



MCIS INSURANCE BERHAD
(435318-U)
(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements
For the six-month period ended 30 June 2019

435318-U

**MCIS Insurance Berhad
(Incorporated in Malaysia)**

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MCIS Insurance Berhad
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Unaudited condensed statement of financial position
As at 30 June 2019

		30.06.2019	31.12.2018
	Note	RM'000	RM'000
Assets			
Property and equipment		42,539	45,730
Investment properties		8,590	10,750
Right-of-use assets		22,945	-
Intangible assets		8,476	9,447
Prepaid land lease payments		-	189
Investments	3	4,498,676	4,356,979
Reinsurance assets	4	11,926	10,111
Insurance receivables		90,059	62,657
Other receivables		62,958	74,351
Tax recoverable		1,109	532
Cash and bank balances		34,635	39,118
		<u>4,781,913</u>	<u>4,609,864</u>
Non-current assets held for sale		3,718	318
Total assets		<u>4,785,631</u>	<u>4,610,182</u>
Equity			
Share capital		125,024	125,024
Retained profits		148,442	143,259
Merger reserves		40,672	40,672
Revaluation reserves		4,421	4,421
Total equity		<u>318,559</u>	<u>313,376</u>
Liabilities			
Insurance contract liabilities	5	4,167,912	4,025,339
Deferred tax liabilities		32,075	19,543
Lease liabilities		18,651	-
Insurance payables		149,859	134,550
Other payables		98,575	117,374
Total liabilities		<u>4,467,072</u>	<u>4,296,806</u>
Total equity and liabilities		<u>4,785,631</u>	<u>4,610,182</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2018 and the accompanying explanatory notes on pages 6 to 26 attached to the unaudited condensed interim financial statements.

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MCIS Insurance Berhad
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Unaudited condensed income statement
For the six-month period ended 30 June 2019

	01.01.2019	01.01.2018
	to	to
Note	30.06.2019	30.06.2018
	RM'000	RM'000
Gross earned premiums	303,312	283,324
Premiums ceded to reinsurers	<u>(25,193)</u>	<u>(18,755)</u>
Net earned premiums	<u>278,119</u>	<u>264,569</u>
Investment income	99,596	97,262
Realised gains/(losses)	4,332	(5,351)
Fair value gains/(losses)	181,684	(76,304)
Fee and commission income	-	422
Other operating revenue	<u>350</u>	<u>16,960</u>
Other revenue	<u>285,962</u>	<u>32,989</u>
Gross benefits and claims paid	(325,867)	(269,993)
Claims ceded to reinsurers	18,892	10,723
Gross change in insurance contract liabilities	(142,573)	39,349
Change in insurance contract liabilities ceded to reinsurers	<u>1,815</u>	<u>598</u>
Net benefits and claims	<u>(447,733)</u>	<u>(219,323)</u>
Fee and commission expenses	(41,409)	(40,644)
Other operating expenses	(2,041)	(1,859)
Management expenses	(47,875)	(38,027)
Interest expense	(492)	-
Taxation of life insurance business	<u>(17,523)</u>	<u>(1,160)</u>
Other expenses	<u>(109,340)</u>	<u>(81,690)</u>
Profit/(Loss) before taxation	7,008	(3,455)
Taxation	<u>(1,825)</u>	<u>1,446</u>
Net profit/(loss) for the period	<u>5,183</u>	<u>(2,009)</u>
Total comprehensive income/(loss) for the period	<u>5,183</u>	<u>(2,009)</u>
Earnings per share (sen)		
Basic and diluted	6	6
	<u>5.17</u>	<u>(2.00)</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2018 and the accompanying explanatory notes on pages 6 to 26 attached to the unaudited condensed interim financial statements.

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MCIS Insurance Berhad
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Unaudited condensed statement of changes in equity
For the six-month period ended 30 June 2019

	----- Non-distributable -----				Distributable			Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Revaluation reserves of non-participating funds RM'000	Revaluation reserves associated with non-current assets held for sale RM'000	Unallocated surplus of non-participating funds RM'000	Retained profits of shareholders' fund RM'000	Sub-total RM'000	
At 1 January 2018	125,024	40,672	3,422	4,160	39,823	85,161	124,984	298,262
Net (loss)/profit for the period	-	-	-	-	(2,208)	199	(2,009)	(2,009)
Realisation of revaluation reserves	-	-	999	(4,160)	3,161	-	3,161	-
Dividends payable during the period	-	-	-	-	-	(7,000)	(7,000)	(7,000)
At 30 June 2018	<u>125,024</u>	<u>40,672</u>	<u>4,421</u>	<u>-</u>	<u>40,776</u>	<u>78,360</u>	<u>119,136</u>	<u>289,253</u>
At 1 January 2019	125,024	40,672	4,421	-	48,151	95,108	143,259	313,376
Net (loss)/profit for the period	-	-	-	-	(1,700)	6,883	5,183	5,183
At 30 June 2019	<u>125,024</u>	<u>40,672</u>	<u>4,421</u>	<u>-</u>	<u>46,451</u>	<u>101,991</u>	<u>148,442</u>	<u>318,559</u>

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MCIS Insurance Berhad
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Unaudited condensed statement of cash flows
For the six-month period ended 30 June 2019

	01.01.2019 to 30.06.2019 RM'000	01.01.2018 to 30.06.2018 RM'000
Profit/(Loss) before taxation	7,008	(3,455)
<i>Adjustments for:</i>		
Taxation of life insurance business	17,523	1,160
Investment income	(99,596)	(97,262)
Interest expense	492	-
Realised (gains)/losses recorded in the income statement	(4,332)	5,352
Fair value (gains)/losses recorded in the income statement	(181,684)	76,304
Purchases of financial assets measured at fair value through profit or loss ("FVTPL")	(319,852)	(347,615)
Proceeds from sale of financial assets measured at FVTPL	587,862	316,679
Decrease in loans and receivables	14,176	6,693
Investment income received	100,312	94,176
Gain on disposal of non-current assets held for sale	-	(14,541)
Depreciation of property and equipment	1,234	1,399
Amortisation of intangible assets	976	966
Amortisation of right-of-use assets	1,953	6
PPE written off	11	-
Net amortisation of investments	2,823	1,435
Write back on loans receivables	(1,801)	-
Changes in working capital:		
(Increase)/Decrease in assets:		
Reinsurance assets	(1,815)	(597)
Insurance receivables	(27,402)	8,299
Other receivables	10,677	(649)
Increase/(Decrease) in liabilities:		
Insurance contract liabilities	142,573	(33,751)
lease liabilities	(2,213)	-
Insurance payables	15,309	(13,667)
Other payables	(18,772)	(16,145)
Cash generated from/(used in) operating activities	<u>245,462</u>	<u>(15,213)</u>
Income tax paid	(7,420)	(4,533)
Net cash flows generated from/(used in) operating activities	<u>238,042</u>	<u>(19,746)</u>

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Unaudited condensed statement of cash flows
For the six-month period ended 30 June 2019 (cont'd.)

	01.01.2019	01.01.2018
	to	to
	30.06.2019	30.06.2018
	RM'000	RM'000
Investing activities		
Placement monies and interest thereof in relation to the proceeds from disposal of general insurance business*	75	261
Purchase of property and equipment	(3,631)	(390)
Purchase of intangible assets	(5)	(211)
Net cash flows from investing activities	<u>(3,561)</u>	<u>(340)</u>
Financing activity		
Dividends paid	-	-
Net cash flows from financing activity	<u>-</u>	<u>-</u>
Cash and cash equivalents		
Net increase/(decrease) in cash and cash equivalents	234,481	(20,086)
Cash and cash equivalents at beginning of period	<u>165,030</u>	<u>132,814</u>
Cash and cash equivalents at end of period	<u>399,511</u>	<u>112,728</u>
Cash and cash equivalents comprise of:		
Cash and bank balances	34,635	32,728
Less: Cash restricted in use*	<u>(8,187)</u>	<u>(8,175)</u>
	26,448	24,553
Short term deposits with original maturity periods of less than 3 months	<u>373,063</u>	<u>88,175</u>
	<u>399,511</u>	<u>112,728</u>

* Cash restricted in use represents placement monies which are encumbered, by virtue of being held to meet any potential indemnity claims in relation to the sale of the general insurance business in previous financial year.

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Notes to the unaudited condensed interim financial statements
For the six-month period ended 30 June 2019

1. Basis of preparation

The unaudited condensed interim financial statements of MCIS Insurance Berhad ("the Company") have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standard ("IAS") 34 - Interim Financial Reporting as issued by International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

As at the reporting date, the Company has met the minimum capital adequacy requirements as prescribed under the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2018.

The unaudited condensed interim financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2. Accounting policies

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2018, except as follows:

On 1 January 2019, the Company adopted the following MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019:

- (i) MFRS 16 *Leases*
- (ii) Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015-2017 Cycle*
- (iii) Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015-2017 Cycle*
- (iv) Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015-2017 Cycle*
- (v) Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015-2017 Cycle*
- (vi) Amendments to MFRS 9 - *Prepayment Features with Negative Compensation*
- (vii) IC Interpretation 23 *Uncertainty over Income Tax Treatments*

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2. Accounting policies (cont'd.)

Items (ii), (iii), (v) are not applicable to the Company. The initial application of the remaining standards, amendments and interpretations do not have any material impacts to the current and prior period's financial statements upon their first adoption, except as disclosed below:

MFRS 16: Leases

MFRS 16 supersedes MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

(a) Leases in which the Company is a lessee

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

(b) Leases in which the Company is a lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

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2. Accounting policies (cont'd.)

MFRS 16: Leases (cont'd.)

Transition upon the adoption of MFRS 16

The Company adopted MFRS 16 on 1 January 2019, using modified retrospective approach with no restatement of comparative information for prior periods in respect of classification and measurement changes. For measurement of the right-of-use asset, initial direct costs were not taken into account in accordance with MFRS 16.

The impact of MFRS 16 adoption as at 1 January 2019 is as follows:

	As reported under MFRS 117 RM'000	MFRS 16 Adjustments RM'000	As reported under MFRS 16 RM'000
Assets			
Property and equipment	45,730	(4,337)	41,393
Right-of-use assets	-	24,898	24,898
Prepaid land lease payments	189	(189)	-
Liabilities			
Lease liabilities	-	20,372	20,372

3. Investments

	30.06.2019 RM'000	31.12.2018 RM'000
Malaysian Government securities	1,094,668	1,220,418
Government investment issues	194,730	240,639
Malaysian Government guaranteed bonds	592,301	627,110
Unquoted debts securities	1,312,758	1,219,346
Quoted equity securities	396,310	434,274
Quoted exchange traded funds	45,484	39,219
Unquoted equity securities	14,990	14,290
Quoted unit and property trust funds	165,688	111,076
Unquoted unit trust funds	34,847	30,221
Deposits with financial institutions	373,969	135,073
Loans receivables	272,931	285,313
	4,498,676	4,356,979

The Company's financial investments are summarised by category as follows:

FVTPL	4,225,745	4,071,666
Amortised cost	272,931	285,313
	4,498,676	4,356,979

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3. Investments (cont'd.)

	30.06.2019	31.12.2018
	RM'000	RM'000
(a) FVTPL		
Mandatorily measured:		
Quoted equity securities	396,310	434,274
Quoted exchange traded funds	45,484	39,219
Unquoted equity securities	14,990	14,290
Quoted unit and property trust funds	165,688	111,076
Unquoted unit trust funds	34,847	30,221
	<u>657,319</u>	<u>629,080</u>
Designated upon initial recognition:		
Malaysian Government securities	1,094,668	1,220,418
Government investment issues	194,730	240,639
Malaysian Government guaranteed bonds	592,301	627,110
Unquoted debt securities	1,312,758	1,219,346
Deposits with financial institutions	373,969	135,073
	<u>3,568,426</u>	<u>3,442,586</u>
	<u>4,225,745</u>	<u>4,071,666</u>
(b) Amortised cost		
Loans receivables:		
Policy loans	271,068	283,284
Mortgage loans	3,499	5,445
Other loans	150	171
	274,717	288,900
Loss allowances	(1,786)	(3,587)
	<u>272,931</u>	<u>285,313</u>

The carrying value of the policy loans and other loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The fair values of the mortgage loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the mortgage loans were first recognised together with appropriate market credit adjustments. As there are no significant differences between these rates, the carrying value of mortgage loans approximates fair value as at 30 June 2019 and 31 December 2018.

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3. Investments (cont'd.)

Included in deposits with financial institutions of the Company are short term deposits with original maturity periods of less than 3 months amounting to RM373,063,000 (31.12.2018: RM134,174,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

(c) Reconciliation of Level 3 fair value measurement:

	30.06.2019
	RM'000
<u>Unquoted equity securities</u>	
As at 1 January 2018	12,459
Fair value gains	1,831
As at 31 December 2018	<u>14,290</u>
Fair value gains	700
As at 30 June 2019	<u><u>14,990</u></u>

Included in the quoted category are financial instruments that are measured in whole or in part by reference to quoted market bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange.

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

4. Reinsurance assets

	30.06.2019	31.12.2018
	RM'000	RM'000
Reinsurance of insurance contracts (Note 5(i))	11,926	10,111
	<u>11,926</u>	<u>10,111</u>

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5. Insurance contract liabilities

The life insurance contract liabilities and its movements are further analysed as follows:

(i) Life insurance contract liabilities

	←----- 30.06.2019 ----->			←----- 31.12.2018 ----->		
	Gross RM'000	Reinsurance (Note 4) RM'000	Net RM'000	Gross RM'000	Reinsurance (Note 4) RM'000	Net RM'000
Provision for benefits and claims	130,333	(354)	129,979	116,275	(4)	116,271
Actuarial liabilities - Participating fund	3,097,985	(805)	3,097,180	3,134,377	(811)	3,133,566
Actuarial liabilities - Non participating fund	332,896	(10,767)	322,129	313,048	(9,296)	303,752
	3,430,881	(11,572)	3,419,309	3,447,425	(10,107)	3,437,318
Participating fund unallocated surplus	401,461	-	401,461	273,892	-	273,892
Participating fund asset revaluation reserves	20,576	-	20,576	20,576	-	20,576
Net asset value ("NAV") attributable to unitholders	184,661	-	184,661	167,171	-	167,171
	<u>4,167,912</u>	<u>(11,926)</u>	<u>4,155,986</u>	<u>4,025,339</u>	<u>(10,111)</u>	<u>4,015,228</u>

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5. Insurance contract liabilities (cont'd.)

(ii) Movements of life insurance contract liabilities

	Provision for benefits and claims RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Non Participating fund unallocated surplus RM'000	Participating fund asset revaluation reserves RM'000	NAV attributable to unitholders RM'000	Gross liabilities RM'000	Reinsurance RM'000	Net liabilities RM'000
30 June 2019									
As at 1 January 2019	116,275	3,447,425	273,892	-	20,576	167,171	4,025,339	(10,111)	4,015,228
Net earned premiums	-	-	161,605	97,256	-	19,258	278,119	-	278,119
Other revenue	-	-	237,877	22,242	-	12,433	272,552	-	272,552
Net benefits and claims	14,058	-	(246,311)	(61,203)	-	(13,168)	(306,624)	(351)	(306,975)
Other expenses	-	-	(47,036)	(40,531)	-	(24)	(87,591)	-	(87,591)
Policy movement	-	(33,560)	43,065	(9,505)	-	-	-	-	-
Interest rate	-	10,342	-	(10,342)	-	-	-	-	-
Adjustments due to changes in assumptions:									
- Others	-	6,674	(6,679)	1,469	-	-	1,464	(1,464)	-
Taxation on taxable investment income	-	-	(14,952)	(1,562)	-	(1,009)	(17,523)	-	(17,523)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	-	-	-	2,176	-	-	2,176	-	2,176
As at 30 June 2019	130,333	3,430,881	401,461	-	20,576	184,661	4,167,912	(11,926)	4,155,986

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5. Insurance contract liabilities (cont'd.)

(ii) Movements of life insurance contract liabilities (cont'd.)

	Provision for benefits and claims RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Non participating fund unallocated surplus RM'000	Participating fund asset revaluation reserves RM'000	NAV attributable to unitholders RM'000	Gross liabilities RM'000	Reinsurance RM'000	Net liabilities RM'000
31 December 2018									
As at 1 January 2018	111,394	3,413,252	298,672	-	83,002	161,192	4,067,512	(9,636)	4,057,876
Net earned premiums	-	-	336,112	149,330	-	36,954	522,396	-	522,396
Other revenue	-	-	166,373	21,999	-	(6,474)	181,898	-	181,898
Net benefits and claims	4,881	-	(450,713)	(87,077)	-	(24,971)	(557,880)	437	(557,443)
Other expenses	-	-	(93,394)	(67,722)	-	(45)	(161,161)	-	(161,161)
Policy movements	-	(12,066)	23,989	(11,923)	-	-	-	-	-
Interest rate	-	63,808	(65,751)	1,943	-	-	-	-	-
Adjustments due to changes in assumptions:									
- Model change	-	(19,418)	19,418	-	-	-	-	-	-
- Others	-	1,849	(2,186)	1,249	-	-	912	(912)	-
Changes in asset revaluation reserves	-	-	67,154	-	(67,854)	-	(700)	-	(700)
Taxation on asset revaluation reserves	-	-	-	-	5,428	-	5,428	-	5,428
Taxation on taxable investment income	-	-	(10,064)	(1,078)	-	515	(10,627)	-	(10,627)
Participating fund surplus transferred to shareholders' fund	-	-	(15,718)	-	-	-	(15,718)	-	(15,718)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	-	-	-	(6,721)	-	-	(6,721)	-	(6,721)
As at 31 December 2018	116,275	3,447,425	273,892	-	20,576	167,171	4,025,339	(10,111)	4,015,228

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6. Earnings per share

Earnings per share is calculated by dividing profit/(loss) for the financial period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	01.01.2019	01.01.2018
	to	to
	30.06.2019	30.06.2018
Profit/(Loss) attributable to ordinary equity holders (RM'000)	5,183	(2,009)
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings per share (sen)	<u>5.17</u>	<u>(2.00)</u>

There were no potential dilutive ordinary shares as at the reporting date.

There have been no other transactions involving ordinary shares between the reporting date and the date of issuance of these unaudited condensed interim financial statements.

7. Dividends

	Amount	Dividend
	RM'000	per share
		sen
Dividend paid in respect of the financial year ended		
31 December 2017		
Final single tier dividend paid on 4 July 2018	<u>7,000</u>	<u>6.98</u>

8. Capital commitments

	30.06.2019	31.12.2018
	RM'000	RM'000
Approved and contracted for:		
Property and equipment	-	4,797
Intangible assets	3,055	-
	<u>3,055</u>	<u>4,797</u>
Approved but not contracted for:		
Property and equipment	7,799	7,820
Intangible assets	18,568	12,722
	<u>26,367</u>	<u>20,542</u>

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9. Significant related party disclosures

The related parties and their relationship with the Company as at 30 June 2019 are as follows:

Name	Relationship
Sanlam Emerging Markets Proprietary Limited ("SEM")	Immediate holding company
Koperasi MCIS Berhad	Corporate shareholder
Sanlam Life Insurance Limited ("Sanlam Life")	Holding company of SEM
Medscheme International Limited	Associate of Sanlam Life
Pacific & Orient Insurance Co. Berhad	Associate of SEM

The Directors are of the opinion that the related party transactions were carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

	01.01.2019 to 30.06.2019 RM'000	01.01.2018 to 30.06.2018 RM'000
Transactions with related parties:		
(i) Disposal of properties		
Koperasi MCIS Berhad	-	123,500
(ii) Rental income received from:		
Koperasi MCIS Berhad	-	171
(iii) Rental expenses payable to:		
Koperasi MCIS Berhad	(1,970)	(108)
(iv) Directors' allowances to:		
SEM	(29)	(128)
(v) Healthcare claim analysis and intervention expenses:		
Medscheme International Limited	-	(102)
(vi) Sponsor for corporate social responsibility activities:		
Koperasi MCIS Berhad	-	(20)
(vii) Secretarial fees recoverable from:		
SEM	14	-
(viii) Premium for insurance cover paid to:		
Pacific & Orient Insurance Co. Berhad	(36)	(43)

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9. Significant related party disclosures (cont'd.)

	30.06.2019	31.12.2018
	RM'000	RM'000
Balances with related parties:		
(i) Reimbursable costs to:		
Sanlam Life Insurance Limited	-	140
	<u> </u>	<u> </u>

10. Regulatory capital requirement

The capital structure of the Company as prescribed under the RBC Framework is provided below:

	30.06.2019	31.12.2018
	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	125,024	125,024
Reserves, including retained earnings	1,071,908	1,001,734
	<u>1,196,932</u>	<u>1,126,758</u>
<u>Tier 2 Capital</u>		
Eligible reserves	25,927	25,927
Deductions	(17,760)	(19,728)
Total capital available	<u>1,205,099</u>	<u>1,132,957</u>

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11. Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets:

		Fair value measurement using			
30 June 2019	Date of valuation	Level 1 - Quoted market price in active market	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total fair value
		RM'000	RM'000	RM'000	RM'000
Assets measured at fair value:					
Investment properties	November/December 2018	-	-	8,590	8,590
FVTPL:					
Malaysian Government securities	30 June 2019	-	1,094,668	-	1,094,668
Government investment issues	30 June 2019	-	194,730	-	194,730
Malaysian Government guaranteed bonds	30 June 2019	-	592,301	-	592,301
Unquoted debt securities	30 June 2019	-	1,312,758	-	1,312,758
Quoted equity securities	30 June 2019	396,310	-	-	396,310
Quoted exchange traded funds	30 June 2019	45,484	-	-	45,484
Unquoted equity securities	30 June 2019	-	-	14,990	14,990
Quoted unit and property trust funds	30 June 2019	165,688	-	-	165,688
Unquoted unit trust funds	30 June 2019	-	34,847	-	34,847
Deposits with financial institutions	30 June 2019	-	373,969	-	373,969
		607,482	3,603,273	14,990	4,225,745
Revalued property and equipment	October/November 2017	-	-	22,131	22,131
		607,482	3,603,273	45,711	4,256,466

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11. Fair value measurement (cont'd.)

The following table provides the fair value measurement hierarchy of the Company's assets: (cont'd.)

31 December 2018	Date of valuation	Fair value measurement using			Total fair value RM'000
		Level 1 - Quoted market price in active market RM'000	Level 2 - Significant observable inputs RM'000	Level 3 - Significant unobservable inputs RM'000	
Assets measured at fair value:					
Investment properties	November/December 2018	-	-	10,750	10,750
FVTPL:					
Malaysian Government securities	31 December 2018	-	1,220,418	-	1,220,418
Government investment issues	31 December 2018	-	240,639	-	240,639
Malaysian Government guaranteed bonds	31 December 2018	-	627,110	-	627,110
Unquoted debt securities	31 December 2018	-	1,219,346	-	1,219,346
Quoted equity securities	31 December 2018	434,274	-	-	434,274
Quoted exchange traded funds	31 December 2018	39,219	-	-	39,219
Unquoted equity securities	31 December 2018	-	-	14,290	14,290
Quoted unit and property trust funds	31 December 2018	111,076	-	-	111,076
Unquoted unit trust funds	31 December 2018	-	30,221	-	30,221
Deposits with financial institutions	31 December 2018	-	135,073	-	135,073
		584,569	3,472,807	14,290	4,071,666
Revalued property and equipment	October/November 2017	-	-	27,919	27,919
		584,569	3,472,807	52,959	4,110,335

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11. Fair value measurement (cont'd.)

The Company categorises its fair value measurements in accordance to the fair value hierarchy which is based on the priority of inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets, a lower priority to valuation techniques based on observable inputs and the lowest priority to valuation techniques based on unobservable inputs. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

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

Level 1 - Quoted prices in active markets

Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 - Valuation technique supported by observable inputs

Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the financial assets or financial liabilities, either directly or indirectly. These include quoted prices for similar financial assets and financial liabilities in active markets, quoted prices for identical or similar financial assets and financial liabilities in inactive markets, inputs that are observable that are no prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data.

Level 3 - Valuation technique supported by unobservable inputs

Fair value measurements using significant non market observable inputs. These include valuations for financial assets and financial liabilities that are derived using data, some or all of which is not market observable, including assumptions about risks.

There has been no transfers of financial assets between Level 1 and Level 2 during the six-month period/year ended 30 June 2019 and 31 December 2018.

Reconciliation from opening to closing balances of Level 3 fair value hierarchy is provided in Note 3 and 11.

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11. Fair value measurement (cont'd.)

Valuation methods and assumptions for properties and investment properties

Revalued properties

The revalued land and buildings consist of office buildings, shop offices, shop houses and an apartment, which are located in various states in Malaysia.

The fair value of the properties was determined by using the cost method, other than fair value of a shop office and an apartment which were determined by using the sales comparison method. Under the cost method, the apportionment value attributable to the land is adopted whilst making due allowances for factors such as location, plot, size, accessibility and other relevant factors in determining the value of the land, while current estimates on construction costs to erect equivalent buildings. Appropriate adjustments are then made for factors of obsolescence and existing physical condition of the building in determining the cost of the building. The comparison method entails comparing and adopting recent sales evidences involving other similar properties in the vicinity, adjusted for differences in location, size and shapes, accessibility, infrastructure available, improvements made on the site and other value considerations.

The properties' fair values are based on valuations performed by Raine & Horne International Zaki + Partners Sdn. Bhd., a registered independent valuer.

The Company has determined that the highest and best use of the properties is their current use.

Reconciliation of Level 3 fair value measurement:

	Apartment	Shop office/ shop house	Office building	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2018	330	24,318	4,792	29,440
Revaluation deficit	-	(700)	-	(700)
Transfer to non-current assets held for sale	(318)	-	-	(318)
Depreciation recognised in profit or loss under management expenses	(12)	(408)	(83)	(503)
At 31 December 2018	-	23,210	4,709	27,919
Adjustments upon initial application of MFRS 16	-	(4,337)	-	(4,337)
At 1 January 2019	-	18,873	4,709	23,582
Transfer to non-current assets held for sale	-	(1,240)	-	(1,240)
Depreciation recognised in profit or loss under management expenses	-	(169)	(42)	(211)
At 30 June 2019	-	17,464	4,667	22,131

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11. Fair value measurement (cont'd.)

Valuation methods and assumptions for properties and investment properties (cont'd.)

Revalued properties (cont'd.)

Description of valuation techniques used and key inputs to valuation of the properties are stated below:

Type of property	Valuation techniques	Key inputs	Weighted average	
Apartment	Comparison method	Price per square foot	Building	RM235
Multi-storey shop office /shop house	Comparison/cost method	Price per square foot	Land Building	RM2,601 RM123
7 ½-storey office building	Cost method	Price per square foot	Land Building	RM380 RM68

Significant increases/(decreases) in unobservable inputs in isolation would result in a significantly higher/(lower) fair value of the properties.

Investment properties

The fair value of investment properties was determined by using cost method, other than fair value of an agriculture land and a shop office which were determined by using the comparison method. Under the cost method, the apportionment value attributable to the land is adopted and making due allowances to factors of location, plot, size, accessibility and other relevant factor in determining the value of the land, while current estimates on constructional costs to erect equivalent buildings with appropriate adjustments are then made for factors of obsolescence and existing physical condition of the building are adopted in determining the cost of the building. The comparison method entails comparing and adopting recent sales evidences involving other similar properties in the vicinity, adjusted for differences in location, size and shapes, accessibility, infrastructure available, improvements made on the site and other value considerations.

The properties' fair values are based on valuations performed by Raine & Horne International Zaki + Partners Sdn. Bhd., a registered independent valuer.

The Company has determined that the highest and best use of the properties is their current use.

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11. Fair value measurement (cont'd.)

Valuation methods and assumptions for properties and investment properties (cont'd.)

Investment properties (cont'd.)

Reconciliation of Level 3 fair value measurement:

	Agriculture land	Shop office/ shop house	Total
	RM'000	RM'000	RM'000
At 1 January 2018	1,200	10,190	11,390
Fair value gain recognised in the income statement	-	(640)	(640)
At 31 December 2018 / 1 January 2019	1,200	9,550	10,750
Transfer to non-current assets held for sale	(1,200)	(960)	(2,160)
At 30 June 2019	-	8,590	8,590

Description of valuation techniques used and key inputs to valuation of the properties are stated below:

Type of property	Valuation technique	Key inputs	Range (average)	
Agriculture land	Comparison method	Price per square foot	Land	RM2.03
Multi-storey shop office /shop house	Comparison/ cost method	Price per square foot	Land Building	RM3,313 RM67

Significant increases/(decreases) in unobservable inputs in isolation would result in a significantly higher/(lower) fair value of the properties.

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12. Insurance funds

The Company's activities are organised by fund and segregated into the Shareholders' and Life funds in accordance with the Financial Services Act, 2013. The condensed statement of financial position, income statement and statement of cash flows by fund are presented as follows:

Statements of financial position by fund
As at 30 June 2019

	Shareholders' fund		Life funds		Total	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property and equipment	41	21	42,498	45,709	42,539	45,730
Investment properties	-	-	8,590	10,750	8,590	10,750
Right-of-use assets	-	-	22,945	-	22,945	-
Intangible assets	-	-	8,476	9,447	8,476	9,447
Prepaid land lease payments	-	-	-	189	-	189
Investments*	245,844	242,794	4,261,519	4,122,271	4,498,676	4,356,979
Reinsurance assets	-	-	11,926	10,111	11,926	10,111
Insurance receivables	-	-	90,059	62,657	90,059	62,657
Other receivables*	68,598	85,436	61,030	72,509	62,958	74,351
Tax recoverable	(2,716)	(2,856)	3,825	3,388	1,109	532
Cash and bank balances	25,424	8,354	9,211	30,764	34,635	39,118
Non-current assets held for sale	-	-	3,718	318	3,718	318
Total assets	337,191	333,749	4,523,797	4,368,113	4,785,631	4,610,182
Total equity*	320,730	315,090	-	-	318,559	313,376
Liabilities						
Insurance contract liabilities*	-	-	4,173,743	4,031,170	4,167,912	4,025,339
Deferred tax liabilities*	19,707	18,343	13,053	1,741	32,075	19,543
Lease liabilities	-	-	18,651	-	18,651	-
Insurance payables	-	-	149,859	134,550	149,859	134,550
Other payables*	(3,246)	316	168,491	200,652	98,575	117,374
Total liabilities	16,461	18,659	4,523,797	4,368,113	4,467,072	4,296,806
Total equity and liabilities	337,191	333,749	4,523,797	4,368,113	4,785,631	4,610,182

* Included here in are inter-fund transactions and balances which are eliminated in presenting the Company's total results.

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12. Insurance funds (cont'd.)

Income statement by fund

For the six-month period ended 30 June 2019

	Shareholders' Fund		Life Funds		Total	
	01.01.2019 to 30.06.2019 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2019 to 30.06.2019 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2019 to 30.06.2019 RM'000	01.01.2018 to 30.06.2018 RM'000
Gross earned premiums	-	-	303,312	283,324	303,312	283,324
Premiums ceded to reinsurers	-	-	(25,193)	(18,755)	(25,193)	(18,755)
Net earned premiums	-	-	278,119	264,569	278,119	264,569
Investment income	5,594	5,458	94,002	91,804	99,596	97,262
Realised gains/(losses)	794	19	3,538	(5,370)	4,332	(5,351)
Fair value gains/(losses)*	7,623	(5,258)	174,662	(71,350)	181,684	(76,304)
Fee and commission income	-	-	-	422	-	422
Other operating revenue	-	-	350	16,960	350	16,960
Other revenue	14,011	219	272,552	32,466	285,962	32,989
Gross benefits and claims paid	-	-	(325,867)	(269,993)	(325,867)	(269,993)
Claims ceded to reinsurers	-	-	18,892	10,723	18,892	10,723
Gross change in contract liabilities	-	-	(142,573)	39,349	(142,573)	39,349
Change in contract liabilities ceded to reinsurers	-	-	1,815	598	1,815	598
Net benefits and claims	-	-	(447,733)	(219,323)	(447,733)	(219,323)
Fee and commission expenses	(651)	-	(40,758)	(40,644)	(41,409)	(40,644)
Other operating expenses	(53)	(120)	(1,988)	(1,739)	(2,041)	(1,859)
Management expenses	(3,522)	(953)	(44,353)	(37,074)	(47,875)	(38,027)
Interest expense	-	-	(492)	-	(492)	-
Taxation of life insurance business	-	-	(17,523)	(1,160)	(17,523)	(1,160)
Other expenses	(4,226)	(1,073)	(105,114)	(80,617)	(109,340)	(81,690)
Profit/(Loss) from operations	9,785	(854)	(2,176)	(2,905)	7,008	(3,455)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	(2,176)	(2,905)	2,176	2,905	-	-
Profit/(Loss) before taxation	7,609	(3,759)	-	-	7,008	(3,455)
Taxation*	(1,969)	1,519	-	-	(1,825)	1,446
Net profit/(loss) for the period	5,640	(2,240)	-	-	5,183	(2,009)

* Included herein are inter-fund transactions which are eliminated in presenting the Company's total results.

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12. Insurance funds (cont'd.)

Statements of cash flows by fund
For the six-month period ended 30 June 2019

	Shareholders' Fund		Life Funds		Total	
	01.01.2019 to 30.06.2019 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2019 to 30.06.2019 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2019 to 30.06.2019 RM'000	01.01.2018 to 30.06.2018 RM'000
Cash flows from:						
Operating activities	6,751	(28,214)	231,291	8,468	238,042	(19,746)
Investing activities	75	261	(3,636)	(601)	(3,561)	(340)
Financing activities	-	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	6,826	(27,953)	227,655	7,867	234,481	(20,086)
At beginning of period	27,658	46,699	137,372	86,115	165,030	132,814
At end of period	34,484	18,746	365,027	93,982	399,511	112,728
Cash and cash equivalents comprise of:						
Cash and bank balances	25,424	15,145	9,211	17,583	34,635	32,728
Less: Cash restricted in use	(8,187)	(8,175)	-	-	(8,187)	(8,175)
	17,237	6,970	9,211	17,583	26,448	24,553
Short term deposits with original maturity periods of less than 3 months	17,247	11,776	355,816	76,399	373,063	88,175
	34,484	18,746	365,027	93,982	399,511	112,728

13. Seasonal or cyclical factors

The operations of the Company were not materially affected by any seasonal or cyclical fluctuations during the interim financial period.

14. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 30 June 2019.

15. Change in estimates

There were no changes in the basis used for accounting estimates in respect of amounts reported in prior financial periods that would have a material effect on the unaudited condensed interim financial statements.

16. Issues, repurchases, and repayments of debts and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the interim financial period.

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17. Significant event during the period

During the current financial period ended 30 June 2019, the Company entered into Sale and Purchase Agreements for disposal of a land and five properties. Except for a land and a property as disclosed in Note 18, the disposals of the remaining four properties have yet to be completed as at the date of this report.

18. Material events subsequent to the end of the period

- (i) In respect of financial year ended 31 December 2018, a final single tier dividend of 16.85 sen per ordinary share on 100,284,071 totalling RM16.9 million was paid on 4 July 2019. The dividend will be accounted for in the shareholder's equity as an appropriation of retained profits in the second half of financial year ended 31 December 2019.
- (ii) The Company completed the disposals of a land and a property for a total cash consideration of RM2.0 million, recognising losses thereon of RM175,000. The losses will be accounted for in the second half of the financial year ended 31 December 2019.

19. Contingent liabilities

On 1 December 2014, Fairfax Financial Holdings Limited through its wholly-owned subsidiary, The Pacific Insurance Berhad ("Pacific Insurance"), entered into a business transfer agreement with the Company and Koperasi MCIS Berhad to acquire the general insurance business of the Company. The transfer of GI business was completed on 1 March 2015.

Under the terms of business transfer agreement, in the event that the cumulative claims amounts paid by Pacific Insurance over a 5-period period in relation to loss events that occurred prior to the transfer date (i.e. 1 March 2015) in respect of policies transferred exceeds the net claims liability reserves of the GI business transferred to Pacific Insurance ("the Excess"), the placement monies will be used to indemnify Pacific Insurance on the Excess. Should the placement monies of RM8.2 million (31.12.2018: RM8.3 million) as disclosed in statement of cash flows (i.e. "cash restricted in use") be insufficient to pay the Excess, the Company shall pay Pacific Insurance the Excess over and above the placement monies amount provided always that the total indemnity for the Excess shall not exceed RM16.3 million. As at 30 June 2019, the cumulative claims amounts in relation to loss events that occurred prior to the transfer date were within the net claims liability reserves transferred, hence no provision is necessary.

Except for the above, there were no other contingent liabilities as at the date of this report.

20. Effect of changes in composition of the Company

There were no changes in the composition of the Company during the interim period.