

# **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 2018**

## HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)

(Incorporated in Malaysia)

### Unaudited interim statement of financial position

|                                                      | Note | 30.06.2018       |                      |                     |                  | 31.12.2017       |                      |                     |                  |
|------------------------------------------------------|------|------------------|----------------------|---------------------|------------------|------------------|----------------------|---------------------|------------------|
|                                                      |      | 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           |
| <b>Assets</b>                                        |      |                  |                      |                     |                  |                  |                      |                     |                  |
| Plant and equipment                                  |      | 177              | -                    | -                   | 177              | 214              | -                    | -                   | 214              |
| Intangible assets                                    |      | 13,480           | -                    | -                   | 13,480           | 14,353           | -                    | -                   | 14,353           |
| Investment assets                                    | 12   | 139,883          | 10,020               | 1,069,972           | 1,219,875        | 145,410          | 30,111               | 1,094,365           | 1,269,886        |
| Retakaful assets                                     | 13   | -                | 33,038               | 41,025              | 74,063           | -                | 38,175               | 42,811              | 80,986           |
| Current tax assets                                   |      | 3,935            | -                    | 42                  | -                | 1,919            | -                    | 42                  | -                |
| Financing receivables, excluding takaful receivables |      | 44,156           | 629                  | 10,247              | 40,566           | 40,711           | 389                  | 7,904               | 37,929           |
| Takaful receivables                                  |      | -                | 6,075                | 8,748               | 14,823           | -                | 3,870                | 9,773               | 13,643           |
| Deferred tax assets/(liabilities)                    |      | 1,922            | 124                  | (299)               | 1,747            | 1,743            | 165                  | (1,956)             | (48)             |
| Cash and cash equivalents                            |      | 11,124           | 46,290               | 78,387              | 135,801          | 13,201           | 23,724               | 45,558              | 82,483           |
| <b>Total assets</b>                                  |      | <b>214,677</b>   | <b>96,176</b>        | <b>1,208,122</b>    | <b>1,500,532</b> | <b>217,551</b>   | <b>96,434</b>        | <b>1,198,497</b>    | <b>1,499,446</b> |
| <b>Shareholders' equity</b>                          |      |                  |                      |                     |                  |                  |                      |                     |                  |
| Share capital                                        |      | 100,000          | -                    | -                   | 100,000          | 100,000          | -                    | -                   | 100,000          |
| Retained earnings                                    |      | 31,574           | -                    | -                   | 31,574           | 26,502           | -                    | -                   | 26,502           |
| Available-for-sale assets fair value reserves        |      | (488)            | -                    | -                   | (488)            | (152)            | -                    | -                   | (152)            |
| <b>Total equity</b>                                  |      | <b>131,086</b>   | <b>-</b>             | <b>-</b>            | <b>131,086</b>   | <b>126,350</b>   | <b>-</b>             | <b>-</b>            | <b>126,350</b>   |
| <b>Liabilities</b>                                   |      |                  |                      |                     |                  |                  |                      |                     |                  |
| Takaful contract liabilities                         | 14   | -                | 81,039               | 1,181,092           | 1,262,131        | -                | 89,356               | 1,171,337           | 1,260,693        |
| Expense reserves                                     |      | 41,102           | -                    | -                   | 41,102           | 46,969           | -                    | -                   | 46,969           |
| Takaful payables                                     |      | 300              | 4,507                | 4,637               | 9,444            | 802              | 1,161                | 5,573               | 7,536            |
| Other payables                                       |      | 15,189           | 5,914                | 21,334              | 27,971           | 16,430           | 3,079                | 20,603              | 29,038           |
| Current tax liabilities                              |      | -                | 4,716                | 1,059               | 1,798            | -                | 2,838                | 984                 | 1,860            |
| Amount due to shareholders                           |      | 27,000           | -                    | -                   | 27,000           | 27,000           | -                    | -                   | 27,000           |
| <b>Total liabilities</b>                             |      | <b>83,591</b>    | <b>96,176</b>        | <b>1,208,122</b>    | <b>1,369,446</b> | <b>91,201</b>    | <b>96,434</b>        | <b>1,198,497</b>    | <b>1,373,096</b> |
| <b>Total equity and liabilities</b>                  |      | <b>214,677</b>   | <b>96,176</b>        | <b>1,208,122</b>    | <b>1,500,532</b> | <b>217,551</b>   | <b>96,434</b>        | <b>1,198,497</b>    | <b>1,499,446</b> |

The accompanying Notes on pages 6 to 17 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 2018

| Note                                                                        | 01.01.2018 to 30.06.2018 |                      |                     |          | 01.01.2017 to 30.06.2017 |                      |                     |          |
|-----------------------------------------------------------------------------|--------------------------|----------------------|---------------------|----------|--------------------------|----------------------|---------------------|----------|
|                                                                             | 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   |
| <b>Operating revenue</b>                                                    | 31,333                   | 23,047               | 100,976             | 130,632  | 26,657                   | 19,242               | 104,586             | 129,725  |
| <b>Takaful Operator income</b>                                              | 27,325                   | -                    | -                   | -        | 22,939                   | -                    | -                   | -        |
| Gross contributions                                                         | -                        | 21,934               | 82,764              | 104,698  | -                        | 18,241               | 84,372              | 102,613  |
| Contributions ceded to retakaful                                            | -                        | (1,093)              | (8,929)             | (10,022) | -                        | (1,559)              | (8,532)             | (10,091) |
| Changes in unearned contribution reserves                                   | -                        | (2,060)              | -                   | (2,060)  | -                        | 2,144                | -                   | 2,144    |
| Actuarial reserves                                                          | -                        | (201)                | -                   | (201)    | -                        | (1,415)              | -                   | (1,415)  |
| <b>Net earned contributions</b>                                             | -                        | 18,580               | 73,835              | 92,415   | -                        | 17,411               | 75,840              | 93,251   |
| Gross benefits and claims paid                                              | -                        | (4,533)              | (59,405)            | (63,938) | -                        | (3,143)              | (60,848)            | (63,991) |
| Claims ceded to retakaful                                                   | -                        | 1,748                | 6,850               | 8,598    | -                        | 822                  | 5,284               | 6,106    |
| Gross changes in claims liabilities                                         | -                        | 12,520               | (1,773)             | 10,747   | -                        | (4,731)              | 3,282               | (1,449)  |
| Changes in claims liabilities ceded to retakaful                            | -                        | (5,155)              | 487                 | (4,668)  | -                        | 6,430                | 2,987               | 9,417    |
| <b>Net benefits and claims</b>                                              | -                        | 4,580                | (53,841)            | (49,261) | -                        | (622)                | (49,295)            | (49,917) |
| Investment income                                                           | 4,008                    | 1,113                | 18,212              | 25,934   | 3,718                    | 1,001                | 20,214              | 27,112   |
| Realised gain/(loss)                                                        | -                        | -                    | 1,185               | 1,185    | 23                       | -                    | 228                 | 251      |
| Fee and commission income                                                   | -                        | -                    | -                   | -        | -                        | -                    | 854                 | 854      |
| (Reversal of)/allowance for impairment                                      | -                        | 168                  | -                   | 168      | -                        | (191)                | -                   | (191)    |
| Other Income                                                                | 147                      | -                    | 74                  | 221      | 40                       | -                    | 115                 | 155      |
| <b>Other income</b>                                                         | 4,155                    | 1,281                | 19,471              | 27,508   | 3,781                    | 810                  | 21,411              | 28,181   |
| Wakalah fees                                                                | -                        | (11,453)             | (7,613)             | -        | -                        | (10,944)             | (8,052)             | -        |
| Commission paid                                                             | (5,949)                  | -                    | -                   | (5,949)  | (6,432)                  | -                    | -                   | (6,432)  |
| Expense reserves                                                            | 5,867                    | -                    | -                   | 5,867    | 2,945                    | -                    | -                   | 2,945    |
| Fair value gain/(loss) (unrealised)                                         | -                        | -                    | (25,478)            | (25,478) | -                        | -                    | 11,019              | 11,019   |
| Management expenses                                                         | (22,097)                 | -                    | -                   | (22,097) | (23,650)                 | -                    | -                   | (23,650) |
| Other expenses                                                              | (129)                    | 1                    | (46)                | (174)    | (775)                    | (2)                  | (221)               | (998)    |
| <b>Other expenses</b>                                                       | (22,308)                 | (11,452)             | (33,137)            | (47,831) | (27,912)                 | (10,946)             | 2,746               | (17,116) |
| <b>Total profit for the period/Net underwriting surplus from operations</b> | 9,172                    | 12,989               | 6,328               | 22,831   | (1,192)                  | 6,653                | 50,702              | 54,399   |

The accompanying Notes on pages 6 to 17 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 2018 (continued)

|                                                                                                | 01.01.2018 to 30.06.2018 |                      |                     |         | 01.01.2017 to 30.06.2017 |                      |                     |          |
|------------------------------------------------------------------------------------------------|--------------------------|----------------------|---------------------|---------|--------------------------|----------------------|---------------------|----------|
|                                                                                                | 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   |
| <b>Surplus attributable to the participants' risk fund *</b>                                   | -                        | (4,981)              | (678)               | (5,658) | -                        | -                    | (1,764)             | (1,764)  |
| <b>Surplus attributable to Takaful Operator *</b>                                              | -                        | (4,980)              | (677)               | -       | -                        | -                    | (1,764)             | -        |
| <b>Net surplus retained in takaful funds *</b>                                                 | -                        | (1,107)              | (6,401)             | (7,508) | -                        | 2,047                | (43,314)            | (41,268) |
| <b>Profit/Surplus before taxation</b>                                                          | 9,172                    | 1,921                | (1,428)             | 9,665   | (1,192)                  | 8,700                | 3,860               | 11,367   |
| Taxation                                                                                       | (4,100)                  | (1,921)              | 1,428               | (4,593) | 8,021                    | (8,699)              | (3,858)             | (4,537)  |
| <b>Profit for the period attributable to owners of the Company</b>                             | 5,072                    | -                    | -                   | 5,072   | 6,829                    | 1                    | 2                   | 6,830    |
| <b>Other comprehensive income / (expenses)</b>                                                 |                          |                      |                     |         |                          |                      |                     |          |
| Fair value of available-for-sale financial assets                                              |                          |                      |                     |         |                          |                      |                     |          |
| - Gains/(Losses) arising during the period                                                     | (442)                    | (11)                 | (1,911)             | (2,364) | 521                      | 103                  | 2,522               | 3,146    |
| Tax effect thereon                                                                             | 106                      | 3                    | 153                 | 262     | (125)                    | (25)                 | (202)               | (352)    |
| Other comprehensive income attributable to Takaful Operator/change in participants liabilities | -                        | 8                    | 1,758               | 1,766   | -                        | (78)                 | (2,320)             | (2,398)  |
| <b>Total other comprehensive income for the period</b>                                         | (336)                    | -                    | -                   | (336)   | 396                      | -                    | -                   | 396      |
| <b>Total comprehensive income for the period attributable to owners of the Company</b>         | 4,736                    | -                    | -                   | 4,736   | 7,225                    | 1                    | 2                   | 7,226    |

\* Estimated amount subjected to Board of Directors Approval

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## HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)

(Incorporated in Malaysia)

### Unaudited interim statement of changes in equity for the six months ended 30 June 2018

|                                                 | ← Non- distributable | → Distributable                                                                   |                                                    |                |
|-------------------------------------------------|----------------------|-----------------------------------------------------------------------------------|----------------------------------------------------|----------------|
|                                                 | Share capital        | Available<br>for sale<br>financial<br>assets<br>("AFS")<br>fair value<br>reserves | (Accumulat<br>ed losses) /<br>Retained<br>earnings | Total          |
|                                                 | RM'000               | RM'000                                                                            | RM'000                                             | RM'000         |
| <b>At 1 January 2018</b>                        | 100,000              | (152)                                                                             | 26,502                                             | 126,350        |
| Total other comprehensive income for the period | -                    | (336)                                                                             | -                                                  | (336)          |
| Profit for the period                           | -                    | -                                                                                 | 5,072                                              | 5,072          |
| <b>At 30 June 2018</b>                          | <u>100,000</u>       | <u>(488)</u>                                                                      | <u>31,574</u>                                      | <u>131,086</u> |
| <b>At 1 January 2017</b>                        | 100,000              | (441)                                                                             | 19,182                                             | 118,741        |
| Total other comprehensive income for the period | -                    | 396                                                                               | -                                                  | 396            |
| Profit for the period                           | -                    | -                                                                                 | 6,829                                              | 6,829          |
| <b>At 30 June 2017</b>                          | <u>100,000</u>       | <u>(45)</u>                                                                       | <u>26,011</u>                                      | <u>125,966</u> |

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## HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)

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### Unaudited interim statement of cash flows for the six months ended 30 June 2018

|                                                                                | <b>01.01.2018</b> | <b>01.01.2017</b> |
|--------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                | <b>to</b>         | <b>to</b>         |
|                                                                                | <b>30.06.2018</b> | <b>30.06.2017</b> |
|                                                                                | <b>RM'000</b>     | <b>RM'000</b>     |
| <b>Cash flows from operating activities</b>                                    |                   |                   |
| Cash generated from operations (Note 15)                                       | 8,346             | 6,700             |
| Income tax paid                                                                | (6,190)           | (4,834)           |
| <b>Net cash generated from operating activities</b>                            | <u>2,156</u>      | <u>1,866</u>      |
| <b>Cash flows from investing activities</b>                                    |                   |                   |
| Acquisition of plant and equipment                                             | -                 | -                 |
| Acquisition of intangible assets                                               | (1,556)           | (1,898)           |
| Acquisition of investments                                                     | (66,597)          | (78,163)          |
| Proceeds from disposal of investments                                          | 34,762            | 34,760            |
| Proceeds from maturities of investments                                        | 55,000            | 15,000            |
| Profit from fixed deposits placed with licensed Islamic financial institutions | 1,917             | 743               |
| Profit from government guaranteed sukuk                                        | 5,245             | 5,138             |
| Profit from government investment issues                                       | 1,645             | 2,054             |
| Profit from corporate debt securities                                          | 9,716             | 9,696             |
| Dividend received from quoted equity securities                                | 11,030            | 13,891            |
| <b>Net cash generated from investing activities</b>                            | <u>51,162</u>     | <u>1,221</u>      |
| <b>Net increase in cash and cash equivalents</b>                               | 53,318            | 3,087             |
| <b>Cash and cash equivalents at 1 January</b>                                  | <u>82,483</u>     | <u>54,804</u>     |
| <b>Cash and cash equivalents at 30 June</b>                                    | <u>135,801</u>    | <u>57,891</u>     |

#### Cash and cash equivalents

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

|                                                             | <b>01.01.2018</b> | <b>01.01.2017</b> |
|-------------------------------------------------------------|-------------------|-------------------|
|                                                             | <b>to</b>         | <b>to</b>         |
|                                                             | <b>30.06.2018</b> | <b>30.06.2017</b> |
|                                                             | <b>RM'000</b>     | <b>RM'000</b>     |
| Fixed deposits with licensed Islamic financial institutions | 109,702           | 28,308            |
| Cash and bank balances                                      | 26,099            | 29,583            |
|                                                             | <u>135,801</u>    | <u>57,891</u>     |

The accompanying Notes on pages 6 to 17 form an integral part of the financial statements.

## **HSBC Amanah Takaful (Malaysia) Berhad**

(Company No. 731530-M)

(Incorporated in Malaysia)

### **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 2017. 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 2017.

#### **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 2017 except for the adoption of the following:

##### **Standards and amendments to published standards that are effective and applicable to the Company financial year beginning 1<sup>st</sup> January 2018**

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

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

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

**HSBC Amanah Takaful (Malaysia) Berhad**

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**Notes to the unaudited condensed interim financial statements (continued)****2. Summary of significant accounting policies (continued)****Standards and amendments to published standards that are effective and applicable to the Company financial year beginning 1<sup>st</sup> January 2018 (continued)**

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

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

**3. Auditors' report**

The auditors' report on the audited financial statements of the preceding year ended 31 December 2017 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 2018.

**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 2018.

**9. Material Events Subsequent to the End of the Period**

With effect from 1 July 2018, pursuant to the requirements under Sections 16 and 286 of the Islamic Financial Services Act 2013, the Company has ceased to underwrite any new general takaful business (including promoting and marketing of the general takaful business), in line with the Company's decision to continue to carry on family takaful business only, under a single family takaful licence. On 1 August 2018, the Company entered into a business transfer agreement which was duly approved by Bank Negara Malaysia, for the transfer of the Company's general takaful business to Zurich General Takaful Malaysia Berhad. The transfer is subject to approval by the High Court of Malaysia. The transfer is due to be completed by the end of 2018. This is a material non-adjusting post event, for which the entire estimate of the financial impact cannot be made at the date of this report.

## HSBC Amanah Takaful (Malaysia) Berhad

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### Notes to the unaudited condensed interim financial statements (continued)

#### 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<br>Operator<br>RM'000 | General<br>Takaful<br>Fund<br>RM'000 | Family<br>Takaful<br>Fund<br>RM'000 | Company<br>RM'000 |
|--------------------------------------------------------------|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <b>At 30 June 2018</b>                                       |                               |                                      |                                     |                   |
| <b>Available-for-sale financial assets</b>                   |                               |                                      |                                     |                   |
| Government investment issues                                 | 5,002                         | -                                    | 73,040                              | 78,043            |
| Government guaranteed sukuk                                  | 29,898                        | 5,018                                | 152,962                             | 187,878           |
| Corporate debt securities                                    | 104,983                       | 5,002                                | 226,173                             | 336,157           |
| <b>Financial assets at fair value through profit or loss</b> |                               |                                      |                                     |                   |
| Government investment issues                                 | -                             | -                                    | 5,055                               | 5,055             |
| Government guaranteed sukuk                                  | -                             | -                                    | 64,236                              | 64,236            |
| Corporate debt securities                                    | -                             | -                                    | 80,867                              | 80,867            |
| Collective investment schemes                                | -                             | -                                    | 455,239                             | 455,239           |
| Quoted equity securities                                     | -                             | -                                    | 12,400                              | 12,400            |
|                                                              | <u>139,883</u>                | <u>10,020</u>                        | <u>1,069,972</u>                    | <u>1,219,875</u>  |
| <b>At 31 December 2017</b>                                   |                               |                                      |                                     |                   |
| <b>Available-for-sale financial assets</b>                   |                               |                                      |                                     |                   |
| Government investment issues                                 | 5,020                         | -                                    | 73,457                              | 78,477            |
| Government guaranteed sukuk                                  | 30,067                        | 10,080                               | 163,380                             | 203,527           |
| Corporate debt securities                                    | 110,323                       | 20,031                               | 237,281                             | 367,635           |
| <b>Financial assets at fair value through profit or loss</b> |                               |                                      |                                     |                   |
| Government guaranteed sukuk                                  | -                             | -                                    | 5,092                               | 5,092             |
| Corporate debt securities                                    | -                             | -                                    | 64,527                              | 64,527            |
| Collective investment schemes                                | -                             | -                                    | 81,355                              | 81,355            |
| Structured investments                                       | -                             | -                                    | 456,003                             | 456,003           |
| Quoted equity securities                                     | -                             | -                                    | 13,270                              | 13,270            |
|                                                              | <u>145,410</u>                | <u>30,111</u>                        | <u>1,094,365</u>                    | <u>1,269,886</u>  |

## HSBC Amanah Takaful (Malaysia) Berhad

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### Notes to the unaudited condensed interim financial statements (continued)

#### 12. Investment assets (continued)

##### (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”).

|                                             | <b>AFS</b>            | <b>FVTPL</b>          | <b>Total</b>            |
|---------------------------------------------|-----------------------|-----------------------|-------------------------|
|                                             | <b>RM'000</b>         | <b>RM'000</b>         | <b>RM'000</b>           |
| <b>At 1 January 2017</b>                    | 656,887               | 527,172               | 1,184,059               |
| Purchases                                   | 65,441                | 262,342               | 327,783                 |
| Maturities                                  | (65,000)              | (5,000)               | (70,000)                |
| Disposals                                   | (9,983)               | (212,841)             | (222,824)               |
| Fair value gains recorded in profit or loss | -                     | 48,453                | 48,453                  |
| AFS reserves                                | 2,652                 | -                     | 2,652                   |
| (Amortisation)/accretion adjustment         | (358)                 | 121                   | (237)                   |
| <b>At 31 December 2017/1 January 2018</b>   | <u>649,639</u>        | <u>620,247</u>        | <u>1,269,886</u>        |
| Purchases                                   | 10,058                | 56,540                | 66,598                  |
| Maturities                                  | (55,000)              | -                     | (55,000)                |
| Disposals                                   | -                     | (33,577)              | (33,577)                |
| Fair value loss recorded in profit or loss  | -                     | (25,478)              | (25,478)                |
| AFS reserves                                | (2,364)               | -                     | (2,364)                 |
| (Amortisation)/accretion adjustment         | (255)                 | 65                    | (190)                   |
| <b>At 30 June 2018</b>                      | <u><u>602,078</u></u> | <u><u>617,797</u></u> | <u><u>1,219,875</u></u> |

##### (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.

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**Notes to the unaudited condensed interim financial statements (continued)****12. Investment assets (continued)**(c) **The following investment assets mature after twelve months:**

|                                                          | <b>Takaful<br/>Operator</b> | <b>General<br/>Takaful<br/>Fund</b> | <b>Family<br/>Takaful<br/>Fund</b> | <b>Company</b> |
|----------------------------------------------------------|-----------------------------|-------------------------------------|------------------------------------|----------------|
|                                                          | <b>RM'000</b>               | <b>RM'000</b>                       | <b>RM'000</b>                      | <b>RM'000</b>  |
| <b>At 30 June 2018</b>                                   |                             |                                     |                                    |                |
| Available-for-sale financial<br>Assets                   | 109,847                     | -                                   | 409,103                            | 518,950        |
| Financial assets at fair value<br>through profit or loss | -                           | -                                   | 145,145                            | 145,145        |
|                                                          | <u>109,847</u>              | <u>-</u>                            | <u>554,248</u>                     | <u>664,095</u> |
| <b>At 31 December 2017</b>                               |                             |                                     |                                    |                |
| Available-for-sale financial<br>Assets                   | 120,319                     | -                                   | 425,890                            | 546,209        |
| Financial assets at fair value<br>through profit or loss | -                           | -                                   | 150,974                            | 150,974        |
|                                                          | <u>120,319</u>              | <u>-</u>                            | <u>576,864</u>                     | <u>697,183</u> |

**13. Retakaful assets**

|                      | Note  | <b>30.06.2018<br/>RM'000</b> | <b>31.12.2017<br/>RM'000</b> |
|----------------------|-------|------------------------------|------------------------------|
| General Takaful Fund | 14(a) | 33,038                       | 38,175                       |
| Family Takaful Fund  | 14(b) | 41,025                       | 42,811                       |
|                      |       | <u>74,063</u>                | <u>80,986</u>                |

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### Notes to the unaudited condensed interim financial statements (continued)

#### 14. Takaful contract liabilities

|                            | Note  | Gross<br>RM'000  | Retakaful<br>RM'000 | Net<br>RM'000    |
|----------------------------|-------|------------------|---------------------|------------------|
| <b>At 30 June 2018</b>     |       |                  |                     |                  |
| General Takaful Fund       | 14(a) | 81,039           | (33,038)            | 48,001           |
| Family Takaful Fund        | 14(b) | 1,181,092        | (41,025)            | 1,140,067        |
| Company                    |       | <u>1,262,131</u> | <u>(74,063)</u>     | <u>1,188,068</u> |
| <b>At 31 December 2017</b> |       |                  |                     |                  |
| General Takaful Fund       | 14(a) | 89,356           | (38,175)            | 51,181           |
| Family Takaful Fund        | 14(b) | 1,171,337        | (42,811)            | 1,128,526        |
| Company                    |       | <u>1,260,693</u> | <u>(80,986)</u>     | <u>1,179,707</u> |

#### (a) General Takaful Fund

|                                               | Note  | Gross<br>RM'000 | Retakaful<br>RM'000 | Net<br>RM'000 |
|-----------------------------------------------|-------|-----------------|---------------------|---------------|
| <b>At 30 June 2018</b>                        |       |                 |                     |               |
| Provision for claims reported by participants |       | 35,621          | (30,853)            | 4,768         |
| Provision for IBNR                            |       | <u>8,567</u>    | <u>(2,619)</u>      | <u>5,948</u>  |
| Provision for outstanding claims              | (i)   | 44,188          | (33,472)            | 10,716        |
| Provision for unearned contributions          | (ii)  | 20,817          | 434                 | 21,251        |
| Participants' funds                           | (iii) | 16,034          | -                   | 16,034        |
|                                               |       | <u>81,039</u>   | <u>(33,038)</u>     | <u>48,001</u> |
| <b>At 31 December 2017</b>                    |       |                 |                     |               |
| Provision for claims reported by participants |       | 40,619          | (32,988)            | 7,631         |
| Provision for IBNR                            |       | <u>16,089</u>   | <u>(5,639)</u>      | <u>10,450</u> |
| Provision for outstanding claims              | (i)   | 56,708          | (38,627)            | 18,081        |
| Provision for unearned contributions          | (ii)  | 18,738          | 452                 | 19,190        |
| Participants' funds                           | (iii) | 13,910          | -                   | 13,910        |
|                                               |       | <u>89,356</u>   | <u>(38,175)</u>     | <u>51,181</u> |

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**Notes to the unaudited condensed interim financial statements (continued)****14. Takaful contract liabilities (continued)****(a) General Takaful Fund (continued)****(i) Provision for outstanding claims**

|                                       | <b>Gross<br/>RM'000</b> | <b>Retakaful<br/>RM'000</b> | <b>Net<br/>RM'000</b> |
|---------------------------------------|-------------------------|-----------------------------|-----------------------|
| <b>At 1 January 2018</b>              | 56,708                  | (38,627)                    | 18,081                |
| Claims written back during the period | (7,987)                 | 3,407                       | (4,580)               |
| Claims paid during the period         | (4,533)                 | 1,748                       | (2,785)               |
| <b>At 30 June 2018</b>                | <u>44,188</u>           | <u>(33,472)</u>             | <u>10,716</u>         |
| <b>At 1 January 2017</b>              | 53,685                  | (32,517)                    | 21,168                |
| Claims incurred during the year       | 8,067                   | (7,117)                     | 950                   |
| Claims paid during the year           | (5,044)                 | 1,007                       | (4,037)               |
| <b>At 31 December 2017</b>            | <u>56,708</u>           | <u>(38,627)</u>             | <u>18,081</u>         |

**(ii) Provision for unearned contributions**

|                                         | <b>Gross<br/>RM'000</b> | <b>Retakaful<br/>RM'000</b> | <b>Net<br/>RM'000</b> |
|-----------------------------------------|-------------------------|-----------------------------|-----------------------|
| <b>At 1 January 2018</b>                | 18,738                  | 452                         | 19,190                |
| Contributions written during the period | 21,935                  | (1,093)                     | 20,842                |
| Contributions earned during the period  | (19,856)                | 1,075                       | (18,781)              |
| <b>At 30 June 2018</b>                  | <u>20,817</u>           | <u>434</u>                  | <u>21,251</u>         |
| <b>At 1 January 2017</b>                | 18,234                  | (334)                       | 17,900                |
| Contributions written during the year   | 46,690                  | (3,432)                     | 43,258                |
| Contributions earned during the year    | (46,186)                | 4,218                       | (41,968)              |
| <b>At 31 December 2017</b>              | <u>18,738</u>           | <u>452</u>                  | <u>19,190</u>         |

**(iii) Participants' fund**

|                                     | <b>30.06.2018<br/>RM'000</b> | <b>31.12.2017<br/>RM'000</b> |
|-------------------------------------|------------------------------|------------------------------|
| Unallocated surplus                 | 5,495                        | 4,388                        |
| AFS reserves                        | -                            | 8                            |
| Revenue account accumulated surplus | 10,539                       | 9,514                        |
|                                     | <u>16,034</u>                | <u>13,910</u>                |

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### Notes to the unaudited condensed interim financial statements (continued)

#### 14. Takaful contract liabilities (continued)

##### (a) General Takaful Fund (continued)

##### (iii) Participants' fund (continued)

|                                            | 30.06.2018<br>RM'000 | 31.12.2017<br>RM'000 |
|--------------------------------------------|----------------------|----------------------|
| <b>Unallocated surplus</b>                 |                      |                      |
| <b>At 1 January</b>                        | 4,388                | 4,457                |
| Transfer from surplus                      | 1,107                | 125                  |
| Retained surplus                           | -                    | 420                  |
| Transfer to other liabilities              | -                    | (614)                |
| <b>At 30 June / 31 December</b>            | <u>5,495</u>         | <u>4,388</u>         |
| <b>AFS reserves</b>                        |                      |                      |
| <b>At 1 January</b>                        | 8                    | (76)                 |
| Increase/(Decrease) in reserves            | (8)                  | 84                   |
| <b>At 30 June / 31 December</b>            | <u>-</u>             | <u>8</u>             |
| <b>Revenue account accumulated surplus</b> |                      |                      |
| <b>At 1 January</b>                        | 9,514                | 12,131               |
| Surplus for the period                     | 6,087                | 686                  |
| Profit paid to participants                | (3,955)              | (3,178)              |
| Transfer to unallocated surplus            | (1,107)              | (125)                |
| <b>At 30 June / 31 December</b>            | <u>10,539</u>        | <u>9,514</u>         |

##### (b) Family Takaful Fund

|                                  | Note | Gross<br>RM'000  | Retakaful<br>RM'000 | Net<br>RM'000    |
|----------------------------------|------|------------------|---------------------|------------------|
| <b>At 30 June 2018</b>           |      |                  |                     |                  |
| Provision for outstanding claims | (i)  | 15,586           | (12,183)            | 3,403            |
| Participants' funds              | (ii) | 1,165,506        | (28,842)            | 1,136,664        |
|                                  |      | <u>1,181,092</u> | <u>(41,025)</u>     | <u>1,140,067</u> |
| <b>At 31 December 2017</b>       |      |                  |                     |                  |
| Provision for outstanding claims | (i)  | 13,813           | (11,696)            | 2,117            |
| Participants' funds              | (ii) | 1,157,524        | (31,115)            | 1,126,409        |
|                                  |      | <u>1,171,337</u> | <u>(42,811)</u>     | <u>1,128,526</u> |

## HSBC Amanah Takaful (Malaysia) Berhad

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### Notes to the unaudited condensed interim financial statements (continued)

#### 14. Takaful contract liabilities (continued)

##### (b) Family Takaful Fund (continued)

##### (i) Provision for outstanding claims

|                                   | Gross<br>RM'000 | Retakaful<br>RM'000 | Net<br>RM'000 |
|-----------------------------------|-----------------|---------------------|---------------|
| <b>At 1 January 2018</b>          | 13,813          | (11,696)            | 2,117         |
| Claims incurred during the period | 11,582          | (7,337)             | 4,245         |
| Claims paid during the period     | (9,809)         | 6,850               | (2,959)       |
| <b>At 30 June 2018</b>            | <u>15,586</u>   | <u>(12,183)</u>     | <u>3,403</u>  |
| <b>At 1 January 2017</b>          | 13,804          | (11,173)            | 2,631         |
| Claims incurred during the year   | 23,634          | (17,381)            | 6,253         |
| Claims paid during the year       | (23,625)        | 16,858              | (6,767)       |
| <b>At 31 December 2017</b>        | <u>13,813</u>   | <u>(11,696)</u>     | <u>2,117</u>  |

##### (ii) Participants' fund

|                                                                            | Gross<br>RM'000  | Retakaful<br>RM'000 | Net<br>RM'000    |
|----------------------------------------------------------------------------|------------------|---------------------|------------------|
| <b>At 30 June 2018</b>                                                     |                  |                     |                  |
| Actuarial reserves                                                         | 234,242          | (28,842)            | 205,400          |
| Unallocated surplus                                                        | 53,629           | -                   | 53,629           |
| AFS reserve                                                                | (2,000)          | -                   | (2,000)          |
| Net asset value attributable to participants                               | 425,006          | -                   | 425,006          |
| Net asset value attributable to unit holders                               | 454,629          | -                   | 454,629          |
|                                                                            | <u>1,165,506</u> | <u>(28,842)</u>     | <u>1,136,664</u> |
| <b>At 1 January 2018</b>                                                   | 1,157,524        | (31,115)            | 1,126,409        |
| Contributions received                                                     | 29,646           | -                   | 29,646           |
| Liabilities paid for death, maturities,<br>surrenders, benefits and claims | (23,278)         | -                   | (23,278)         |
| Fees deducted                                                              | (4,005)          | -                   | (4,005)          |
| Investment income                                                          | 4,163            | -                   | 4,163            |
| Retakaful reserve credit                                                   | (2,273)          | 2,273               | -                |
| Net asset value attributable to unit holders                               | 1,720            | -                   | 1,720            |
| Surplus attributable to Takaful Operator                                   | (678)            | -                   | (678)            |
| Write back of impairment                                                   | -                | -                   | -                |
| AFS reserve                                                                | (1,758)          | -                   | (1,758)          |
| Transfer to/(from) unallocated surplus                                     | (618)            | -                   | (618)            |
| Deferred tax on fair value gains                                           | (525)            | -                   | (525)            |
| Investment income distribution                                             | 6,167            | -                   | 6,167            |
| Transfer surplus distribution to other liabilities                         | (678)            | -                   | (678)            |
| Others                                                                     | 99               | -                   | 99               |
| <b>At 30 June 2018</b>                                                     | <u>1,165,506</u> | <u>(28,842)</u>     | <u>1,136,664</u> |

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**Notes to the unaudited condensed interim financial statements (continued)****14. Takaful contract liabilities (continued)****(b) Family Takaful Fund (continued)****(ii) Participants' fund (continued)**

|                                                                            | <b>Gross<br/>RM'000</b> | <b>Retakaful<br/>RM'000</b> | <b>Net<br/>RM'000</b> |
|----------------------------------------------------------------------------|-------------------------|-----------------------------|-----------------------|
| <b>At 31 December 2017</b>                                                 |                         |                             |                       |
| Actuarial reserves                                                         | 240,434                 | (31,115)                    | 209,319               |
| Unallocated surplus                                                        | 53,730                  | -                           | 53,730                |
| AFS reserve                                                                | (242)                   | -                           | (242)                 |
| Net asset value attributable to participants                               | 410,692                 | -                           | 410,692               |
| Net asset value attributable to unit holders                               | 452,910                 | -                           | 452,910               |
|                                                                            | <u>1,157,524</u>        | <u>(31,115)</u>             | <u>1,126,409</u>      |
| <b>At 1 January 2017</b>                                                   |                         |                             |                       |
| Contributions received                                                     | 53,161                  | -                           | 53,161                |
| Liabilities paid for death, maturities,<br>surrenders, benefits and claims | (37,925)                | -                           | (37,925)              |
| Fees deducted                                                              | (8,093)                 | -                           | (8,093)               |
| Investment income                                                          | 13,731                  | -                           | 13,731                |
| Retakaful reserve credit                                                   | 7,873                   | (7,873)                     | -                     |
| Net asset value attributable to unit holders                               | 87,073                  | -                           | 87,073                |
| Surplus attributable to Takaful Operator                                   | (4,453)                 | -                           | (4,453)               |
| Write back of impairment                                                   | 1                       | -                           | 1                     |
| AFS reserve                                                                | 1,989                   | -                           | 1,989                 |
| Transfer to unallocated surplus                                            | 1,249                   | -                           | 1,249                 |
| Deferred tax on fair value gains                                           | (3,938)                 | -                           | (3,938)               |
| Investment income distribution                                             | 13,284                  | -                           | 13,284                |
| Transfer surplus distribution to other liabilities                         | (3,385)                 | -                           | (3,385)               |
| Others                                                                     | 570                     | -                           | 570                   |
| <b>At 31 December 2017</b>                                                 | <u>1,157,524</u>        | <u>(31,115)</u>             | <u>1,126,409</u>      |

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**Notes to the unaudited condensed interim financial statements (continued)****15. Cash flows from operating activities**

|                                                                 | <b>01.01.2018<br/>to<br/>30.06.2018<br/>RM'000</b> | <b>01.01.2017<br/>to<br/>30.06.2017<br/>RM'000</b> |
|-----------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Profit before zakat and taxation                                | 9,665                                              | 11,366                                             |
| Profit from government guaranteed bonds                         | (5,245)                                            | (5,138)                                            |
| Profit from government investment issues                        | (1,645)                                            | (2,054)                                            |
| Profit from corporate debt securities                           | (9,716)                                            | (9,696)                                            |
| Profit from fixed deposits with licensed financial institutions | (1,917)                                            | (743)                                              |
| Dividend income from equity securities                          | (11,030)                                           | (13,890)                                           |
| Realised (Gain)/Loss from disposal of investment assets         | (1,185)                                            | (251)                                              |
| <b>Non Cash items</b>                                           |                                                    |                                                    |
| Amortisation of intangible                                      | 2,429                                              | 2,943                                              |
| Increase in impairment of receivables                           | (168)                                              | 191                                                |
| Depreciation of plan & equipment                                | 38                                                 | 37                                                 |
| Fair value movement of investment                               | 25,478                                             | (11,019)                                           |
| Net amortisation/(accretion) of investment                      | 190                                                | 72                                                 |
| Provision for expenses reserves                                 | (5,867)                                            | (2,945)                                            |
| <b>Changes in working capital</b>                               |                                                    |                                                    |
| Increase/(decrease) in takaful contract liabilities             | (8,669)                                            | 3,380                                              |
| Decrease/(Increase) in receivables                              | (4,939)                                            | 1,085                                              |
| (Decrease)/Increase in payables                                 | 2,131                                              | (5,345)                                            |
| (Decrease)/Increase in participants' fund                       | 15,828                                             | 47,057                                             |
| Profit paid to participants                                     | (3,955)                                            | (2,606)                                            |
| Decrease/(Increase) in retakaful assets                         | 6,923                                              | (5,744)                                            |
| <b>Cash generated from operations</b>                           | <u>8,346</u>                                       | <u>6,700</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.

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### Notes to the unaudited condensed interim financial statements (continued)

#### 16. 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:

|                                                   | <b>30.06.2018</b>     | <b>31.12.2017</b>     |
|---------------------------------------------------|-----------------------|-----------------------|
|                                                   | <b>RM'000</b>         | <b>RM'000</b>         |
| <b>Eligible Tier 1 Capital</b>                    |                       |                       |
| Share capital                                     | 100,000               | 100,000               |
| Reserve, including retained earnings              | 27,274                | 26,500                |
| Valuation surplus maintained in the takaful funds | 60,480                | 58,118                |
| <b>Eligible Tier 2 Capital</b>                    |                       |                       |
| AFS fair value reserves                           | (1,016)               | (138)                 |
| Profit Sharing Investment Account (PSIA)          | 8,100                 | 10,800                |
| <b>Amount deducted from capital</b>               | <u>(15,526)</u>       | <u>(16,260)</u>       |
| <b>Capital available</b>                          | <u>179,312</u>        | <u>179,020</u>        |
| <b>Total capital available</b>                    | <u><u>148,194</u></u> | <u><u>149,215</u></u> |