the period	-	-	2,496	2,496
At 30 June 2016	<u>100,000</u>	<u>339</u>	<u>20,963</u>	<u>121,302</u>

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Unaudited interim statement of cash flows for the six months ended 30 June 2017

	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000
Cash flows from operating activities		
Cash generated from operations (Note 15)	6,700	(20,604)
Income tax paid	(4,834)	(5,358)
Net cash from operating activities	<u>1,866</u>	<u>(25,962)</u>
Cash flows from investing activities		
Acquisition of plant and equipment	-	(35)
Acquisition of intangible assets	(1,898)	(956)
Acquisition of investments	(78,163)	(224,586)
Proceeds from disposal of investments	34,760	132,855
Proceeds from maturities of investments	15,000	95,000
Profit from fixed deposits placed with licensed Islamic financial institutions	743	866
Profit from government guaranteed sukuk	5,138	4,766
Profit from government investment issues	2,054	2,177
Profit from corporate debt securities	9,696	9,726
Dividend received from quoted equity securities	13,891	15,730
Net cash used in investing activities	<u>1,221</u>	<u>35,543</u>
Net increase/(decrease) in cash and cash equivalents	3,087	9,581
Cash and cash equivalents at 1 January	<u>54,804</u>	<u>51,227</u>
Cash and cash equivalents at 30 June	<u>57,891</u>	<u>60,808</u>

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000
Fixed deposits with licensed Islamic financial institutions	28,308	30,268
Cash and bank balances	29,583	30,540
	<u>57,891</u>	<u>60,808</u>

The accompanying Notes on pages 8 to 20 form an integral part of the financial statements.

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Notes to the unaudited condensed interim financial statements

1. Basis of preparation

Statement of compliance

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting by the Malaysian Accounting Standards ("MASB"), IAS 34: Interim Financial Reporting by the International Accounting Standards Board ("IASB"), Islamic Financial Services Act 2013 ("IFSA"), Takaful Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and Principles of Shariah.

A Takaful Operator is required to present consolidated financial statements for itself and the Takaful funds it manages and controls in accordance with the requirements of MFRS 127, Consolidated and Separate Financial Statements. The statements of financial position and the statements of comprehensive income of the Takaful Operator, Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM, Islamic Financial Services Act 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2016.

2. Summary of significant accounting policies

The accounting policies and presentation adopted by the Company for the interim condensed financial statements are consistent with those adopted by the Company audited financial statements for the financial year ended 31 December 2016.

3. Auditors' report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2016 did not contain any qualification.

4. Seasonality of operations

The business operations of the company are not materially affected by seasonal or cyclical factors for the period under review.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current period ended 30 June 2017.

6. Estimates

There were no material changes in the basis used for accounting estimates for the current period under review.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period under review.

8. Dividends

No dividends was declared nor paid during the current period ended 30 June 2017.

9. Material Events Subsequent to the End of the Period

There were no material events subsequent to the date of the statement of the financial position that requires disclosure or adjustment to the unaudited condensed interim financial statements.

10. Contingent Liabilities

There were no contingent liabilities as at the date of this report.

11. Changes in the composition of the Company

There is no change in the composition of the Company from the previous audited financial statements.

12. Investment assets

	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
At 30 June 2017				
Available-for-sale financial assets				
Government investment issues	15,034	-	78,444	93,478
Government guaranteed sukuk	20,084	4,954	163,056	188,094
Corporate debt securities	100,304	35,042	233,061	368,407
Financial assets at fair value through profit or loss				
Government investment issues	-	-	10,099	10,099
Government guaranteed sukuk	-	-	64,390	64,390
Corporate debt securities	-	-	81,811	81,811
Collective investment schemes	-	-	406,840	406,840
Quoted equity securities	-	-	13,688	13,688
	<u>135,422</u>	<u>39,996</u>	<u>1,051,389</u>	<u>1,226,807</u>

12. Investment assets (continued)

	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
At 31 December 2016				
Available-for-sale financial assets				
Government investment issues	25,030	-	78,335	103,365
Government guaranteed sukuk	25,030	14,865	162,224	202,119
Corporate debt securities	89,851	34,993	226,559	351,403
Financial assets at fair value through profit or loss				
Government guaranteed sukuk	-	-	10,104	10,104
Corporate debt securities	-	-	59,158	59,158
Collective investment schemes	-	-	81,129	81,129
Structured investments	-	-	363,761	363,761
Quoted equity securities	-	-	13,020	13,020
	<u>139,911</u>	<u>49,858</u>	<u>994,290</u>	<u>1,184,059</u>

(a) Carrying values of investment assets

Investment assets are carried at fair value. Investment assets are categorised as either available-for-sale financial assets (“AFS”) or financial assets at fair value through profit or loss (“FVTPL”).

	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
At 1 January 2016	654,954	492,077	1,147,031
Purchases	126,143	216,973	343,116
Maturities	(125,000)	-	(125,000)
Disposals	-	(181,034)	(181,034)
Fair value gains recorded in profit or loss	-	(963)	(963)
AFS reserves	1,176	-	1,176
(Amortisation)/accretion adjustment	(386)	119	(267)
At 31 December 2016/1 January 2017	<u>656,887</u>	<u>527,172</u>	<u>1,184,059</u>
Purchases	15,060	63,103	78,163
Maturities	(15,000)	-	(15,000)
Disposals	(9,983)	(24,526)	(34,509)
Fair value loss recorded in profit or loss	-	11,019	11,019
AFS reserves	3,147	-	3,147
(Amortisation)/accretion adjustment	(132)	60	(72)
At 30 June 2017	<u>649,979</u>	<u>576,828</u>	<u>1,226,807</u>

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12. Investment assets (continued)

(b) Fair values of investment assets

The fair value of investment assets is determined by reference to market closing prices in an active market at reporting date.

(c) The following investment assets mature after twelve months:

	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
At 30 June 2017				
Available-for-sale financial Assets	115,476	15,030	469,463	599,969
Financial assets at fair value through profit or loss	-	-	149,912	149,912
	<u>115,476</u>	<u>15,030</u>	<u>619,375</u>	<u>749,881</u>
At 31 December 2016				
Available-for-sale financial Assets	104,930	15,013	462,117	582,060
Financial assets at fair value through profit or loss	-	-	145,376	145,376
	<u>104,930</u>	<u>15,013</u>	<u>607,493</u>	<u>727,436</u>

13. Retakaful assets

	Note	30.06.2017	31.12.2016
		RM'000	RM'000
General Takaful Fund	12(a)	36,791	32,851
Family Takaful Fund	12(b)	36,218	34,415
		<u>73,009</u>	<u>67,266</u>

14. Takaful contract liabilities

	Note	Gross RM'000	Retakaful RM'000	Net RM'000
At 30 June 2017				
General Takaful Fund	14(a)	86,329	(39,178)	47,151
Family Takaful Fund	14(b)	1,104,910	(36,218)	1,068,692
Company		<u>1,191,239</u>	<u>(75,396)</u>	<u>1,115,843</u>

At 31 December 2016				
General Takaful Fund	14(a)	88,431	(32,851)	55,580
Family Takaful Fund	14(b)	1,050,191	(34,415)	1,015,776
Company		<u>1,138,622</u>	<u>(67,266)</u>	<u>1,071,356</u>

(a) General Takaful Fund

	Note	Gross RM'000	Retakaful RM'000	Net RM'000
At 30 June 2017				
Provision for claims reported by participants		38,467	(31,859)	6,608
Provision for IBNR		19,949	(7,087)	12,862
Provision for outstanding claims	(i)	58,416	(38,946)	19,470
Provision for unearned contributions	(ii)	15,988	(232)	15,756
Participants' funds	(iii)	11,925	-	11,925
		<u>86,329</u>	<u>(39,178)</u>	<u>47,151</u>

At 31 December 2016				
Provision for claims reported by participants		34,399	(27,919)	6,480
Provision for IBNR		19,286	(4,598)	14,688
Provision for outstanding claims	(i)	53,685	(32,517)	21,168
Provision for unearned contributions	(ii)	18,234	(334)	17,900
Participants' funds	(iii)	16,512	-	16,512
		<u>88,431</u>	<u>(32,851)</u>	<u>55,580</u>

14. Takaful contract liabilities (continued)**(i) Provision for outstanding claims**

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2017	53,685	(32,517)	21,168
Claims incurred in the current period	7,875	(7,252)	623
Claims paid during the period	(3,144)	823	(2,321)
At 30 June 2017	<u>58,416</u>	<u>(38,946)</u>	<u>19,470</u>
At 1 January 2016	66,579	(42,253)	24,326
Claims incurred in the current period	(5,977)	6,392	415
Claims paid during the period	(6,917)	3,344	(3,573)
At 31 December 2016	<u>53,685</u>	<u>(32,517)</u>	<u>21,168</u>

(ii) Provision for unearned contributions

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2017	18,234	(334)	17,900
Contributions written in the period	18,241	(1,559)	16,682
Contributions earned during the year	(20,487)	1,661	(18,826)
At 30 June 2017	<u>15,988</u>	<u>(232)</u>	<u>15,756</u>
At 1 January 2016	18,801	(905)	17,896
Contributions written in the period	41,824	(2,962)	38,862
Contributions earned during the year	(42,391)	3,533	(38,858)
At 31 December 2016	<u>18,234</u>	<u>(334)</u>	<u>17,900</u>

(iii) Participants' fund

	30.06.2017 RM'000	31.12.2016 RM'000
Unallocated surplus	2,398	4,457
AFS reserves	2	(76)
Revenue account accumulated surplus	9,525	12,131
	<u>11,925</u>	<u>16,512</u>

14. Takaful contract liabilities (continued)**(a) General Takaful Fund (continued)****(iii) Participants' fund (continued)**

	30.06.2017	31.12.2016
	RM'000	RM'000
Unallocated surplus		
At 1 January	4,457	2,577
Transfer from surplus	-	1,286
Retained surplus	(2,047)	(20)
Transfer from other liabilities	(12)	614
At 30 June / 31 December	<u>2,398</u>	<u>4,457</u>
AFS reserves		
At 1 January	(76)	(31)
Increase/(Decrease) in reserves	78	(45)
At 30 June / 31 December	<u>2</u>	<u>(76)</u>
Revenue account accumulated surplus		
At 1 January	12,131	6,362
Surplus for the period	(2,047)	7,074
Profit paid to participants	(2,606)	(19)
Transfer to unallocated surplus	2,047	(1,286)
At 30 June / 31 December	<u>9,525</u>	<u>12,131</u>

(b) Family Takaful Fund

	Note	Gross	Retakaful	Net
		RM'000	RM'000	RM'000
At 30 June 2017				
Provision for outstanding claims	(i)	17,087	(14,159)	2,928
Participants' funds	(ii)	<u>1,087,823</u>	<u>(22,059)</u>	<u>1,065,764</u>
		<u>1,104,910</u>	<u>(36,218)</u>	<u>1,068,692</u>
At 31 December 2016				
Provision for outstanding claims	(i)	13,804	(11,173)	2,631
Participants' funds	(ii)	<u>1,036,387</u>	<u>(23,242)</u>	<u>1,013,145</u>
		<u>1,050,191</u>	<u>(34,415)</u>	<u>1,015,776</u>

14. Takaful contract liabilities (continued)**(b) Family Takaful Fund (continued)****(i) Provision for outstanding claims**

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2017	13,804	(11,173)	2,631
Claims incurred during the year	11,520	(8,270)	3,250
Claims paid during the year	(8,237)	5,284	(2,953)
At 30 June 2017	<u>17,087</u>	<u>(14,159)</u>	<u>2,928</u>
At 1 January 2016	12,446	(11,028)	1,418
Claims incurred during the year	22,488	(19,256)	3,232
Claims paid during the year	(21,130)	19,111	(2,019)
At 31 December 2016	<u>13,804</u>	<u>(11,173)</u>	<u>2,631</u>

(ii) Participants' fund

	Gross RM'000	Retakaful RM'000	Net RM'000
At 30 June 2017			
Actuarial reserves	236,971	(22,059)	214,912
Unallocated surplus	51,443	-	51,443
AFS reserve	90	-	90
Net asset value attributable to participants	390,658	-	390,658
Net asset value attributable to unit holders	408,661	-	408,661
	<u>1,087,823</u>	<u>(22,059)</u>	<u>1,065,764</u>

14. Takaful contract liabilities (continued)**(b) Family Takaful Fund (continued)****(ii) Participants' fund (continued)**

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2017	1,036,387	(23,242)	1,013,145
Contributions received	21,910	-	21,910
Liabilities paid for death, maturities, surrenders, benefits and claims	(19,626)	-	(19,626)
Benefits and claims experience variation			-
Fees deducted	(3,591)	-	(3,591)
Investment income	7,489	-	7,489
Retakaful reserve credit	(1,183)	1,183	-
Net asset value attributable to unit holders	42,825	-	42,825
Surplus attributable to Takaful Operator	(1,764)	-	(1,764)
Write back of impairment	-	-	-
AFS reserve	2,321	-	2,321
Transfer to unallocated surplus	-	-	
Deferred tax on fair value gains	(2,854)	-	(2,854)
Investment income distribution	6,917	-	6,917
Transfer surplus distribution to other liabilities	(1,764)	-	(1,764)
Others	756	-	756
At 30 June 2017	<u>1,087,823</u>	<u>(22,059)</u>	<u>1,065,764</u>

14. Takaful contract liabilities (continued)**(b) Family Takaful Fund (continued)****(ii) Participants' fund (continued)**

	Gross RM'000	Retakaful RM'000	Net RM'000
At 31 December 2016			
Actuarial reserves	238,027	(23,242)	214,785
Unallocated surplus	53,934	-	53,934
AFS reserve	(2,231)	-	(2,231)
Net asset value attributable to participants	380,821	-	380,821
Net asset value attributable to unit holders	365,836	-	365,836
	<u>1,036,387</u>	<u>(23,242)</u>	<u>1,013,145</u>
At 1 January 2016			
	1,000,336	(28,363)	971,973
Contributions received	47,347	-	47,347
Liabilities paid for death, maturities, surrenders, benefits and claims	(38,453)	-	(38,453)
Fees deducted	(8,293)	-	(8,293)
Investment income	13,099	-	13,099
Retakaful reserve credit	(5,121)	5,121	-
Net asset value attributable to unit holders	24,390	-	24,390
Surplus attributable to Takaful Operator	(7,291)	-	(7,291)
Write back of impairment	4	-	4
AFS reserve	1,512	-	1,512
Transfer to unallocated surplus	2,713	-	2,713
Deferred tax on fair value gains	(921)	-	(921)
Investment income distribution	12,202	-	12,202
Transfer surplus distribution to other liabilities	(10,602)	-	(10,602)
Others	5,465	-	5,465
At 31 December 2016	<u>1,036,387</u>	<u>(23,242)</u>	<u>1,013,145</u>

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15. Income Tax Expense

	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
At 30 June 2017				
Current tax expense				
-Current	2,358	1,621	462	4,441
-Under provision in prior years	(10,322)	7,099	2,516	(707)
Deferred tax expense/(income)				
Origination and reversal of temporary differences	(56)	(20)	880	803
	<u>(8,020)</u>	<u>8,700</u>	<u>3,858</u>	<u>4,537</u>
At 31 December 2016				
Current tax expense				
-Current	7,868	240	-	8,108
-Under provision in prior years	987	765	722	2,474
Deferred tax expense/(income)				
Origination and reversal of temporary differences	1,682	296	(73)	1,905
Unabsorbed losses			(790)	(790)
Under/(over) provision in prior year	(63)	2	(47)	(108)
	<u>10,474</u>	<u>1,303</u>	<u>(188)</u>	<u>11,589</u>

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16. Cash flows from operating activities

	01.01.2017 to 30.06.2017 RM'000	01.01.2016 to 30.06.2016 RM'000
Profit before zakat and taxation	11,366	4,669
Profit from government guaranteed bonds	(5,138)	(4,766)
Profit from government investment issues	(2,054)	(2,177)
Profit from corporate debt securities	(9,696)	(9,726)
Profit from fixed deposits with licensed financial institutions	(743)	(866)
Dividend income from equity securities	(13,890)	(15,730)
Increase in takaful contract liabilities	3,380	2,360
Non Cash items		
Amortisation of intangible	2,943	2,358
Increase in impairment of receivables	191	85
Depreciation of plan & equipment	37	49
Fair value movement of investment	(11,019)	4,704
Net amortisation/(accretion) of investment	72	183
Provision for expenses reserves	(2,945)	(5,030)
Realised (Gain)/Loss from disposal of investment assets	(251)	
Changes in working capital		
Decrease/(Increase) in receivables	1,085	(738)
(Decrease)/Increase in payables	(5,345)	(6,168)
(Decrease)/Increase in participants' fund	47,057	-
Profit paid to participants	(2,606)	-
Increase in retakaful assets	(5,744)	10,189
Cash generated from operations	<u>6,700</u>	<u>(20,604)</u>

The Company classifies the cash flows from the acquisition and disposal of financial assets as investing activities, as the purchases are funded from the cash flows associated with the origination of takaful contracts, net of the cash flows for payments of benefits and claims incurred for takaful contracts, which are included in operating activities.

17. Capital management

The objective of the Company's Capital Management Plan ("CMP") is to ensure that the Company has sufficient working capital including equity (share capital and retained reserves) to support planned business growth and to meet regulatory capital requirements established by the local regulator at all times in a prudent and efficient manner.

In order to achieve these objectives, the CMP sets out the optimal amount and mix of regulatory and working capital required to ensure that these objectives are met.

The capital structure of the Company as at the date of the statement of financial position, consisting of all funds as prescribed under the Risk Based Capital Framework is provided below:

	30.06.2017	31.12.2016
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital	100,000	100,000
Reserve, including retained earnings	26,011	15,951
Valuation surplus maintained in the takaful funds	53,841	57,084
Eligible Tier 2 Capital		
AFS fair value reserves	(46)	1,518
Profit Sharing Investment Account (PSIA)	13,500	18,900
Amount deducted from capital	<u>(16,342)</u>	<u>(18,333)</u>
Capital available	<u>176,964</u>	<u>175,120</u>
Total capital available	<u>145,655</u>	<u>145,053</u>

18. Capital and other commitments

	Takaful Operator and Company	
	30.06.2017	31.12.2016
	RM'000	RM'000
Capital expenditure commitments		
Intangible assets		
Approved but not contracted for	536	1,000
Contracted but not provided for	<u>3,209</u>	<u>4,520</u>

19. Comparative Figures

During the year ended 31 December 2016, the company has made the reclassification on the fees arranged under wakalah contract to be aligned as wakalah fee. This is for better clarity and understanding of the fee received by the Operator Fund for carrying out the authorized task that have been delegated to the Company. In the previous years, participant fund administration fee (service fee), surrender fee, and investment management service fee are reflected as fee and commission income. This composition was approved by Shariah Committee during the last financial year.

	<-----30.06.2016 (As restated)----->			
	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
Operating revenue	29,066	17,562	89,622	112,477
Takaful Operator income	25,495	-	-	-
Gross benefits and claims paid	-	(2,966)	(55,918)	(58,884)
Fee and commission income	-	-	-	-
Wakalah fees	-	(10,377)	(8,384)	-
Other expenses	(289)	(13)	1,741	1,439
	<-----30.06.2016 (As previously stated)----->			
	Takaful Operator	General Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
Operating revenue	26,385	17,562	89,622	112,477
Takaful Operator income	22,814	-	-	-
Gross benefits and claims paid	-	(2,966)	(56,041)	(59,007)
Fee and commission income	2,681	-	-	-
Wakalah fees	-	(10,377)	(7,425)	-
Other expenses	(289)	(13)	905	1,562