



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

Unaudited Condensed Interim Financial Statements
For the six-month period ended 30 June 2018

435318-U

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

Contents	Pages
Unaudited condensed statement of financial position	1
Unaudited condensed income statement	2
Unaudited condensed statement of comprehensive income	3
Unaudited condensed statement of changes in equity	4
Unaudited condensed statement of cash flows	5 - 6
Notes to the unaudited condensed interim financial statements	7- 28

435318-U

MCIS Insurance Berhad
(Incorporated in Malaysia)

Unaudited condensed statement of financial position
As at 30 June 2018

	Note	30.06.2018 RM'000	31.12.2017 RM'000
Assets			
Property and equipment		40,508	41,517
Investment properties		11,390	11,390
Intangible assets		10,755	11,510
Prepaid land lease payments		195	201
Investments	3	4,201,463	4,284,554
Reinsurance assets	4	10,233	9,636
Insurance receivables		68,293	78,963
Other receivables		177,580	59,421
Tax recoverable		1,084	2,922
Cash and bank balances		32,728	18,628
		<u>4,554,229</u>	<u>4,518,742</u>
Non-current assets held for sale		-	105,255
Total assets		<u>4,554,229</u>	<u>4,623,997</u>
Equity			
Share capital and premium		125,024	125,024
Retained profits		120,053	119,060
Merger reserves		40,672	40,672
Available-for-sale reserves		-	9,212
Revaluation reserves		4,421	3,422
		<u>290,170</u>	<u>297,390</u>
Revaluation reserves associated with non-current assets held for sale		-	4,160
Total equity		<u>290,170</u>	<u>301,550</u>
Liabilities			
Insurance contract liabilities	5	4,031,638	4,056,010
Deferred tax liabilities		14,126	25,335
Insurance payables		130,716	144,383
Other payables		87,579	96,719
Total liabilities		<u>4,264,059</u>	<u>4,322,447</u>
Total equity and liabilities		<u>4,554,229</u>	<u>4,623,997</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 2017 and the accompanying explanatory notes on pages 7 to 28 attached to the unaudited condensed interim financial statements.

435318-U

MCIS Insurance Berhad
(Incorporated in Malaysia)

Unaudited condensed income statement
For the six-month period ended 30 June 2018

	01.01.2018	01.01.2017
	to	to
Note	30.06.2018	30.06.2017
	RM'000	RM'000
Gross earned premiums	283,324	289,294
Premiums ceded to reinsurers	(18,755)	(9,319)
Net earned premiums	<u>264,569</u>	<u>279,975</u>
Investment income	97,262	96,165
Realised gains and losses	(5,351)	(820)
Fair value gains and losses	(76,304)	5,801
Fee and commission income	422	-
Other operating revenue	15,101	296
Other revenue	<u>31,130</u>	<u>101,442</u>
Gross benefits and claims paid	(269,993)	(242,114)
Claims ceded to reinsurers	10,723	8,454
Gross change in insurance contract liabilities	39,349	(55,294)
Change in insurance contract liabilities ceded to reinsurers	598	(415)
Net benefits and claims	<u>(219,323)</u>	<u>(289,369)</u>
Fee and commission expenses	(40,644)	(42,030)
Management expenses	(38,027)	(40,570)
Taxation of life insurance business	(1,160)	(6,584)
Other expenses	<u>(79,831)</u>	<u>(89,184)</u>
(Loss)/Profit before taxation	(3,455)	2,864
Taxation	1,446	(768)
Net (loss)/profit for the period	<u>(2,009)</u>	<u>2,096</u>
Earnings per share (sen)		
Basic and diluted	6 <u>(2.00)</u>	<u>2.09</u>

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435318-U

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

**Unaudited condensed statement of comprehensive income
For the six-month period ended 30 June 2018**

	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
Net (loss)/profit for the period	(2,009)	2,096
Other comprehensive income:		
Items to be reclassified to the income statement in subsequent periods:		
Available-for-sale ("AFS") reserves:		
Gain on fair value changes of AFS investments	-	7,049
Realised gains transferred to the income statement	-	(535)
Impairment loss reclassified to the income statement	-	19
Deferred tax effects on AFS reserves	-	(1,568)
Other comprehensive income for the period, net of tax	-	4,965
Total comprehensive (loss)/income for the period	<u>(2,009)</u>	<u>7,061</u>

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MCIS Insurance Berhad
(Incorporated in Malaysia)

Unaudited condensed statement of changes in equity
For the six-month period ended 30 June 2018

	----- Non-distributable -----						Distributable			Total equity RM'000		
	Share capital RM'000	Share premium 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	Available-for-sale reserves of non-participating funds RM'000	Available-for-sale reserves of shareholders' fund RM'000	Sub-total RM'000	Unallocated surplus of non-participating funds RM'000		Retained profits of shareholders' fund RM'000	Sub-total RM'000
At 1 January 2017	100,284	24,740	40,672	6,905	-	(3,238)	9,859	6,621	33,740	87,136	120,876	300,098
Net (loss)/profit for the period	-	-	-	-	-	-	-	-	(1,043)	3,139	2,096	2,096
Other comprehensive income	-	-	-	-	-	3,205	1,760	4,965	-	-	-	4,965
Total comprehensive income/(loss) for the period	-	-	-	-	-	3,205	1,760	4,965	(1,043)	3,139	2,096	7,061
Dividends payable during the period	-	-	-	-	-	-	-	-	-	(17,500)	(17,500)	(17,500)
Transfer in accordance with Section 618(2) of Companies Act, 2016	24,740	(24,740)	-	-	-	-	-	-	-	-	-	-
At 30 June 2017	125,024	-	40,672	6,905	-	(33)	11,619	11,586	32,697	72,775	105,472	289,659
At 1 January 2018 (As previously stated)	125,024	-	40,672	3,422	4,160	32	9,180	9,212	41,593	77,467	119,060	301,550
Adjustments upon initial application of MFRS 9	-	-	-	-	-	(32)	(9,180)	(9,212)	(2,339)	9,180	6,841	(2,371)
At 1 January 2018 (As restated)	125,024	-	40,672	3,422	4,160	-	-	-	39,254	86,647	125,901	299,179
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	125,024	-	40,672	4,421	-	-	-	-	40,207	79,846	120,053	290,170

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 2017 and the accompanying explanatory notes on pages 7 to 28 attached to the unaudited condensed interim financial statements.

MCIS Insurance Berhad
(Incorporated in Malaysia)

Unaudited condensed statement of cash flows
For the six-month period ended 30 June 2018

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
(Loss)/Profit before taxation	(3,455)	2,864
<i>Adjustments for:</i>		
Taxation of life insurance business	1,160	6,584
Investment income	(97,262)	(96,165)
Realised losses recorded in the income statement	5,352	820
Fair value losses/(gains) recorded in the income statement	76,304	(5,801)
Purchases of financial assets measured at fair value through profit or loss ("FVTPL")	(347,615)	(16,393)
Purchases of AFS financial assets	-	(704,717)
Proceeds from sale of financial assets measured at FVTPL	316,679	11,997
Proceeds from sale of AFS financial assets	-	612,778
Decrease/(Increase) in loans and receivables	6,693	(6,210)
Investment income received	94,176	97,366
Gain on disposal of properties	(14,541)	-
Depreciation of property and equipment	1,399	2,255
Amortisation of intangible assets	966	854
Amortisation of prepaid land lease payments	6	6
Net amortisation of investments	1,435	1,685
Impairment loss/(write back) on:		
- AFS investments	-	19
- loans and receivables	-	(50)
Changes in working capital:		
(Increase)/Decrease in assets:		
Reinsurance assets	(597)	415
Insurance receivables	8,299	(7,314)
Other receivables	(649)	8,471
(Decrease)/Increase in liabilities:		
Insurance contract liabilities	(33,751)	94,630
Insurance payables	(13,667)	(2,600)
Other payables	(16,145)	(43,244)
Cash used in operating activities	<u>(15,213)</u>	<u>(41,750)</u>
Income tax paid	<u>(4,533)</u>	<u>(2,225)</u>
Net cash flows used in operating activities	<u>(19,746)</u>	<u>(43,975)</u>

MCIS Insurance Berhad
(Incorporated in Malaysia)

Unaudited condensed statement of cash flows
For the six-month period ended 30 June 2018 (cont'd.)

	01.01.2018	01.01.2017
	to	to
	30.06.2018	30.06.2017
	RM'000	RM'000
Investing activities		
Placement monies and interest thereof in relation to the proceeds from disposal of general insurance business*	261	(83)
Purchase of property and equipment	(390)	(2,967)
Purchase of intangible assets	(211)	-
Net cash flows from investing activities	<u>(340)</u>	<u>(3,050)</u>
Financing activity		
Dividends paid	-	-
Net cash flows from financing activity	<u>-</u>	<u>-</u>
Cash and cash equivalents		
Net decrease in cash and cash equivalents	(20,086)	(47,025)
Cash and cash equivalents at beginning of period	132,814	243,674
Cash and cash equivalents at end of period	<u>112,728</u>	<u>196,649</u>
Cash and cash equivalents comprise of:		
Cash and bank balances	32,728	47,810
Less: Cash restricted in use*	<u>(8,175)</u>	<u>(8,357)</u>
	24,553	39,453
Short term deposits with original maturity periods of less than 3 months	<u>88,175</u>	<u>157,196</u>
	<u>112,728</u>	<u>196,649</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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MCIS Insurance Berhad
(Incorporated in Malaysia)

Notes to the unaudited condensed interim financial statements
For the six-month period ended 30 June 2018

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 2017.

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 2017, except as follows:

On 1 January 2018, the Company adopted the following MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018:	
(i)	Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014-2016 Cycle
(ii)	Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
(iii)	Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>
(iv)	Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>

MCIS Insurance Berhad
(Incorporated in Malaysia)

2. Accounting policies (cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018: (cont'd.)

- (v) Amendments to MFRS 140 *Transfers of Investment Property*
- (vi) IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- (vii) MFRS 9 *Financial Instruments*
- (viii) MFRS 15 *Revenue from Contracts with Customers*

Items (ii), (vi), (viii) 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 9: *Financial Instruments*

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(a) Classification and measurement

Under MFRS 9, the Company continues to measure all of its investments in debt and quoted equity securities as well as unit and property trust funds at fair value, which were also measured at fair value under MFRS 139. These investments, which were classified as AFS under MFRS 139, have been classified as FVPTL under MFRS 9. Unquoted equity securities, which were measured at cost under MFRS 139, are measured at FVTPL under

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Loans and receivables under MFRS 139 (other than deposits with financial institutions) are classified as financial assets measured at amortised cost under MFRS 9. Deposits with financial institutions are now classified as financial assets measured at FVTPL under MFRS 9, so as to align with the group accounting policy of the holding company.

MCIS Insurance Berhad
(Incorporated in Malaysia)

2. Accounting policies (cont'd.)

MFRS 9: *Financial Instruments* (cont'd.)

(b) Impairment

MFRS 9 requires the Company to record expected credit losses on its loans and receivables either on a 12-month or lifetime basis. The Company applies the simplified approach and record lifetime expected losses on all receivables. The Company has determined that, due to the unsecured nature of its loans and receivables, the loss allowance increases by RM2,371,000.

(c) Hedge accounting

As the Company does not have derivatives financial assets, the application of the hedging accounting requirements of MFRS 9 is not applicable to the Company.

Transition upon the adoption of MFRS 9

The Company applies the exemption of not restating comparative information for prior periods in respect of classification and measurement (including impairment) changes. The differences in the carrying amounts of financial assets resulting from the adoption of MFRS 9 are recognised in retained earnings as at 1 January 2018.

The impact of MFRS 9 adoption as at 1 January 2018 is as follows:

	As reported under MFRS 139 RM'000	MFRS 9 Adjustments RM'000	As restated under MFRS 9 RM'000
Assets			
Investments			
AFS	3,708,055	(3,708,055)	-
FVTPL	147,552	3,841,951	3,989,503
LAR	428,947	(428,947)	-
Financial assets measured at amortised costs		305,424	305,424
Insurance receivables	78,963	(2,371)	76,592
Equity			
Retained profits	119,060	6,841	125,901
Available-for-sale reserves	9,212	(9,212)	-
Liabilities			
Insurance contract liabilities	4,056,010	9,548	4,065,558
Deferred tax liability	25,335	825	26,160

MCIS Insurance Berhad
(Incorporated in Malaysia)

3. Investments

	30.06.2018	31.12.2017
	RM'000	RM'000
Malaysian government securities	1,181,975	1,282,593
Government investment issues	134,859	144,608
Malaysian government guaranteed bonds	662,550	646,114
Unquoted debts securities	1,212,470	1,134,372
Quoted equity securities	392,983	465,019
Quoted exchange traded funds	37,506	33,542
Unquoted equity securities	12,290	2,086
Quoted unit and property trust funds	147,716	119,977
Unquoted unit funds	31,308	27,296
Deposits with financial institutions	89,051	123,523
Loans receivable	298,755	305,424
	<u>4,201,463</u>	<u>4,284,554</u>

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

Financial assets measured at FVTPL	3,902,708	147,552
Financial assets measured at amortised costs	298,755	-
Loans and receivables	-	428,947
Available-for-sale	-	3,708,055
	<u>4,201,463</u>	<u>4,284,554</u>

(a) Financial assets measured at FVTPL

Malaysian Government securities	1,181,975	8,542
Government investment issues	134,859	3,179
Malaysian Government guaranteed bonds	662,550	-
Unquoted debt securities	1,212,470	17,988
Quoted equity securities	392,983	52,387
Quoted exchange traded funds	37,506	33,542
Unquoted equity securities	12,290	-
Quoted unit and property trust funds	147,716	4,618
Unquoted unit trust funds	31,308	27,296
Deposits with financial institutions	89,051	-
	<u>3,902,708</u>	<u>147,552</u>

Included in deposits with financial institutions of the Company are short term deposits with original maturity periods of less than 3 months amounting to RM88,175,000 (31.12.2017: RM122,622,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

MCIS Insurance Berhad
(Incorporated in Malaysia)

3. Investments (cont'd.)

	30.06.2018	31.12.2017
	RM'000	RM'000
(b) Financial assets measured at amortised cost		
Loans receivable:		
Policy loans	297,036	-
Mortgage loans	5,724	-
Other loans	451	-
	303,211	-
Loss allowances	(4,456)	-
	<u>298,755</u>	<u>-</u>
	<u>4,201,463</u>	<u>147,552</u>
(c) Loans and receivables		
At amortised cost:		
Deposits with financial institutions	-	<u>123,523</u>
Loans receivable:		
Policy loans	-	303,771
Mortgage loans	-	5,833
Other loans	-	465
	-	310,069
Accumulated impairment loss	-	(4,645)
	<u>-</u>	<u>305,424</u>
	<u>-</u>	<u>428,947</u>

The carrying value of the policy loans, term loan 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 2018 and 31 December 2017.

MCIS Insurance Berhad
(Incorporated in Malaysia)

3. Investments (cont'd.)

(d) Available-for-sale

At fair value:

Malaysian government securities	-	1,274,051
Government investment issues	-	141,429
Malaysian government guaranteed bonds	-	646,114
Unquoted debt securities	-	1,116,384
Quoted equity securities	-	412,632
Quoted unit and property trust funds	-	115,359
		<hr/>
	-	3,705,969

At cost less impairment:

Unquoted equity securities (net of impairment loss of RM61,000)	-	2,086
		<hr/>
	-	3,708,055
		<hr/>

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

	30.06.2018	31.12.2017
	RM'000	RM'000
Reinsurance of insurance contracts (Note 5(i))	10,233	9,636
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	10,233	9,636
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435318-U

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

5. Insurance contract liabilities

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

(i) Life insurance contract liabilities

	←----- 30.06.2018 ----->			←----- 31.12.2017 ----->		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	(Note 4) RM'000	RM'000	RM'000	(Note 4) RM'000	RM'000
Provision for benefits and claims	119,160	(990)	118,170	111,394	(440)	110,954
Actuarial liabilities - Participating fund	3,146,885	(832)	3,146,053	3,110,580	(1,546)	3,109,034
Actuarial liabilities - Non participating fund	312,763	(8,411)	304,352	302,672	(7,650)	295,022
	3,459,648	(9,243)	3,450,405	3,413,252	(9,196)	3,404,056
Participating fund unallocated surplus	270,980	-	270,980	282,701	-	282,701
Participating fund AFS reserves	-	-	-	6,423	-	6,423
Participating fund asset revaluation reserves	21,220	-	21,220	83,002	-	83,002
Net asset value ("NAV") attributable to unitholders	160,630	-	160,630	159,238	-	159,238
	4,031,638	(10,233)	4,021,405	4,056,010	(9,636)	4,046,374

MCIS Insurance Berhad
(Incorporated in Malaysia)

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 AFS reserves 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 2018										
As at 1 January 2018 (As previously stated)	111,394	3,413,252	282,701	-	6,423	83,002	159,238	4,056,010	(9,636)	4,046,374
Adjustments upon initial application of MFRS 9	-	-	15,971	-	(6,423)	-	-	9,548	-	9,548
As at 1 January 2018 (As restated)	111,394	3,413,252	298,672	-	-	83,002	159,238	4,065,558	(9,636)	4,055,922
Net earned premiums	-	-	170,726	75,591	-	-	18,252	264,569	-	264,569
Other revenue	-	-	31,008	5,329	-	-	(5,610)	30,727	-	30,727
Net benefits and claims	7,766	-	(212,328)	(42,478)	-	-	(11,681)	(258,721)	(549)	(259,270)
Other expenses	-	-	(45,869)	(31,827)	-	-	(22)	(77,718)	-	(77,718)
Policy movement	-	3,067	8,601	(11,668)	-	-	-	-	-	-
Other movement	-	-	6	52	-	-	-	58	-	58
Interest rate	-	21,083	(25,632)	4,549	-	-	-	-	-	-
Adjustments due to changes in assumptions:										
- Model change	-	19,988	(19,988)	-	-	-	-	-	-	-
- Others	-	2,258	1	(2,211)	-	-	-	48	(48)	-
Realisation of revaluation reserves	-	-	67,154	-	-	(67,154)	-	-	-	-
Taxation on asset revaluation reserves	-	-	-	-	-	5,372	-	5,372	-	5,372
Taxation on taxable investment income	-	-	(1,371)	(242)	-	-	453	(1,160)	-	(1,160)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	-	-	-	2,905	-	-	-	2,905	-	2,905
As at 30 June 2018	119,160	3,459,648	270,980	-	-	21,220	160,630	4,031,638	(10,233)	4,021,405

MCIS Insurance Berhad
(Incorporated in Malaysia)

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 AFS reserves 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 2017										
As at 1 January 2017	102,950	3,266,806	355,163	-	(30,405)	79,500	137,935	3,911,949	(10,015)	3,901,934
Net earned premiums	-	-	376,608	125,907	-	-	36,088	538,603	-	538,603
Other revenue	-	-	165,563	18,229	-	-	10,336	194,128	-	194,128
Net benefits and claims	8,444	-	(387,916)	(81,063)	-	-	(24,256)	(484,791)	1,590	(483,201)
Other expenses	-	-	(108,142)	(57,353)	-	-	(41)	(165,536)	-	(165,536)
Policy movements	-	44,397	(50,457)	6,060	-	-	-	-	-	-
Other movements	-	-	39,333	-	-	-	-	39,333	-	39,333
Interest rate	-	(38,879)	41,541	(2,662)	-	-	-	-	-	-
Adjustments due to changes in assumptions:										
- Model change	-	161,429	(160,538)	(891)	-	-	-	-	-	-
- Others	-	(20,501)	31,900	(10,188)	-	-	-	1,211	(1,211)	-
Changes in AFS reserves	-	-	-	-	39,267	-	-	39,267	-	39,267
Taxation on AFS reserves	-	-	-	-	(2,439)	-	-	(2,439)	-	(2,439)
Changes in asset revaluation reserves	-	-	-	-	-	3,806	-	3,806	-	3,806
Taxation on asset revaluation reserves	-	-	-	-	-	(304)	-	(304)	-	(304)
Taxation on taxable investment income	-	-	(5,186)	(1,137)	-	-	(824)	(7,147)	-	(7,147)
Participating fund surplus transferred to non-participating funds	-	-	(15,168)	15,168	-	-	-	-	-	-
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	-	-	-	(12,070)	-	-	-	(12,070)	-	(12,070)
As at 31 December 2017	111,394	3,413,252	282,701	-	6,423	83,002	159,238	4,056,010	(9,636)	4,046,374

MCIS Insurance Berhad
(Incorporated in Malaysia)

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.

	01.01.2018 to 30.06.2018	01.01.2017 to 30.06.2017
(Loss)/Profit attributable to ordinary equity holders (RM'000)	(2,009)	2,096
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings per share (sen)	<u>(2.00)</u>	<u>2.09</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 RM'000	Dividend per share sen
Dividend approved during year 2018 in respect of the financial year ended 31 December 2017		
Final single tier dividend payable on 4 July 2018	<u>7,000</u>	<u>6.98</u>
Dividend paid in respect of the financial year ended 31 December 2016		
Final single tier dividend paid on 3 July 2017	<u>17,500</u>	<u>17.45</u>

8. Capital commitments

	30.06.2018 RM'000	31.12.2017 RM'000
Approved and contracted for:		
Property and equipment	13	-
Intangible assets	<u>7,235</u>	<u>2,291</u>
	<u>7,248</u>	<u>2,291</u>
Approved but not contracted for:		
Property and equipment	7,384	7,629
Intangible assets	<u>7,972</u>	<u>13,258</u>
	<u>15,356</u>	<u>20,887</u>

MCIS Insurance Berhad
(Incorporated in Malaysia)

9. Significant related party disclosures

The related parties and their relationship with the Company as at 30 June 2018 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.

	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
Transactions with related parties:		
(i) Disposal of properties		
Koperasi MCIS Berhad	<u>123,500</u>	<u>-</u>
(ii) Rental income received from:		
Koperasi MCIS Berhad	<u>171</u>	<u>196</u>
(iii) Rental expenses payable to:		
Koperasi MCIS Berhad	<u>(108)</u>	<u>-</u>
(iv) Directors' allowances to:		
SEM	<u>(128)</u>	<u>(121)</u>
(v) Healthcare claim analysis and intervention expenses:		
Medscheme International Limited	<u>(102)</u>	<u>-</u>
(vi) Sponsor for corporate social responsibility activities:		
Koperasi MCIS Berhad	<u>(20)</u>	<u>-</u>
(vii) Market research expenses reimbursable from:		
Sanlam Life	<u>-</u>	<u>312</u>
(viii) Reimbursable costs to:		
SEM	<u>-</u>	<u>(47)</u>

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

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

	30.06.2018	31.12.2017
	RM'000	RM'000
Transactions with related parties: (cont'd.)		
(ix) Premium for insurance cover paid to:		
Pacific & Orient Insurance Co. Berhad	(43)	-
Balances with related parties:		
(i) Rental expenses payable to:		
Koperasi MCIS Berhad	(108)	-
(ii) Directors' allowances payable to:		
SEM	-	17
(iii) Reimbursable costs to:		
Sanlam Life	-	423

10. Regulatory capital requirement

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

	30.06.2018	31.12.2017
	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	125,024	125,024
Reserves, including retained earnings	1,004,911	978,399
	<u>1,129,935</u>	<u>1,103,423</u>
<u>Tier 2 Capital</u>		
Eligible reserves	26,571	98,640
Deductions	(24,442)	(20,472)
Total capital available	<u>1,132,064</u>	<u>1,181,591</u>

MCIS Insurance Berhad
(Incorporated in Malaysia)

11. Fair value measurement

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

	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	October/November 2017	-	-	11,390	11,390
Financial assets at FVTPL:					
Malaysian Government securities	30 June 2018	-	1,181,975	-	1,181,975
Government investment issues	30 June 2018	-	134,859	-	134,859
Malaysian government guaranteed bonds	30 June 2018	-	662,550	-	662,550
Unquoted debt securities	30 June 2018	-	1,212,470	-	1,212,470
Quoted equity securities	30 June 2018	392,983	-	-	392,983
Quoted exchange traded funds	30 June 2018	37,506	-	-	37,506
Unquoted equity securities	30 June 2018	-	-	12,290	12,290
Quoted unit and property trust funds	30 June 2018	147,716	-	-	147,716
Unquoted unit trust funds	30 June 2018	-	31,308	-	31,308
Deposits with financial institutions	30 June 2018	89,051	-	-	89,051
		667,256	3,223,162	12,290	3,902,708
Revalued property and equipment	October/November 2017	-	-	29,188	29,188
		667,256	3,223,162	52,868	3,943,286

MCIS Insurance Berhad
(Incorporated in Malaysia)

11. Fair value measurement (cont'd.)

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

	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	
31 December 2017					
Assets measured at fair value:					
Investment properties	October/November 2017	-	-	11,390	11,390
AFS financial assets:					
Malaysian government securities	31 December 2017	-	1,274,051	-	1,274,051
Government investment issues	31 December 2017	-	141,429	-	141,429
Malaysian government guaranteed bonds	31 December 2017	-	646,114	-	646,114
Unquoted debt securities	31 December 2017	-	1,116,384	-	1,116,384
Quoted equity securities	31 December 2017	412,632	-	-	412,632
Quoted unit and property trust funds	31 December 2017	115,359	-	-	115,359
		527,991	3,177,978	-	3,705,969
Financial assets designated at FVTPL:					
Malaysian government securities	31 December 2017	-	8,542	-	8,542
Government investment issues	31 December 2017	-	3,179	-	3,179
Unquoted debt securities	31 December 2017	-	17,988	-	17,988
Quoted equity securities	31 December 2017	52,387	-	-	52,387
Quoted exchange traded funds	31 December 2017	33,542	-	-	33,542
Quoted unit and property trust funds	31 December 2017	4,618	-	-	4,618
Unquoted unit funds	31 December 2017	-	27,296	-	27,296
		90,547	57,005	-	147,552
Revalued property and equipment	October/November 2017	-	-	29,440	29,440
		618,538	3,234,983	40,830	3,894,351

MCIS Insurance Berhad
(Incorporated in Malaysia)

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 asset 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 2018 and 31 December 2017.

MCIS Insurance Berhad
(Incorporated in Malaysia)

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 2017	282	20,958	75,686	96,926
Revaluation surplus	57	3,660	980	4,697
Transfer to non-current assets held for sale	-	-	(69,815)	(69,815)
Depreciation recognised in profit or loss under management expenses	(9)	(300)	(2,059)	(2,368)
At 31 December 2017 / 1 January 2018	330	24,318	4,792	29,440
Depreciation recognised in profit or loss under management expenses	(6)	(204)	(42)	(252)
At 30 June 2018	324	24,114	4,750	29,188

MCIS Insurance Berhad
(Incorporated in Malaysia)

11. Fair value measurement (cont'd.)

Valuation methods and assumptions for properties and investment properties

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	RM2,601
			Building	RM123
7 ½-storey office building	Cost method	Price per square foot	Land	RM380
			Building	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.

MCIS Insurance Berhad
(Incorporated in Malaysia)

11. Fair value measurement (cont'd.)

Valuation methods and assumptions for properties and investment properties

Investment properties (cont'd.)

Reconciliation of Level 3 fair value measurement:

	Agriculture land	Shop office/ shop house	Office building	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	1,200	12,108	30,667	43,975
Transfer to non-current assets held for sale	-	(2,960)	(30,667)	(33,627)
Fair value gain recognised in the income statement under fair value gains and losses	-	1,042	-	1,042
At 31 December 2017 / 1 January 2018 / 30 June 2018	<u>1,200</u>	<u>10,190</u>	<u>-</u>	<u>11,390</u>

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	RM3,376 RM67

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

MCIS Insurance Berhad
(Incorporated in Malaysia)

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 2018

	Shareholders' fund		Life funds		Total	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property and equipment	11	11	40,497	41,506	40,508	41,517
Investment properties	-	-	11,390	11,390	11,390	11,390
Intangible assets	-	-	10,755	11,510	10,755	11,510
Prepaid land lease payments	-	-	195	201	195	201
Investments*	237,328	245,923	3,972,300	4,047,100	4,201,463	4,284,554
Reinsurance assets	-	-	10,233	9,636	10,233	9,636
Insurance receivables	-	-	68,293	78,963	68,293	78,963
Other receivables*	61,622	66,410	175,509	57,513	177,580	59,421
Tax recoverable	(1,495)	(478)	2,579	3,400	1,084	2,922
Cash and bank balances	15,145	8,448	17,583	10,180	32,728	18,628
Non-current assets held for sale	-	-	-	105,255	-	105,255
Total assets	312,611	320,314	4,309,334	4,376,654	4,554,229	4,623,997
Total equity*	290,459	299,700	-	-	290,170	301,550
Liabilities						
Insurance contract liabilities*	-	-	4,039,423	4,063,794	4,031,638	4,056,010
Deferred tax liabilities*	15,686	18,229	(1,469)	7,270	14,126	25,335
Insurance payables	-	-	130,716	144,383	130,716	144,383
Other payables*	6,466	2,385	140,664	161,207	87,579	96,719
Total liabilities	22,152	20,614	4,309,334	4,376,654	4,264,059	4,322,447
Total equity and liabilities	312,611	320,314	4,309,334	4,376,654	4,554,229	4,623,997

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

MCIS Insurance Berhad
(Incorporated in Malaysia)

12. Insurance funds (cont'd.)

Income statement by fund

For the six-month period ended 30 June 2018

	Shareholders' Fund		Life Funds		Total	
	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
Gross earned premiums	-	-	283,324	289,294	283,324	289,294
Premiums ceded to reinsurers	-	-	(18,755)	(9,319)	(18,755)	(9,319)
Net earned premiums	-	-	264,569	279,975	264,569	279,975
Investment income	5,458	5,309	91,804	90,856	97,262	96,165
Realised gains and losses	19	364	(5,370)	(1,184)	(5,351)	(820)
Fair value gains and losses*	(5,258)	-	(71,350)	5,801	(76,304)	5,801
Fee and commission income	-	-	422	-	422	-
Other operating revenue / (expenses)	(120)	(30)	15,221	326	15,101	296
Other revenue	99	5,643	30,727	95,799	31,130	101,442
Gross benefits and claims paid	-	-	(269,993)	(242,114)	(269,993)	(242,114)
Claims ceded to reinsurers	-	-	10,723	8,454	10,723	8,454
Gross change in contract liabilities	-	-	39,349	(55,294)	39,349	(55,294)
Change in contract liabilities ceded to reinsurers	-	-	598	(415)	598	(415)
Net benefits and claims	-	-	(219,323)	(289,369)	(219,323)	(289,369)
Fee and commission expenses	-	-	(40,644)	(42,030)	(40,644)	(42,030)
Management expenses	(953)	(1,406)	(37,074)	(39,164)	(38,027)	(40,570)
Taxation of life insurance business	-	-	(1,160)	(6,584)	(1,160)	(6,584)
Other expenses	(953)	(1,406)	(78,878)	(87,778)	(79,831)	(89,184)
(Loss)/Profit from operations	(854)	4,237	(2,905)	(1,373)	(3,455)	2,864
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	(2,905)	(1,373)	2,905	1,373	-	-
(Loss)/Profit before taxation	(3,759)	2,864	-	-	(3,455)	2,864
Taxation*	1,519	(768)	-	-	1,446	(768)
Net (loss)/profit for the period	(2,240)	2,096	-	-	(2,009)	2,096

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

MCIS Insurance Berhad
(Incorporated in Malaysia)

12. Insurance funds (cont'd.)

Statements of cash flows by fund
For the six-month period ended 30 June 2018

	Shareholders' Fund		Life Funds		Total	
	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000	01.01.2018 to 30.06.2018 RM'000	01.01.2017 to 30.06.2017 RM'000
Cash flows from:						
Operating activities	(28,214)	3,802	8,468	(47,777)	(19,746)	(43,975)
Investing activities	261	(83)	(601)	(2,967)	(340)	(3,050)
Financing activities	-	-	-	-	-	-
Net (decrease)/increase in cash and cash equivalents	(27,953)	3,719	7,867	(50,744)	(20,086)	(47,025)
At beginning of period	46,699	49,779	86,115	193,895	132,814	243,674
At end of period	18,746	53,498	93,982	143,151	112,728	196,649
Cash and cash equivalents comprise of:						
Cash and bank balances	15,145	26,288	17,583	21,522	32,728	47,810
Less: Cash restricted in use	(8,175)	(8,357)	-	-	(8,175)	(8,357)
	6,970	17,931	17,583	21,522	24,553	39,453
Short term deposits with original maturity periods of less than 3 months	11,776	35,567	76,399	121,629	88,175	157,196
	18,746	53,498	93,982	143,151	112,728	196,649

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 other unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 30 June 2018.

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.

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

17. Significant event during the period

During the current financial period ended 30 June 2018, the Company:

- (i) completed the disposals of properties held for sale for a total cash consideration of RM127.2 million, recognising a gain thereon of RM14.5 million. Among the disposals, two properties were disposed of to a related party as disclosed in Note 9.
- (ii) entered into a tenancy agreement with a related party for office use, for a period of 3 years with an option to extend the agreement for another 3 years from the expiry of the first term.

18. Material events subsequent to the end of the period

There was no material event subsequent to the end of the interim reporting period that has not been reported in the unaudited condensed interim financial statements.

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 (31.12.2017: RM8.4 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 2018, 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.