

Making a difference in our customers' financial future.

HSBC Amanah Takaful Investment-Linked Funds

Annual funds performance for the year ended 31 December 2017



HSBC
Amanah Takaful

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

▶ **2011, 2012, 2013 and 2014 Top Bancatakaful Provider**

▶ **2011, 2012, 2013, 2014, 2015 and 2016 Best Takaful Operator**

At HSBC Amanah Takaful, we understand the importance of securing our customers' financial needs and connecting them to opportunities. We aim to be where the growth is, enabling businesses to thrive and economies to prosper, and ultimately help people to fulfill their hopes and realise their ambitions.

We thank you for your support and will continue to increase our efforts in providing the best financial solutions to you.

Message from HSBC Amanah Takaful (Malaysia) Berhad

Dear Valued Customers,

On behalf of HSBC Amanah Takaful, I would like to express our sincere appreciation for your trust and loyalty towards the HSBC brand and your support during the past year. It gives me great pleasure to present to you the 2017 Annual Fund Performance Report. We hope you find this report informative and helpful for you to understand the funds offered by HSBC Amanah Takaful.

Last year, HSBC Amanah Takaful remained Number 1 in rank with the largest market share for Single Contribution Investment-Linked segment in three consecutive years from 2015 to 2017, and our market share in the segment has grown from 45% in 2016 to 76% in 2017. In February 2016, we expanded the investment choices of existing and new certificate holders with the launch of 2 new investment linked funds, namely HSBC Amanah Takaful's Islamic Sukuk Fund (Local Fixed Income) and HSBC Amanah Takaful's World Islamic Equity Fund (Global Equity). As at end-December 2017, both funds have fruitfully increased its fund size to RM22 million and RM54 million respectively.

We offer a wide range of Family Solidarity and General Takaful to both consumers and corporate customers and our total asset has grown 8%+ year-on-year to over RM1.37 billion in last December 2017. The data provided by Insurance Services Malaysia confirms the growth HSBC Amanah Takaful has achieved with the highest year-on-year growth of 50% in Family Takaful business, which outperformed the total industry growth of 10% and other Takaful operators' growth in the same segment. In our aim to be the premier Takaful provider in Malaysia, we remain committed to providing our customers with strong performing and innovative products to meet their financial needs. We have successfully launched Takaful FutureSecure, the first plan of its kind in the takaful market in last October 2017. The new product is a Shariah compliant single contribution family takaful plan that provides death coverage and lets customers leave a seamless legacy of love behind. Customers may enjoy stable returns with this plan to help steadily grow their assets and secure their financial legacy planning and allocation.

HSBC Amanah Takaful has performed well and will continue to grow. Our accomplishments over the years are a credit to the professionalism and dedication of our employees in providing only the best propositions to our customers. On behalf of the team, I would like to express our sincere appreciation for your trust placed in us. With your unwavering support we will continue to strive for excellence and forge ahead with success.

Yours sincerely,



Yahya Adnan Ahmad
Chief Executive Officer

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▶3 Market Review for the Year Ended December 2017

Equity - Market Review

Local equities rallied 1Q2017 in tandem with global markets, supported by a firmer ringgit given Bank Negara Malaysia (BNM)'s efforts to clamp down on currency speculation. Malaysian equities continued its uptrend in the early part of 2Q, supported by continued foreign fund flows and an appreciating ringgit. Towards the end of the 2Q, profit taking activities set in ahead of the Hari Raya holidays, which also coincided with a flurry of mergers and acquisitions (M&A) related news such as DRB Hicom and Zhejiang Geely signing the agreement for 49.9% stake in Proton. The Malaysian equity market started the 3Q2017 on a volatile note, sparked by the lacklustre response for the biggest Initial Public Offering (IPO) deal in Malaysia since 2012, as confidence in the IPO waned culminated by the disastrous results reported on the last day of the month. Malaysia's Gross Domestic Product (GDP) growth for 2Q of 5.8% y-o-y surprised on the upside but was not enough of a catalyst to drive investor interest. The Malaysian equity market started the 4Q2017 in a correction mode as the big cap stocks succumbed to some sell down despite the rising Brent crude oil prices and the tabling of Budget 2018. The Budget 2018 announcement on the 27th October was as expected, focused on implementing measures to increase households' disposable income, in particular the bottom 40% (B40) income group, with special cash payments to be made to the 1.6 million civil servants and civil servant retirees. Equity markets in Malaysia remained weak despite the stronger than expected 3Q2017 GDP growth data reported in November, and growing expectations of Bank Negara potentially hiking Overnight Policy Rate in 2018. The FTSE Bursa Malaysia KLCI (FBMKLCI) closed the year under review at 1,796.81 points, higher by 9.45%. The broader FTSE Bursa Malaysia EMAS Index (FBMEMAS) closed the period under review at 13,302.92 points higher by 10.72%.

Global equities rose during the year with most markets advanced despite plans by major central banks to normalise monetary policy and the hovering geopolitical tensions. 1Q2017 saw global markets starting the year on a positive note with the expectations that Trump's policies for the United States (US) will be reflationary in nature, focused on tax cuts and corporate tax overhaul, infrastructure spending in the US, and increased protectionism. Global markets continued to perform well in the 2Q2017 despite uncertainty regarding the potential US trade protectionist policy, French elections, United Kingdom (UK) elections, tensions with North Korea, and crude oil over-supply concerns. Investors spent much of the 2Q2017 distracted by the US policy issues with China, on normalisation, and on potential tax reform. In 3Q2017, the US Federal Reserve signalled one more rate hike towards the year end. Organization of the Petroleum Exporting Countries (OPEC) also announced their decision to extend its production cutting deal for another 9 months, providing support for oil prices. By the end of the 4Q2017, Brent crude oil hit USD66.8 per barrel, a level not seen since May 2015, on the back of extended production cuts by OPEC and improving demand outlook as global growth recovery continues to be underway. Eurozone confidence was lifted by an upbeat economy coupled with the positive elections outcomes in France and the Netherlands. This outweighed the protracted talks to form a coalition government in Germany and an unresolved Brexit. Elsewhere, business prospects in Japan brightened, with the incumbent Prime Minister Shinzo Abe's snap election victory strengthening his mandate. While developed markets did well, emerging markets outpaced them. Notably, Chinese shares rose on mostly resilient economic growth, heralded in the widely-watched National congress, and a sharp rise in internet stocks. At a sector level, materials did well globally, technology stocks rallied, and the energy sector was fuelled by stabilising oil prices. In many major financial markets, share prices gains have been relentless, and there could be momentum for growth to continue in 2018. In 2017, MSCI AC World Islamic Index gained 20.15% while the MSCI Asia Pacific ex-Japan Index rose by 37.32% in USD terms.

▶ 4 Market Review for the Year Ended December 2017 (continued)

Fixed Income - Market Review

In 2017, the bond market held up strongly providing decent yields despite the prospect of tightening monetary conditions and policy uncertainty surrounding a tumultuous administration led by US President Donald Trump. Escalating tensions between US and North Korea, including outward displays of military force and sabre-rattling threatened stability on the surface but had little impact on markets or shifted yields significantly. On the domestic front, latest indicators have reaffirmed the economy's resilience supported by robust exports and strong domestic demand. Malaysia's total exports rose by almost 19% to RM935.4 billion in 2017, charting its strongest growth since 2005, underpinned by exports of electrical and electronics (E&E) and also major commodities. Higher crude oil prices will also be positive for the economy as oil prices hovered near 3-year highs of USD66.8 per barrel. Budget 2018 was tabled based on an average Brent crude oil price assumption of just USD52 per barrel, which would bolster the government's coffers and strengthen its fiscal position.

The Ringgit ended December at its highest level in 2017, closing at RM4.05 against the greenback compared to RM4.49 at the end of Dec 2016. Gains in the Ringgit were supported by foreign inflows into the local bond and equity markets to better reflect its economic fundamentals. Overall net inflows of foreign debt securities increased by RM2.7 billion in December'17, buoyed by inflows into both MGS of RM4.1 billion and GII of RM0.6 billion. Total foreign holdings of both MGS and GII accordingly rose to 45.1% and 6.9% respectively in December. On monetary policy developments, BNM indicated a more hawkish tilt in its November monetary policy statement, hinting at a potential review of the current degree of monetary accommodation on the back of stronger economic growth and higher crude oil prices which had pushed up inflation data. Globally, other central banks are expected to follow-suit and tighten monetary policy, with the US Federal Reserve embarking on its massive balance sheet unwinding process as well as guiding for 3 rate hikes in 2018. The European Central Bank (ECB) is also starting to taper off its bond purchases in light of stronger economic growth and to wean the Eurozone off monetary stimulus.

Compared to 2016, ringgit bonds had ended 2017 on a stronger footing. Total gross issuance of corporate bonds surged by RM38.2 billion or 45.0% to RM122.9 billion (2016: RM84.8 billion), the highest level since 2012 (RM123.8 billion). All corporate bond segments recorded increases in 2017 with rated corporate bonds being the largest contributor towards gross issuances. The segment grew by RM16.5 billion to RM55.8 billion, making up 45.4% of total gross issuance for the year. AAA and AA rated corporate bonds (including Cagamas) continued to account for most of gross issuance with its share of 92.5% of total rated bonds (2016: 91.4%). Yields on both the local govies and corporate bonds ended significantly lower in 2017 with local govies taking the lead, especially MGS along the belly to the back-end of the curve. Benchmark yields on both the 3-year and 10-year were down by 25 bps and 31 bps to 3.32% and 3.91% respectively. For corporate bond, yields on bonds rated AAA, AA and A fell by two bps to 29 bps along the 3y10y curve in 2017 with A-rated corporate bonds gaining the most. Credit spreads were also lower in 2017 compared to the preceding year. Demand for corporate bonds was also driven by the firmer ringgit, expectations of higher interest rates in 2018 and significantly higher issuances from investment grade issuers. The Quantshop MGS All-Index and BPAM Corp Bond All-Index yielded 1-year returns of 5.60% and 5.28% respectively in 2017.

► 5 Market Review for the Year Ended December 2017 (continued)

Equity & Fixed Income - Market Outlook

The growth momentum in Equity markets is expected to continue in 2018 amid increasing volatility in global markets. Whilst current economic data still indicates that a synchronised global recovery is underway and expected to gain momentum, investors continue to fret whether this would mean the Federal Open Market Committee (FOMC) would be more aggressive with their rate hikes than expected. US President Trump decided to deliver one of his election promises by imposing hefty tariffs on steel and aluminium imports from China, Canada, and the EU. This protectionist measure needs to be monitored as it was one of the election promises that many trading nations were concerned about most. US increased protectionist stance will invite retaliating measures from their trading partners, which can have a negative impact on global growth. Malaysia was not sheltered by the correction felt by global markets; however, it is always a low beta market and the abundance of local institutional liquidity should provide some support to the equity market. Investors will be mindful about the upcoming US FOMC rate hikes, the impending BNM annual Economic Report which will reveal the BNM's growth forecast for Malaysia, and speculate over when the 14th General Election (GE14) will be called. Volatility could pick up in the year as markets adjust to a reversal of a rate-cut cycle, with global central banks expected to gradually lift interest rates and embark on their balance-sheet unwinding. Any market corrections could provide opportunities for investors to accumulate stocks that are fundamentally strong at a more attractive valuation. Market prospects for the KLCI should be more vibrant. Markets will look to better earnings growth as catalyst next year, as investors also trade in anticipation of the GE14 which is due by August 2018. Local equity market is expected to remain well supported by domestic institutional investors, as well as foreign investors as the stronger Ringgit attracts attention.

The central bank's Monetary Policy Committee (MPC) has indicated that private consumption would remain the largest driver of growth in 2018, likely to be boosted from the individual tax cuts and cash handouts announced in Budget 2018. Hence, market expects BNM to normalise its monetary policy by raising its OPR only once to 3.25% in 2018. The central bank added that the positive spill over effects from exports are starting to trickle down into domestic demand, which would be supportive of growth, and lead to better consumer data. Local rating agency MARC foresees corporates and financial institutions in its rated universe continuing predominantly on stable ratings trajectories in 2018, underpinned by expectations of a benign operating and macro environment. The supply of bonds is expected to see a slight moderation in 2018. Some bond issuances might have been brought forward to 2017 on expectations of a higher rate environment in 2018 and likely higher borrowing costs ahead. Political uncertainties caused by the timing of the GE14 is another factor that could slow fund raising activity in the first half of 2018. Nevertheless, a vigorous pipeline of new issuances is expected to come from regular issuers such as government-related entities to finance infrastructure projects including the rail and power sectors. Property players and financial institutions are also expected to tap the local debt market, further expanding the pipeline of issuances on the back of stable credit and improving domestic economic conditions. Although the better currency outlook for the Ringgit may provide some level of support to the market, the risk of reversal of foreign flows may not be discounted with the coming GE14. Yields on Malaysian corporate bonds are expected to gradually increase this year amid prospects of monetary policy normalisation. Higher interest rates, however, could cause an uptick in bond market volatility. Malaysia's positive economic growth outlook, improving business sentiment, strong investors demand, supportive government policies and regulations as well as the firmer Ringgit should somewhat moderate the potential rise in yields on Malaysian corporate bonds.

▶ 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 a diversified portfolio of Shariah compliant collective investment schemes ("Target Funds") that invest primarily in Sukuk and any other permissible liquid assets under the Shariah principles.

Fees and Charges

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

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

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

Investment Strategy Review of HSBC Amanah LifeSelect Fixed Income Fund (1 January 2017 to 31 December 2017)

During the year under review, HSBC Amanah LifeSelect Fixed Income Fund registered a return of 4.02% compared with its benchmark, Maybank GIA Tier II 12-Month rate, which recorded 3.30%.

The Fund invested up to 100% of its net asset value (NAV) in two of its Target Funds, namely Pacific Dana Murni and Affin Hwang Aiiman Income Plus Fund in the first 8 months of 2017. Following an internal review in the first half of 2017, the management has implemented a change from Fund of Funds to Feeder Fund approach by removing Pacific Dana Murni from its investment effective 1 September 2017. There is no impact to the existing investment-linked takaful plan as the coverage remains uninterrupted with the same available options and features. The fund management fees remain the same. All expenses associated with this transition was borne by the Takaful operator. There is no income distribution proposed and/or made during the year.

1. Target Fund: Pacific Dana Murni

As domestic economic indicators remained broadly stable, the Fund continued to hold an overweight position in AA-rated corporate credits given the attractive spread differential. Fundamentals of the underlying bond portfolio were satisfactory with decent earnings expectations and rating stability. During the period, the Fund sought trading positions in the sovereign segment upon compelling valuations for capital gains potential. However, liquidity requirements towards end 3Q2017 prompted profit taking activities. The Fund was a net seller of high grade corporate bonds within the AAA and AA1 rating segment. Throughout the period in review, the Fund adhered to its strategy of investing in a diversified portfolio while maintaining sufficient level of liquidity.

Asset Allocation of Target Fund – Pacific Dana Murni (as at 31 August 2017)

Asset Category	Asset Allocation (% of NAV)
Shariah Compliant Collective Investment Schemes	0.92%
Islamic Money Market Instruments	13.81%
Unquoted Sukuk	85.27%

▶ 7 HSBC Amanah LifeSelect Fixed Income Fund (continued)

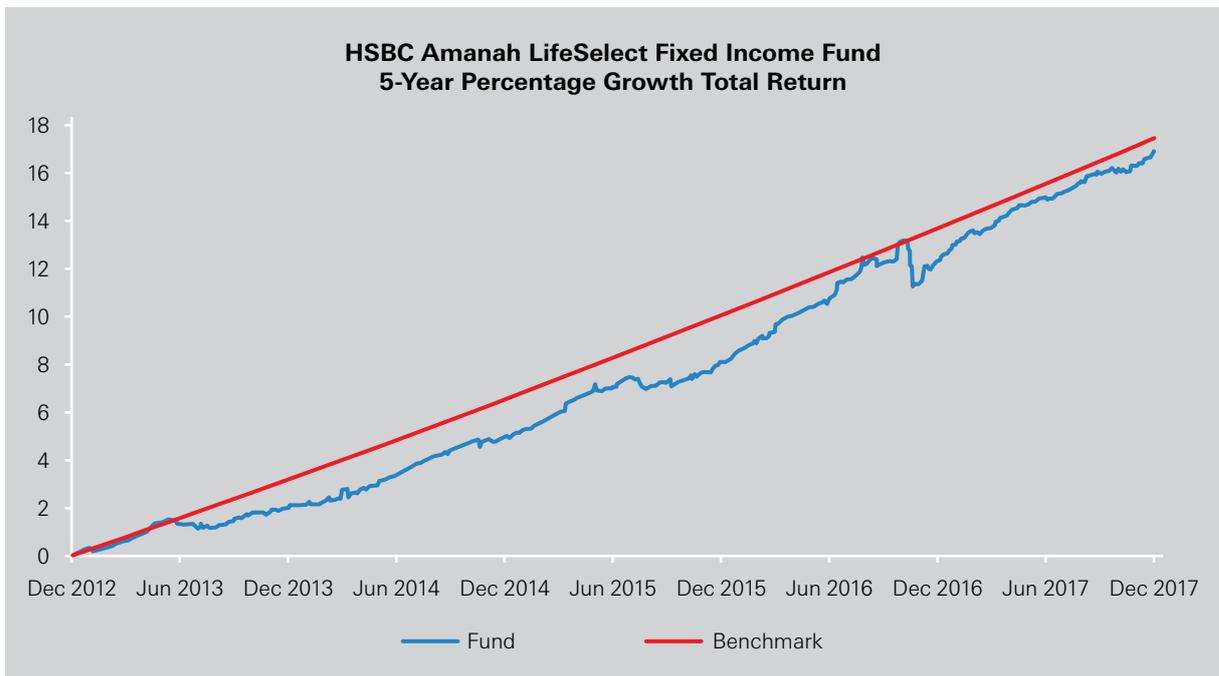
2. Target Fund: Affin Hwang Aiiman Income Plus Fund

The fund has maintained its investment focus within the Malaysian Sukuk space. It remains highly invested over the period under review, focused on quality issuances. Portfolio duration has been kept at a moderate level of 5 to 6 years as the improved outlook for global growth continued to push yield higher with global central banks to normalise their monetary policy. The Fund is structured to be actively managed while the trading strategy, in terms of its frequency, would depend on market conditions and will be driven by market outlook as well. The fund has met its objective of providing steady income stream over the medium to long term period and will continue to be managed in this manner to fulfill its objective.

Asset Allocation of Target Fund – Affin Hwang Aiiman Income Plus Fund (as at 31 December 2017)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Market Instruments	6.30%
Unquoted Sukuk	93.70%

Performance Graph – Cumulative Return Over The Period (%) (5-Year Percentage Growth vs Benchmark)



▶ 8 HSBC Amanah LifeSelect Fixed Income Fund (continued)

Performance Table

HSBC Amanah LifeSelect Fixed Income Fund	2017*	2016	2015	2014	2013
Total NAV (RM'000)	110,187	111,930	114,127	118,297	107,903
Units in circulation	84,532	89,162	94,339	100,567	94,540
NAV per unit (RM)	1.303	1.255	1.210	1.176	1.141
Highest NAV per unit (RM)	1.316	1.274	1.217	1.182	1.149
Lowest NAV per unit (RM)	1.265	1.217	1.182	1.150	1.126
Annual return	4.02%	3.94%	2.94%	2.90%	2.03%

Cumulative Total Returns	6 Months	1 Year	3 Years	5 Years	Since Inception
HSBC Amanah LifeSelect Fixed Income Fund	1.63%	4.02%	11.30%	16.86%	31.55%
Benchmark (Maybank GIA Tier II 12-Month)	1.65%	3.30%	10.24%	17.45%	35.95%

* With effect from 1 September 2017, The Fund removed Pacific Dana Murni and invested solely in Affin Hwang Aiiman Income Plus Fund.

► 9 HSBC Amanah LifeSelect Equity Fund

Investment Objective

The Fund aims to achieve capital growth in the medium to long term by investing in Shariah compliant collective investment schemes ("Target Funds") which invest in Shariah compliant equities and equity related securities and other permissible liquid assets under the Shariah principles.

Fees and Charges

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

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

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

Investment Strategy Review of HSBC Amanah LifeSelect Equity Fund (1 January 2017 to 31 December 2017)

In 2017, HSBC Amanah LifeSelect Equity Fund registered a return of 11.63% compared with its benchmark, FBM Emas Shariah Index (FBMS), of 10.72%.

As a Fund of Funds, the fund invested up to 100% of its net asset value (NAV) in its two Target Funds, namely Pacific Dana Aman and Affin Hwang Aiiiman Growth Fund in the first 8 months of 2017. Following an internal review in the first half of 2017, the management has implemented a change of underlying fund by replacing Pacific Dana Aman with Eastspring Investment Dana Al-Ilham effective 1 September 2017. There is no impact to the existing investment-linked takaful plan as the coverage remains uninterrupted with the same available options and features. The fund management fees remain the same. All expenses associated with this transition was borne by the Takaful operator. There is no income distribution proposed and/or made during the year.

1. Target Fund: Pacific Dana Aman Fund

The Fund stayed well invested at the beginning of the year and took profit on strength around the end of 1Q17. 2Q17 started net foreign inflows. The Fund continued to take profit on strength and rotated into laggards and more defensive stocks while higher beta small caps continued to run. The Fund maintained its conservative weight in equities at around 80% and bought into the correction in June. It increased its positions in large cap stocks but stayed conservatively weighted in Construction, Property and Technology due to lofty valuations. The Fund however remained invested in Energy and Building materials that were perceived to be undervalued; these however under-performed the market due to negative investor sentiment and poor results. Relative underperformance against peers was exacerbated as momentum stocks in Construction, Property and Tech continued to rally in the second quarter of 2017. In August, the Fund increased equity allocation on selloffs that were fuelled by earnings disappointments in undervalued names, which included the Auto sector. The market continued to trend sideways until end November despite strength in the ringgit and oil prices. The Fund maintained a barbell strategy with big cap defensive stocks and selective liquid names in the mid to small cap space with company specific catalysts.

Asset Allocation of Target Fund – Pacific Dana Aman (as at 31 August 2017)

Asset Category	Asset Allocation (% of NAV)
Shariah Compliant Collective Investment Schemes	5.38%
Islamic Money Market Instruments	25.59%
Unquoted Sukuk	69.03%

▶ 10 HSBC Amanah LifeSelect Equity Fund (continued)

2. Target Fund: Affin Hwang Aiiman Growth Fund

The fund has maintained a bottom-up stock selection process for its investment – focusing on building a sustainable portfolio of quality investments for medium to longer term horizon. It had maintained a moderately higher exposure into the market on the back of improved market sentiment. The portfolio was positioned to participate in the stronger run of the domestic market. Nevertheless, the focus remained within fundamentally strong names as it kept to a tactically cautious stance on the back of unresolved risks. The fund adopted an active trading policy where adopted the fund manager looks to maintain some core holdings that are held over the medium to long term, which is similar to a buy and hold strategy. It will also maintain a trading portion for the portfolio, which is used to take advantage of beneficiaries during prevailing market conditions with the aim of boosting the Fund's performance.

Asset Allocation of Target Fund – Affin Hwang Aiiman Growth Fund (as at 31 December 2017)

Asset Category	Asset Allocation (% of NAV)
Cash & Cash Equivalents	28.20%
Quoted Shariah Compliant Equities	71.80%

3. Target Fund: Eastspring Investment Dana Al-Ilham Fund

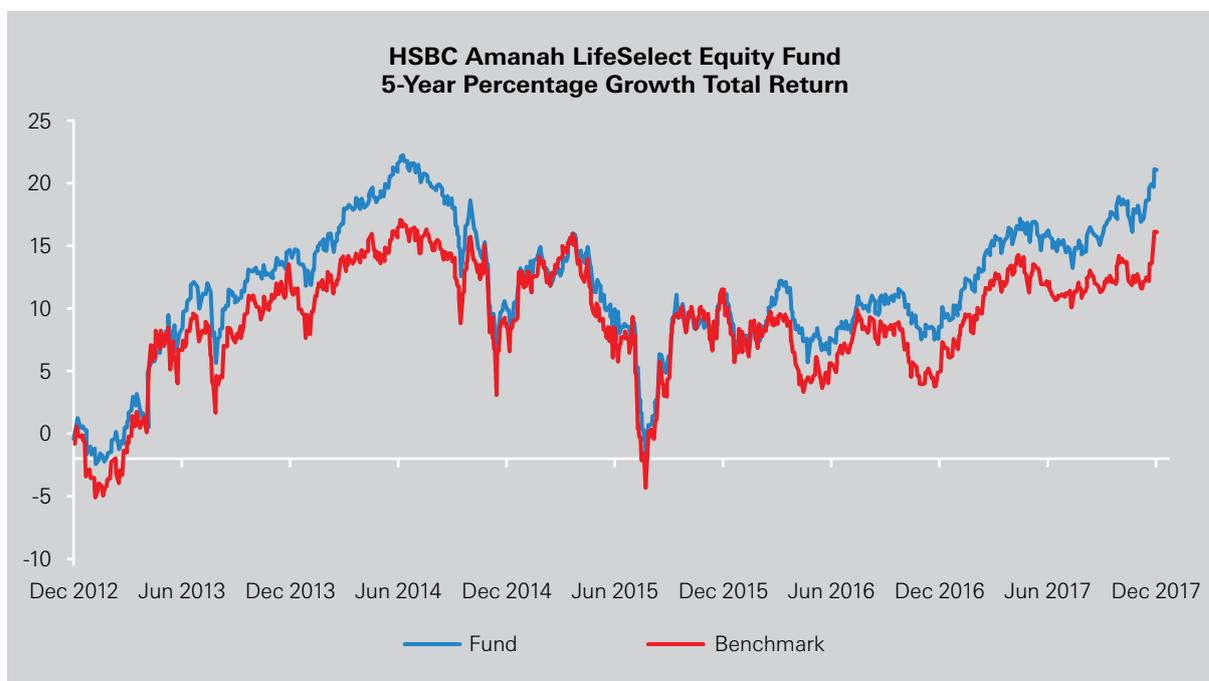
In 2017, the fund raised the exposure in the Tech sector and stayed overweight in glove Shariah compliant stocks as demand is expected to remain solid given their strong market positioning. The exposure in selective Oil and Gas stocks that have good growth prospects and strong earnings visibility have been increased during the period. On the other hand, Telcos exposure was gradually reduced due to rising competition in the sector and their high valuations. The Fund cut exposure in the Plantation sector as upside to crude palm oil prices are expected to be capped moving towards end of the year with market entering into the peak production season. The fund will continue to explore new Shariah compliant stock ideas and may take profits or exit positions that have seen unfavourable changes to the company or industry dynamics. The fund is attracted to well-managed companies backed by strong cash flow and healthy balance sheets with decent and sustainable earnings growth, and preferred stocks that are trading at attractive valuations.

Asset Allocation of Target Fund – Eastspring Investment Dana Al-Ilham Fund (as at 31 December 2017)

Asset Category	Asset Allocation (% of NAV)
Cash & Cash Equivalents	19.07%
Quoted Shariah Compliant Equities	80.93%

▶ 11 HSBC Amanah LifeSelect Equity Fund (continued)

**Performance Graph – Cumulative Return Over The Period (%)
(Since Inception Returns vs Benchmark)**



Performance Table

HSBC Amanah LifeSelect Equity Fund	2017*	2016	2015	2014	2013
Total NAV (RM'000)	161,609	157,301	165,753	156,079	144,565
Units in circulation	89,761	97,580	100,391	95,409	85,151
NAV per unit (RM)	1.8004	1.612	1.651	1.636	1.698
Highest NAV per unit (RM)	1.8015	1.669	1.726	1.819	1.707
Lowest NAV per unit (RM)	1.6156	1.573	1.452	1.559	1.453
Annual return	11.63%	-2.34%	0.89%	-3.86%	14.48%

Cumulative Total Returns	6 Months	1 Year	3 Years	5 Years	Since Inception
HSBC Amanah LifeSelect Equity Fund	4.37%	11.63%	9.99%	21.05%	80.15%
Benchmark (FBMS)	3.75%	10.72%	6.65%	16.09%	51.43%

* With effect from 1 September 2017, The Fund replaced Pacific Dana Aman with Eastspring Dana Al-Ilham as one of its Target Funds.

▶ 12 HSBC Amanah Takaful's Dana Dividen Fund

Investment Objective

To achieve capital appreciation by investing in the Eastspring Investments Dana Dinamik ("Target Fund"), a Shariah compliant collective investment scheme that seeks to provide investors with capital appreciation by actively investing in Shariah approved equities and equity related securities. For defensive considerations, the Fund may invest in Shariah approved debentures and money market instruments.

Fees and Charges

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

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

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

Investment Strategy Review HSBC Amanah Takaful's Dana Dividen (1 January 2017 to 31 December 2017)

For the year under review, the HSBC Amanah Takaful Dana Dividen registered a return of 8.70%, underperforming its benchmark, 50% FBMS + 50% MBB GIA Tier II 12-month rate return of 11.06%.

This underperformance was mainly due to the Target Fund's poor return in the Energy and Building Materials sector. Following an internal review in 1H2017, the management has implemented a change of target fund by replacing Pacific Dana Dividen with Eastspring Investment Dana Dinamik effective 1st September 2017. There is no impact to the existing investment-linked takaful plan as the coverage remains uninterrupted with the same available options and features. The fund management fees remain the same. All expenses associated with this transition was borne by HSBC Amanah Takaful (Malaysia) Berhad (HAT). There is no income distribution proposed and/or made during the year.

1. Target Fund: Pacific Dana Dividen Fund

The period under review started with low energy prices and tensions in North Korea. The Fund increased positions in large cap stocks but stayed conservatively weighted in Construction, Property and Technology globally due to lofty valuations. The Fund however remained invested in Energy and Building Materials due to attractive valuations; these however under-performed the market due to negative investor sentiment and poor results. Relative underperformance against peers was exacerbated as momentum stocks such as Tech continued to rally. In August, the Fund increased equity allocation on selloffs that were fuelled by earnings disappointments. In November, as the ringgit strengthened, the fund reduced its underweight in foreign securities.

Asset Allocation of Target Fund – Pacific Dana Dividen (as at 31 August 2017)

Asset Category	Asset Allocation (% of NAV)
Shariah Compliant Collective Investment Schemes	4.76%
Quoted Shariah Compliant Equities	95.24%

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

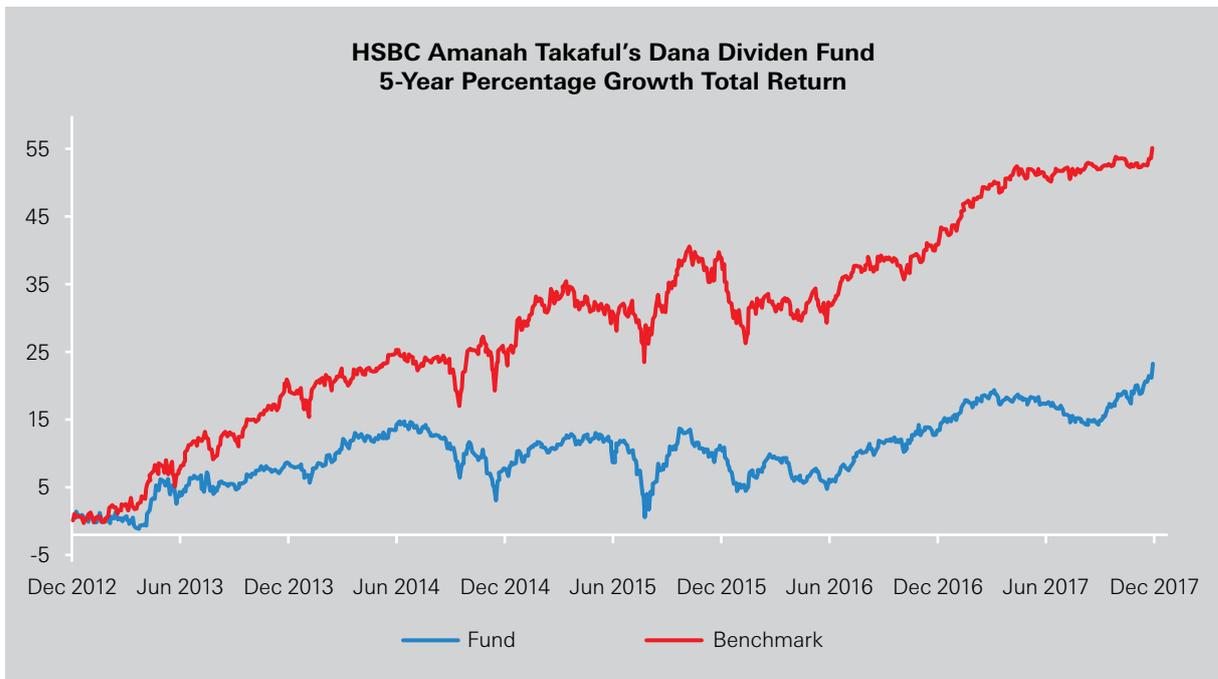
2. Target Fund: Eastspring Investments Dana Dinamik Fund

In 2017, the Fund raised exposure in Construction and Building Material stocks as they are expected to benefit from the pipeline of infrastructure/construction projects. The Fund also increased exposure in Technology and stayed overweight in glove stocks as demand is expected to remain robust given their strong market positioning. The Fund has maintained and added positions in selective mid to small cap companies and this had helped in overall outperformance relative to benchmark as the small cap companies had outperformed the overall market during the period under review. During the period, the Fund had gradually reduced exposure in Telcos due to rising competition and high valuations. It continues to look for new Shariah compliant stock ideas and may take gains on profitable positions or exit positions that have seen unfavourable changes to the company or industry dynamics. The fund prefers well managed companies backed by healthy balance sheets and strong cash flow with decent and sustainable earnings growth, ideally trading at attractive valuations. For Sukuk portion, the strategy was to provide liquidity and stable income for the Fund.

Asset Allocation of Target Fund – Eastspring Investments Dana Dinamik Fund (as at 31 December 2017)

Asset Category	Asset Allocation (% of NAV)
Unquoted Sukuk	2.03%
Cash & Cash Equivalents	15.51%
Quoted Shariah Compliant Equities	82.46%

Performance Graph – Cumulative Return Over The Period (%) (5-Year Percentage Growth vs Benchmark)



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

Performance Table

HSBC Amanah Takaful's Dana Dividen	2017*	2016	2015	2014	2013
Total NAV (RM'000)	22,682	22,913	22,089	16,349	11,224
Units in circulation	17,907	19,652	19,405	14,783	10,047
NAV per unit (RM)	1.267	1.166	1.138	1.106	1.117
Highest NAV per unit (RM)	1.266	1.174	1.167	1.179	1.117
Lowest NAV per unit (RM)	1.165	1.072	1.032	1.059	1.014
Annual return	8.70%	2.50%	2.72%	-0.88%	8.68%

Cumulative Total Returns	6 Months	1 Year	3 Years	5 Years	Since Inception
HSBC Amanah Takaful's Dana Dividen	5.17%	8.70%	14.45%	23.28%	26.79%
Benchmark (50% FBMS + 50% DJIM)	3.59%	11.06%	25.02%	56.19%	68.71%

* With effect from 1 September 2017, The Fund replaced Pacific Dana Dividen with Eastspring Dana Dinamik as its Target Fund.

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

Investment Objective

To achieve long term capital appreciation by investing in the CIMB Islamic Asia Pacific Equity Fund ("Target Fund"), a Shariah compliant collective investment scheme that invests in the emerging and developed markets of Asia Pacific ex Japan region.

Fees and Charges

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

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

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

Investment Strategy Review of the CIMB Islamic Asia Pacific Equity Fund, the Target Fund of the HSBC Amanah Takaful's Islamic Asia Pacific Equity Fund (1 January 2017 to 31 December 2017)

During the year under review, HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund registered a return of 23.02% compared with its benchmark, Dow Jones Islamic Mkt Asia/Pacific ex-Japan Index return of 43.36%.

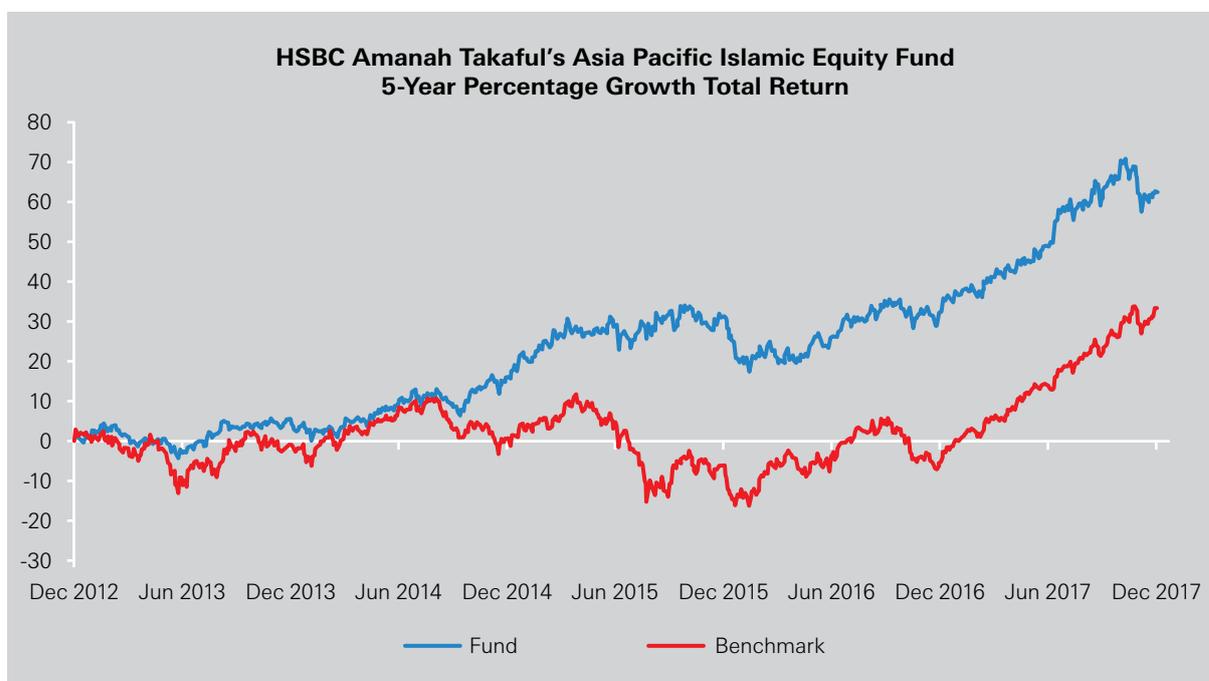
The target fund is fully invested with a portfolio that is in line with the market performance. The investment strategy is to focus on stocks that have potential for earnings upgrades. These include Industrials with improving fundamentals and materials which could see better market conditions and supply side discipline. In terms of portfolio construction in 2017, the fund adopted a sector-neutral approach, with focus on stock selection as the primary driver of the fund's return. Special focus was on stock ideas related to e-commerce, sharing economies, energy and basic materials. The Fund increased exposure in sectors such as Industrials, Materials and Technology during the period. Given the expectations on inflation and the interest rate cycles, it reduced exposure in Utilities and Telecoms. In December, performance across sectors that was mixed with Technology underperformed for the first time in the year, while Consumer, Materials, Energy and Healthcare outperformed. Nonetheless, Technology sector is the key driver of 2017 growth, and the fund has underperformed the benchmark with its 10.3% exposure in the Technology sector compared with the benchmark's exposure in the Technology sector ranging between 32% to 41% as at end 2017.

Asset Allocation of Target Fund – CIMB Islamic Asia Pacific Equity (as at 31 December 2017)

Asset Category	Asset Allocation (% of NAV)
Quoted Shariah Compliant Equities (Local)	2.47%
Cash & Cash Equivalents	4.52%
Quoted Shariah Compliant Equities (Foreign)	93.01%

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

**Performance Graph – Cumulative Return Over The Period (%)
(5-Year Percentage Growth vs Benchmark)**



No income distribution proposed and/or made during the year.

Performance Table

HSBC Amanah Takaful's Asia Pacific Islamic Equity	2017	2016	2015	2014	2013
Total NAV (RM'000)	82,138	46,948	38,812	15,146	10,265
Units in circulation	45,990	32,408	26,922	11,946	8,874
NAV per unit (RM)	1.786	1.449	1.442	1.268	1.157
Highest NAV per unit (RM)	1.878	1.489	1.472	1.280	1.160
Lowest NAV per unit (RM)	1.460	1.290	1.269	1.101	1.014
Annual return	23.02%	0.66%	13.55%	9.69%	6.43%

Cumulative Total Returns	6 Months	1 Year	3 Years	5 Years	Since Inception
HSBC Amanah Takaful's Asia Pacific Islamic	9.30%	23.02%	40.61%	62.60%	79.13%
Benchmark (Dow Jones Islamic Market Asia/Pacific ex Japan Index)	18.38%	43.36%	40.65%	47.65%	72.55%

▶ 17 HSBC Amanah Takaful's World Islamic Equity Fund

Investment Objective

The Fund aims to achieve capital appreciation by investing in the Aberdeen Islamic World Equity Fund ("Target Fund"), a Shariah compliant collective investment scheme that aims to achieve capital appreciation in the long term through investments in Shariah compliant equities and equity related securities.

Fees and Charges

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

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

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

Investment Strategy Review of the Aberdeen Islamic World Equity Fund, the Target Fund of the HSBC Amanah Takaful's World Islamic Equity Fund (1 January 2017 to 31 December 2017)

In 2017, HSBC Amanah Takaful's World Islamic Equity Fund registered a return of 6.86% compared with its benchmark, MSCI ACWI Islamic (Shariah) Index return of 10.34%.

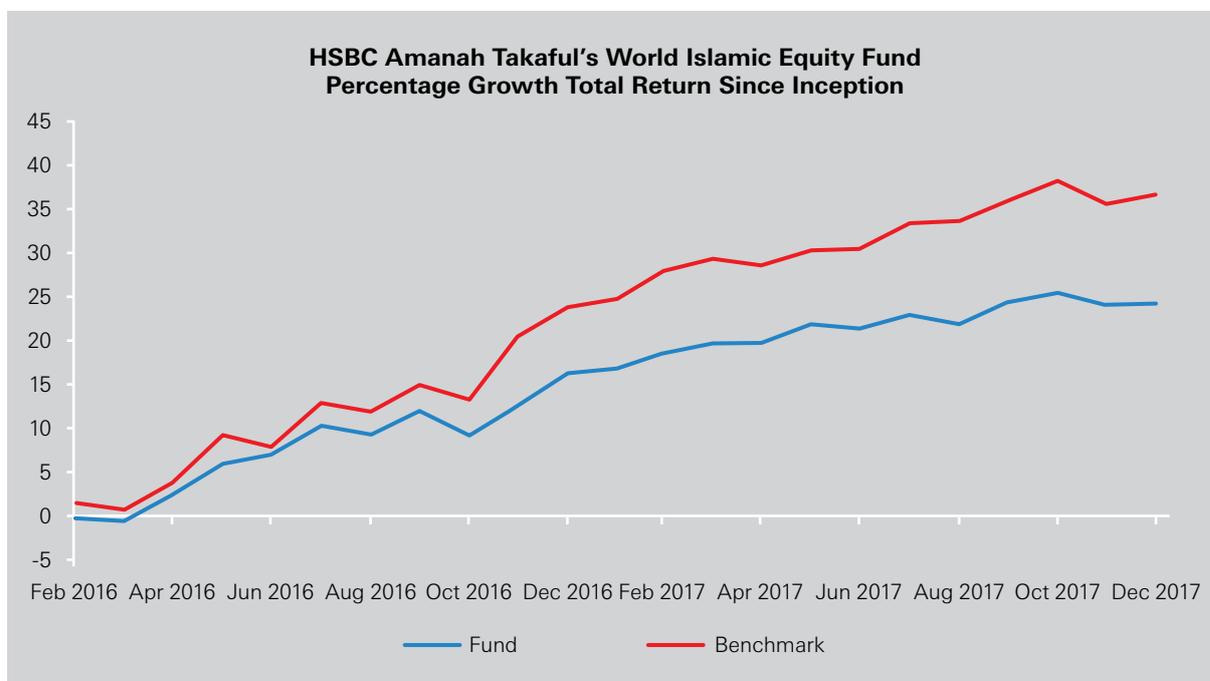
The fund's underperformance was because of negative asset allocation and stock selection. The lack of exposure to China dampened performance. Upbeat corporate earnings and a steady economic backdrop there buoyed sentiment despite the late wobble in November caused by Beijing's ongoing crackdown on financial leverage. The overweight to Sweden proved costly too, due to concerns about the Swedish housing market and the impact of falling interest rates along with regulatory changes on banks' profits. On the other hand, the overweight to Japan was beneficial. Japan caught up with other world markets when it became clear that voters would deliver a solid mandate to Prime Minister Shinzo Abe at the general elections. The market was also buoyed by earnings momentum. The overweight to South Korea, where tensions with China eased, helped performance too. Both nations agreed to restore ties after a year-long standoff over the THAAD missile system. This boded well for Korean companies with exposure to China and inbound Chinese tourism. The fund introduced a number of new stocks including exposure in sectors such as Industrial, Healthcare, IT and Manufacturing due to attractive valuations, strength in underlying businesses and solid financial positions of the stocks. The fund exited some stocks in light of deteriorating confidence in product pipeline, expiry of patents, earnings concerns and also given its full valuation.

Asset Allocation of Target Fund – Aberdeen Islamic World Equity Fund (as at 31 December 2017)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Market Instruments	4.00%
Quoted Shariah Compliant Equities	96.00%

▶ 18 HSBC Amanah Takaful's World Islamic Equity Fund
(continued)

**Performance Graph – Cumulative Return Over The Period (%)
(Since Inception Returns vs Benchmark)**



Performance Table

HSBC Amanah Takaful's World Islamic Equity	2017	2016
Total NAV (RM'000)	53,972	17,636
Units in circulation	43,494	15,203
NAV per unit (RM)	1.241	1.160
Highest NAV per unit (RM)	1.271	1.162
Lowest NAV per unit (RM)	1.160	0.978
Annual return	6.86%	16.21%

Cumulative Total Returns	6 Months	1 Year	Since Inception
HSBC Amanah Takaful's Asia Pacific Islamic Equity	2.39%	6.68%	24.18%
Benchmark (MSCI ACWI Islamic (Shariah) Index)	4.74%	10.34%	36.54%

▶ 19 HSBC Amanah Takaful's Islamic Sukuk Fund

Investment Objective

The Fund aims to achieve capital appreciation in the medium to long term by investing in the CIMB Islamic Sukuk ("Target Fund"), a Shariah compliant collective investment scheme that aims to gain higher than average income over the medium to long term by investing in a diversified portfolio consisting principally of Sukuk, certificates of deposit, short term money market instruments and other permissible investment under Shariah principles.

Fees and Charges

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

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

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

Investment Strategy Review of the CIMB Islamic Sukuk Fund, the Target Fund of the HSBC Amanah Takaful's Islamic Sukuk Fund (1 January 2017 to 31 December 2017)

During the year under review, HSBC Amanah Takaful's Islamic Sukuk Fund registered a return of 4.55% compared with its benchmark, Quantshop GII Medium Index return of 4.62%.

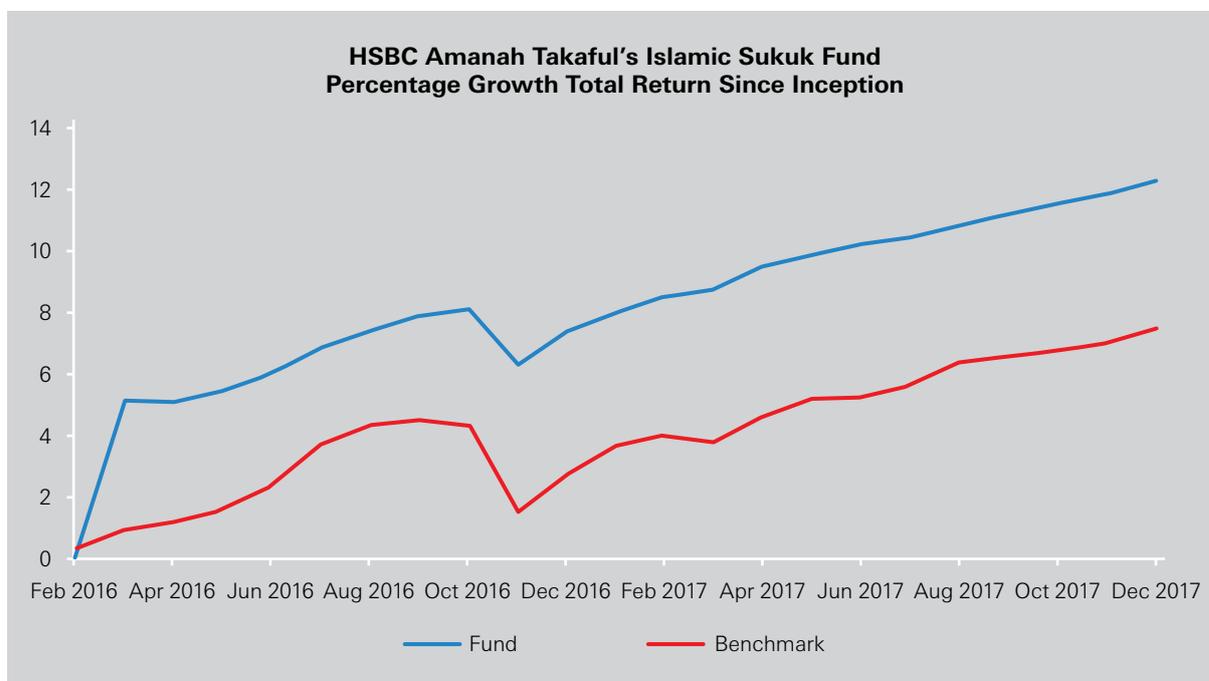
The Fund was fully invested with focus on primary corporate issuances and re-priced secondary offers which have higher potential yield pickup while minimising exposure in sovereign markets. In 2017, yields on bonds rated AAA, AA and A fell along the 3y10y curve with lower credit spreads compared to the preceding year. The 5-year blended credit spread narrowed to 183 bps at end 2017 (2016: 185 bps). The demand for corporate bonds was driven by the firmer ringgit, expectations of higher interest rates in 2018 and significantly higher issuances from investment grade issuers. The Fund has preference on AA-rated for better total return and potentially less issuances relative to the GEs and AAA-rated, and has increased the portfolio duration band from 0.95x to 1.15x (from previously 0.90x to 1.10x) of benchmark duration.

Asset Allocation of Target Fund – CIMB Islamic Sukuk Fund (as at 31 December 2017)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Markets Instruments	8.02%
Unquoted Sukuk	91.98%

▶ 20 HSBC Amanah Takaful's Islamic Sukuk Fund (continued)

**Performance Graph – Cumulative Return Over The Period (%)
(Since Inception Returns vs Benchmark)**



Performance Table

HSBC Amanah Takaful's Islamic Sukuk	2017	2016
Total NAV (RM'000)	22,320	9,107
Units in circulation	19,856	8,404
NAV per unit (RM)	1.124	1.084
Highest NAV per unit (RM)	1.123	1.084
Lowest NAV per unit (RM)	1.075	1.000
Annual return	4.55%	7.42%

Cumulative Total Returns	6 Months	1 Year	Since Inception
HSBC Amanah Takaful's Islamic Sukuk	1.89%	4.55%	12.31%
Benchmark (Quantshop GII Medium Index)	2.11%	4.62%	8.76%

Financial Statements

For the year ended 31 December 2017

▶22 Manager's Report

The Manager has pleasure in submitting his report and the audited financial statements of the Investment-Linked Plans (hereinafter collectively referred to as "the Funds") for the year ended 31 December 2017.

Investment policy

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

Results

Excess of income over expenditure
(Expenditure over income) before taxation

RM'000

- Rising Phoenix Portfolio	-
- Flying Dragon Portfolio	-
- HSBC Amanah LifeSelect Fixed Income Fund	4,875
- HSBC Amanah LifeSelect Equity Fund	18,505
- Takaful Dana Dividend Fund	1,995
- Asia Pacific Equity Fund	12,570
- World Islamic Equity Fund	2,055
- Islamic Sukuk Fund	662

Directors of the Manager

Directors who served since the date of the last report are:-

Kasim bin Zakaria

Lim Eng Seong

K. Vithyatharan A/L V Karunakaran

Nor Azian binti Mohd Noor (appointed on 22 February 2017)

Dr Cheah You Sum (appointed on 21 August 2017)

Muhammad Ali Jinnah bin Ahmad (appointed on 21 August 2017)

Sazaliza bin Zainuddin (resigned on 22 February 2017)

Datuk Haron bin Siraj (retired on 10 July 2017)

Ian Keith Moore (resigned on 21 August 2017)

For and on behalf of the Manager,

HSBC Amanah Takaful (Malaysia) Berhad



K. Vithyatharan A/L V Karunakaran

Director

Kuala Lumpur

Date: 21 March 2018

▶ 23 Statement of Assets and Liabilities

As at 31 December 2017

		Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017									
Investments									
Collective investments scheme	3	–	–	111,978	161,338	23,409	83,093	53,899	22,285
Cash and Cash Equivalents									
Cash and bank balances		–	–	200	112	39	38	190	39
Deferred tax assets		–	–	–	1,316	–	–	–	–
Other assets		–	–	–	–	–	401	200	15
Total assets		–	–	112,178	162,766	23,448	83,532	54,289	22,339
Provision for taxation		–	–	–	26	36	118	–	–
Deferred tax liabilities		–	–	233	–	135	1,276	317	19
Other liabilities		–	–	1,758	1,131	595	–	–	–
Total liabilities		–	–	1,991	1,157	766	1,394	317	19
Net Assets Value of the Fund		–	–	110,187	161,609	22,682	82,138	53,972	22,320
Represented by:									
Participants' Funds		–	–	90,505	131,212	19,372	65,436	50,854	21,604
Generated income carried forward		–	–	19,682	30,397	3,310	16,702	3,118	716
		–	–	110,187	161,609	22,682	82,138	53,972	22,320
Number of units		–	–	84,532	89,761	17,907	45,990	43,494	19,856
Net Assets Value Per Unit (RM)		–	–	1.30	1.80	1.27	1.79	1.24	1.12
2016									
Investments									
Collective investments scheme	3	–	–	112,356	154,956	22,817	47,420	17,521	8,690
Cash and Cash Equivalents									
Cash and bank balances		–	–	577	(289)	(179)	(1,159)	(1,580)	(1,364)
Deferred tax assets		–	–	–	2,464	30	–	–	–
Other assets		–	–	–	1,278	281	1,248	1,806	1,783
Total assets		–	–	112,933	158,409	22,949	47,509	17,747	9,109
Provision for taxation		–	–	232	1,108	36	118	–	–
Deferred tax liabilities		–	–	136	–	–	443	111	2
Other liabilities		–	–	635	–	–	–	–	–
Total liabilities		–	–	1,003	1,108	36	561	111	2
Net Assets Value of the Fund		–	–	111,930	157,301	22,913	46,948	17,636	9,107
Represented by:									
Participants' Funds		–	–	96,473	144,538	21,433	41,983	16,366	9,036
Generated income carried forward		–	–	15,457	12,763	1,480	4,965	1,270	71
		–	–	111,930	157,301	22,913	46,948	17,636	9,107
Number of units		–	–	89,162	97,580	19,652	32,408	15,203	8,404
Net Assets Value Per Unit (RM)		–	–	1.26	1.61	1.17	1.45	1.16	1.08

▶24 Statement of Income and Expenditure

For the year ended 31 December 2017

			LifeSelect						
	Rising Phoenix Portfolio	Flying Dragon Portfolio	Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk	
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017									
Investment Income									
Income distribution		–	–	4,871	7,124	331	3,051	–	607
Unrealised capital gain on investments		–	–	–	32,727	2,104	9,536	2,352	219
Net gain on disposal of investments		–	–	1,276	–	–	936	232	–
Total income		–	–	6,147	39,851	2,435	13,523	2,584	826
Unrealised capital loss on investment		–	–	(108)	–	–	–	–	–
Net loss on disposal of investments		–	–	–	(18,929)	(67)	–	–	(7)
Other outgo		–	–	(1,164)	(2,417)	(373)	(953)	(529)	(157)
Total outgo		–	–	(1,272)	(21,346)	(440)	(953)	(529)	(164)
Income before taxation		–	–	4,875	18,505	1,995	12,570	2,055	662
Taxation		–	–	(650)	(871)	(165)	(833)	(207)	(17)
Income after taxation		–	–	4,225	17,634	1,830	11,737	1,848	645
Generated income brought forward		–	–	15,457	12,763	1,480	4,965	1,270	71
Transfer to Participant Fund		–	–	–	–	–	–	–	–
Generated income carried forward		–	–	19,682	30,397	3,310	16,702	3,118	716
2016									
Investment Income									
Income distribution		–	–	4,095	12,659	–	–	–	46
Unrealised capital gain on investments		–	–	–	–	786	258	1,342	32
Net gain on disposal of investments		–	–	902	–	–	355	44	–
Total income		–	–	4,997	12,659	786	613	1,386	78
Unrealised capital loss on investment		–	–	(1,041)	(2,207)	–	–	–	–
Net loss on disposal of investments		–	–	–	(15,566)	(116)	–	–	–
Other outgo		–	–	(35)	(78)	(8)	(9)	(5)	(5)
Total outgo		–	–	(1,076)	(17,851)	(124)	(9)	(5)	(5)
Income/(Loss) before taxation		–	–	3,921	(5,192)	662	604	1,381	73
Taxation		–	–	12	1,313	(56)	(48)	(111)	(2)
Income after taxation		–	–	3,933	(3,879)	606	556	1,270	71
Generated income brought forward		875	1,451	11,524	16,642	874	4,409	–	–
Transfer to Participant Fund		(875)	(1,451)	–	–	–	–	–	–
Generated income carried forward		–	–	15,457	12,763	1,480	4,965	1,270	71

The accompanying notes on pages 28 to 32 form part of these financial statements.

▶ 25 Statement of Changes in Net Asset Value

For the year ended 31 December 2017

	Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
Net Asset Value of the Fund at beginning of the financial year	-	-	111,930	157,301	22,913	46,948	17,636	9,107
Net creation of units	-	-	8,915	10,839	1,156	34,724	38,734	14,054
Net cancellation of units	-	-	(14,883)	(24,165)	(3,217)	(11,271)	(4,246)	(1,486)
Other outgo	-	-	-	-	-	-	-	-
Income for the year	-	-	4,225	17,634	1,830	11,737	1,848	645
Net Asset Value of the Fund at end of financial year	-	-	110,187	161,609	22,682	82,138	53,972	22,320
2016								
Net Asset Value of the Fund at beginning of the financial year	19	644	114,127	165,753	22,089	38,812	-	-
Net creation of units	-	-	8,462	17,164	2,104	13,439	17,142	9,320
Net cancellation of units	-	-	(14,592)	(21,737)	(1,886)	(5,859)	(776)	(284)
Other outgo	(19)	(644)	-	-	-	-	-	-
Income/(Loss) for the year	-	-	3,933	(3,879)	606	556	1,270	71
Net Asset Value of the Fund at end of financial year	-	-	111,930	157,301	22,913	46,948	17,636	9,107

The accompanying notes on pages 28 to 32 form part of these financial statements.

▶ 26 Statement of Cash Flows

For the year ended 31 December 2017

	Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
Cash flow from operating activities								
Income before taxation	-	-	4,875	18,505	1,995	12,570	2,055	662
Adjustment for:								
Income distribution	-	-	(4,871)	(7,124)	(331)	(3,051)	-	(607)
Unrealised capital (gain)/loss on investments	-	-	108	(32,727)	(2,104)	(9,536)	(2,352)	(219)
Loss from operations before changes in operating assets and liabilities	-	-	112	(21,346)	(440)	(17)	(297)	(164)
Proceeds from disposal of investments	-	-	61,181	110,671	25,215	5,044	2,863	1,776
Purchase of investments	-	-	(60,912)	(84,326)	(23,703)	(31,181)	(36,890)	(15,152)
Decrease in other assets	-	-	-	1,278	281	847	1,606	1,768
Increase in other liabilities	-	-	1,123	1,131	595	-	-	-
Cash generated from/(used in) operations	-	-	1,504	7,408	1,948	(25,307)	(32,718)	(11,772)
Income distribution	-	-	4,871	7,124	331	3,051	-	607
Tax paid	-	-	(784)	(805)	-	-	-	-
Net cash generated from/(used in) operating activities	-	-	5,591	13,727	2,279	(22,256)	(32,718)	(11,165)
Cash flows from financing activities								
Proceeds from creations of units	-	-	8,915	10,839	1,156	34,724	38,734	14,054
Payment for cancellation of units	-	-	(14,883)	(24,165)	(3,217)	(11,271)	(4,246)	(1,486)
Net cash (used in)/generated from financing activities	-	-	(5,968)	(13,326)	(2,061)	23,453	34,488	12,568
Net increase/(decrease) in Cash and Cash Equivalents	-	-	(377)	401	218	1,197	1,770	1,403
Cash and Cash Equivalents at 1 January	-	-	577	(289)	(179)	(1,159)	(1,580)	(1,364)
Cash and Cash Equivalents at 31 December	-	-	200	112	39	38	190	39
Cash and Cash Equivalents comprise								
Cash and bank balances	-	-	200	112	39	38	190	39

The accompanying notes on pages 28 to 32 form part of these financial statements.

▶ 27 **Statement of Cash Flows** (continued)
For the year ended 31 December 2017

	Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016								
Cash flow from operating activities								
Income/(Loss) before taxation	-	-	3,921	(5,192)	662	604	1,381	73
Adjustment for:								
Income distribution	-	-	(4,095)	(12,659)	-	-	-	(46)
Unrealised capital (gain)/loss on investments	-	-	1,041	2,207	(786)	(258)	((1,342))	(32)
Loss from operations before changes in operating assets and liabilities	-	-	867	(15,644)	(124)	346	39	(5)
Proceeds from disposal of investments	-	-	64,445	91,005	2,145	3,963	1,125	188
Purchase of investments	-	-	(63,092)	(83,594)	(2,249)	(12,220)	(17,304)	(8,846)
Decrease/(Increase) in other assets	-	-	97	1,422	644	(1,189)	(1,806)	(1,783)
Decrease in other liabilities	(109)	(787)	(706)	-	-	(1,347)	-	-
Cash generated from/(used in) operations	(109)	(787)	1,611	(6,811)	416	(10,447)	(17,946)	(10,446))
Income distribution	-	-	4,095	12,659	-	-	-	46
Net cash generated from/(used in) operating activities	(109)	(787)	5,706	5,848	416	(10,447)	(17,946)	(10,400)
Cash flows from financing activities								
Proceeds from creations of units	-	-	8,462	17,164	2,104	13,439	17,142	9,320
Payment for cancellation of units	-	-	(14,592)	(21,737)	(1,886)	(5,859)	(776)	(284)
Net cash (used in)/generated from financing activities	-	-	(6,130)	(4,573)	218	7,580	16,366	9,036
Net increase/(decrease) in Cash and Cash Equivalents	(109)	(787)	(424)	1,275	634	(2,867)	(1,580)	(1,364)
Cash and Cash Equivalents at 1 January	109	787	1,001	(1,564)	(813)	1,708	-	-
Cash and Cash Equivalents at 31 December	-	-	577	(289)	(179)	(1,159)	(1,580)	(1,364)
Cash and Cash Equivalents comprise								
Cash and bank balances	-	-	577	(289)	(179)	(1,159)	(1,580)	(1,364)

The accompanying notes on pages 28 to 32 form part of these financial statements.

▶28 Notes to the Financial Statements

Information on the Funds

The Manager, HSBC Amanah Takaful (Malaysia) Berhad, is a public 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	10 th Floor, North Tower
No. 2, Leboh Ampang	No. 2, Leboh Ampang
50100 Kuala Lumpur, Malaysia	50100 Kuala Lumpur, Malaysia

The investment objective of the Funds are as follows:

- a. HSBC Amanah LifeSelect Fixed Income Fund aims to achieve capital growth in the medium to long term by investing in a diversified portfolio of Shariah compliant collective investment schemes that invest primarily in Sukuk and any other permissible liquid assets under the Shariah principles.
- b. HSBC Amanah LifeSelect Equity Fund aims to achieve capital growth in the medium to long term by investing in Shariah compliant collective investment schemes which invest in Shariah compliant equities and equity related securities.
- c. HSBC Amanah Takaful's Dana Dividend Fund seeks to achieve appreciation in medium to long term by investing in Shariah compliant collective investment scheme that invest primarily in a portfolio of Shariah compliant Malaysia and foreign equity securities that have the track record of paying or have the potential to pay consistent and attractive dividends.
- d. HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund seeks to achieve long term capital appreciation by investing in a Shariah compliant collective investment scheme that invests in the emerging and developed markets of Asia Pacific excluding Japan.
- e. HSBC Amanah Takaful's World Islamic Equity Fund aims to achieve appreciation by investing in a Shariah compliant collective investment scheme that aims to achieve capital appreciation in the long term through investments in Shariah compliant equities and equity related securities.
- f. HSBC Amanah Takaful's Islamic Sukuk Fund aims to achieve capital appreciation in medium to long term by investing in a Shariah compliant collective investment scheme that aims to gain higher than average income over the medium to long term by investing in a diversified portfolio consisting principally of Sukuk, certificates of deposit, short term money market instruments and other permissible investment under Shariah principles.
- g. '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. This fund has matured on 20 November 2014.
- h. '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. This fund has matured on 5 June 2015.

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 21 March 2018.

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 Bank Negara Malaysia's Guidelines on Investment-Linked Takaful Business. The accounting policies in Note 2 is an abridged version and should be read with the Audited Financial Statements of the manager, HSBC Amanah Takaful (Malaysia) Berhad, for the year ended 31 December 2017. These financial statements are only for information purpose to the participant of the Funds in accordance to Bank Negara Malaysia's Guidelines.

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 judgements, 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

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.

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.

2. Significant accounting policies (continued)

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.

▶ 31 Notes to the Financial Statements (continued)

3. Collective investment scheme (Fair Value)

	2017	2016
	RM'000	RM'000
LifeSelect Fixed Income Fund		
At Cost	111,283	111,553
Unrealised capital gain	695	803
At indicative market value	111,978	112,356
LifeSelect Equity Fund		
At Cost	144,335	170,680
Unrealised capital (loss)/gain	17,003	(15,724)
At indicative market value	161,338	154,956
Takaful Dana Dividend		
At Cost	21,682	23,194
Unrealised capital (loss)/gain	1,727	(377)
At indicative market value	23,409	22,817
Asia Pacific Equity Fund		
At Cost	68,019	41,882
Unrealised capital gain	15,074	5,538
At indicative market value	83,093	47,420
World Islamic Equity Fund		
At Cost	50,206	16,179
Unrealised capital gain	3,693	1,342
At indicative market value	53,899	17,521
Islamic Sukuk		
At Cost	22,034	8,658
Unrealised capital gain	251	32
At indicative market value	22,285	8,690

4. Financial instruments

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

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.

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. The basis of deriving the fair values is disclosed in Note 2(a).

▶ 33 Statement by Manager

I, K. Vithyatharan A/L V Karunakaran, Director of HSBC Amanah Takaful (Malaysia) Berhad state that, in the opinion of the Manager, the financial statements as of 31 December 2017 and for the year then ended set out on pages 23 to 32, 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



K. Vithyatharan A/L V Karunakaran
Director

Kuala Lumpur
Date: 21 March 2018

▶ 34 Independent Auditors' Report

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

REPORT ON THE AUDIT OF THE FINANCIAL INFORMATION

Our Opinion

We have audited the financial information of the Funds, which comprise the statement of assets and liabilities as at 31 December 2017, and the statement of income and expenditure, and statement of changes in net asset value for the financial year then ended, and notes to the financial information, including a summary of significant accounting policies, as set out in pages 23 to 32.

In our opinion, the accompanying financial information of the Funds for the financial year ended 31 December 2017 are prepared, in all material respects, in accordance with the accounting policies set out in Note 2 to the financial information and the Guidelines on Investment-Linked Insurance/Takaful Business issued by Bank Negara Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial information" section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial information in Malaysia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to Note 1 to the financial information, which describes the basis of accounting. The financial information is prepared to assist the Funds to meet the requirements of the Guidelines on Investment-Linked Insurance/Takaful Business issued by Bank Negara Malaysia. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for the policyholders of the Funds as a body and should not be distributed to or used by parties other than the policyholders of the Funds. Our opinion is not modified in respect of this matter.

Responsibilities of the Manager for the financial information

The Directors of HSBC Amanah Takaful (Malaysia) Berhad ("the Manager") are responsible for the preparation of the financial information in accordance with the accounting policies set out in Note 2 to the financial information and the Guidelines on Investment-Linked Insurance/Takaful Business issued by Bank Negara Malaysia, and for such internal control as the Manager determines is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information, the Manager is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

The Manager is responsible for overseeing the Funds' financial reporting process.

REPORT ON THE AUDIT OF THE FINANCIAL INFORMATION (continued)

Auditors' responsibilities for the audit of the financial information

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

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

- (a) Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.

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

PRICEWATERHOUSECOOPERS PLT
LLP 0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
Date: 21 March 2018

