



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

Unaudited Condensed Interim Financial Statements
For the six-month period ended 30 June 2016

435318-U

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

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Unaudited condensed statement of financial position
As at 30 June 2016

		As at	As at
		30.06.2016	31.12.2015
	Note	RM'000	RM'000
Assets			
Property and equipment		127,407	128,503
Investment properties		16,540	16,540
Intangible assets		11,070	11,952
Prepaid land lease payments		219	225
Investments	3	4,202,492	4,136,680
Reinsurance assets	4	9,569	8,471
Insurance receivables		74,533	56,558
Other receivables		48,168	49,227
Tax recoverable		6,307	-
Cash and bank balances		37,235	46,978
Total assets		4,533,540	4,455,134
Equity			
Share capital		100,284	100,284
Share premium		24,740	24,740
Retained profits		87,398	187,943
Merger reserves		40,672	40,672
Available-for-sale reserves		10,576	1,749
Revaluation reserves		6,905	6,905
Total equity		270,575	362,293
Liabilities			
Insurance contract liabilities	5	3,982,834	3,853,393
Deferred tax liabilities		18,729	13,572
Insurance payables		161,208	118,821
Provision for taxation		-	1,523
Other payables		100,194	105,532
Total liabilities		4,262,965	4,092,841
Total equity and liabilities		4,533,540	4,455,134

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 2015 and the accompanying explanatory notes on pages 8 to 27 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 2016

	01.01.2016	01.01.2015
	to	to
	30.06.2016	30.06.2015
	RM'000	RM'000
Continuing operations:		
Gross earned premiums	288,344	299,434
Earned premiums ceded to reinsurers	(5,144)	(3,380)
Net earned premiums	<u>283,200</u>	<u>296,054</u>
Investment income	93,863	93,681
Realised gains and losses	13,708	12,944
Fair value gains and losses	(3,241)	20
Other operating revenue	269	443
Other revenue	<u>104,599</u>	<u>107,088</u>
Gross benefits and claims paid	(280,918)	(249,027)
Claims ceded to reinsurers	3,213	1,742
Gross change in insurance contract liabilities	(29,937)	(62,596)
Change in insurance contract liabilities ceded to reinsurers	1,098	(341)
Net benefits and claims	<u>(306,544)</u>	<u>(310,222)</u>
Fee and commission expenses	(39,883)	(42,596)
Other operating expenses	(6,730)	(2,752)
Management expenses	(41,304)	(37,143)
Taxation of life insurance business	(6,077)	(6,454)
Other expenses	<u>(93,994)</u>	<u>(88,945)</u>
(Loss)/Profit before taxation from continuing operations	(12,739)	3,975
Taxation	2,194	(948)
Net (loss)/profit for the period from continuing operations	<u>(10,545)</u>	<u>3,027</u>

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Unaudited condensed income statement
For the six-month period ended 30 June 2016 (cont'd.)

		01.01.2016	01.01.2015
		to	to
		30.06.2016	30.06.2015
	Note	RM'000	RM'000
Discontinued operations:			
Net profit for the period from discontinued operations		-	2,169
Gain on disposal of general insurance business		-	35,681
Net profit for the period from discontinued operations		<u>-</u>	<u>37,850</u>
Net (loss)/profit for the period		<u>(10,545)</u>	<u>40,877</u>
Earnings per share (sen)			
Basic and diluted	6	<u>(10.52)</u>	<u>40.76</u>
Earnings per share from continuing operations (sen)			
Basic and diluted	6	<u>(10.52)</u>	<u>3.02</u>
Earnings per share from discontinued operations (sen)			
Basic and diluted	6	<u>-</u>	<u>37.74</u>

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MCIS Insurance Berhad
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Unaudited condensed statement of comprehensive income
For the six-month period ended 30 June 2016

	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000
Net (loss)/profit for the period	(10,545)	40,877
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	12,067	11,633
Realised (gain)/loss transferred to the income statement	(1,474)	468
Impairment loss reclassified to the income statement	1,022	106
Deferred tax effects on AFS reserves	(2,788)	(3,052)
Other comprehensive income for the period, net of tax	8,827	9,155
Comprising of:		
Continuing operations	8,827	5,897
Discontinued operations	-	3,258
	<u>8,827</u>	<u>9,155</u>
Total comprehensive (loss)/income for the period	<u>(1,718)</u>	<u>50,032</u>
Comprising of:		
Continuing operations	(1,718)	8,924
Discontinued operations	-	41,108
	<u>(1,718)</u>	<u>50,032</u>

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Unaudited condensed statement of changes in equity
For the six-month period ended 30 June 2016

Note	----- 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	Reserves of a disposal group held for sale RM'000	Available-for-sale reserves				Retained profits		
						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 2015	100,284	24,740	40,672	6,814	(3,258)	(5,597)	4,842	(755)	26,075	252,117	278,192	446,689
Net profit for the period	-	-	-	-	-	-	-	-	905	39,972	40,877	40,877
Other comprehensive income	-	-	-	-	-	3,475	5,680	9,155	-	-	-	9,155
Total comprehensive income for the period	-	-	-	-	-	3,475	5,680	9,155	905	39,972	40,877	50,032
Discontinued operations	-	-	-	-	3,258	-	(3,258)	(3,258)	-	-	-	-
Dividends paid during the period	-	-	-	-	-	-	-	-	-	(149,996)	(149,996)	(149,996)
At 30 June 2015	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>6,814</u>	<u>-</u>	<u>(2,122)</u>	<u>7,264</u>	<u>5,142</u>	<u>26,980</u>	<u>142,093</u>	<u>169,073</u>	<u>346,725</u>
At 1 January 2016	100,284	24,740	40,672	6,905	-	(5,966)	7,715	1,749	30,267	157,676	187,943	362,293
Net (loss)/profit for the period	-	-	-	-	-	-	-	-	(13,346)	2,801	(10,545)	(10,545)
Other comprehensive income	-	-	-	-	-	6,790	2,037	8,827	-	-	-	8,827
Total comprehensive income/(loss) for the period	-	-	-	-	-	6,790	2,037	8,827	(13,346)	2,801	(10,545)	(1,718)
Dividends paid during the period	-	-	-	-	-	-	-	-	-	(90,000)	(90,000)	(90,000)
At 30 June 2016	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>6,905</u>	<u>-</u>	<u>824</u>	<u>9,752</u>	<u>10,576</u>	<u>16,921</u>	<u>70,477</u>	<u>87,398</u>	<u>270,575</u>

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Unaudited condensed statement of cash flows
For the six-month period ended 30 June 2016

	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000
(Loss)/Profit before taxation:		
Continuing operations	(12,739)	3,975
Discontinued operations	-	36,603
	<u>(12,739)</u>	<u>40,578</u>
Taxation of life insurance business	6,077	6,454
Investment income	(93,863)	(98,765)
Realised gains recorded in the income statement	(13,708)	(10,802)
Purchases of FVTPL financial assets	(33,424)	(39,127)
Purchases of AFS investments	(1,996,247)	(2,276,418)
Proceeds from sale of AFS investments	2,315,525	2,592,051
Proceeds from sale of FVTPL financial assets	35,728	40,509
Decrease in LAR	4,976	8,524
Investment income received	95,748	95,676
Non-cash items:		
Gain on disposal of general insurance business	-	(35,681)
Depreciation of property and equipment	3,286	3,616
Amortisation of intangible assets	882	1,057
Amortisation of prepaid land lease payments	6	6
Net amortisation of investments	2,783	3,485
Impairment loss/(write back) on:		
- quoted equity securities	6,649	106
- loans receivable	65	(170)
Changes in working capital:		
(Increase)/Decrease in assets:		
Reinsurance assets	(1,098)	143,913
Insurance receivables	(17,975)	(5,748)
Other receivables	(826)	73,667
Increase/(Decrease) in liabilities:		
Insurance contract liabilities	33,179	(344,743)
Insurance payables	42,387	(16,839)
Other payables	(5,338)	(9,318)
Cash generated from operating activities	<u>372,073</u>	<u>172,031</u>
Income tax paid	<u>(16,211)</u>	<u>(18,167)</u>
Net cash flows from operating activities	<u>355,862</u>	<u>153,864</u>

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Unaudited condensed statement of cash flows
For the six-month period ended 30 June 2016 (cont'd.)

	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000
	Note	
Investing activities		
Proceeds from disposal of general insurance business	-	42,370
Placement monies in relation to the proceeds from disposal of general insurance business*	(83)	(8,204)
Proceeds from disposal of property and equipment	-	301
Proceeds from disposal of intangible assets	-	415
Purchase of property and equipment	(2,190)	(150)
Purchase of intangible assets	-	(489)
Net cash flows from investing activities	<u>(2,273)</u>	<u>34,243</u>
Financing activity		
Dividends paid	7	<u>(90,000)</u>
Net cash flows from financing activity		<u>(149,996)</u>
Cash and cash equivalents		
Net increase in cash and cash equivalents	263,589	38,111
Cash and cash equivalents at beginning of period	168,590	302,256
Cash and cash equivalents at end of period	<u>432,179</u>	<u>340,367</u>
Cash and cash equivalents comprise of:		
Cash and bank balances	37,235	22,354
Less: Cash restricted in use*	<u>(8,370)</u>	<u>(8,204)</u>
	28,865	14,150
Short term deposits with original maturity periods of less than 3 months	<u>403,314</u>	<u>326,217</u>
	<u>432,179</u>	<u>340,367</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 2016**

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 2015.

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. Significant accounting policies

2.1 Changes in 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 2015, except as follows:

On 1 January 2016, the Company adopted the following amendments to MFRSs and improvements to standards mandatory for annual financial periods beginning on or after 1 January 2016:

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2. Significant accounting policies (cont'd.)

2.1 Changes in accounting policies (cont'd.)

Amendments to MFRSs and improvements to standards mandatory effective for annual financial periods beginning on or after 1 January 2016:	
(i)	Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
(ii)	Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
(iii)	Amendments to MFRS 101: Disclosure Initiatives
(iv)	Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Method of Depreciation and Amortisation
(v)	Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
(vi)	Amendments to MFRS 127: Equity Method in Separate Financial Statements
(vii)	MFRS 14: Regulatory Deferral Accounts
(viii)	Annual Improvements to MFRSs 2012 – 2014 Cycle

The amendments for item (i), (ii), (v), (vi), (vii) are not applicable to the Company. The application of the amendments for item (iii), (iv) and (viii) has had no material impact on the disclosures or on the amounts recognised in the unaudited condensed interim financial statements.

2.2 Reclassification of comparative to conform with current period presentation

Certain liabilities were previously included as part of other payables in the statement of financial position of the Company. Since the end of the previous financial year, the Company decided to improve the presentation and better reflect the nature of the underlying balances by retrospectively reporting those liabilities under insurance payables in the statement of financial position.

The effect of the changes in presentation described above for the financial year ended 31 December 2015 are as follows:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Statement of financial position			
Insurance payables	75,822	42,999	118,821
Other payables	148,531	(42,999)	105,532

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3. Investments

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Malaysian government securities	1,685,627	1,540,950
Government investment issues	142,315	185,536
Malaysian government guaranteed bonds	547,412	598,839
Unquoted debts securities	670,126	921,396
Quoted equity securities	263,780	276,471
Quoted exchange traded funds	19,885	20,811
Unquoted equity securities	4,039	4,039
Quoted unit and property trust funds	120,472	109,912
Unquoted unit funds	28,634	26,899
Deposits with financial institutions	404,193	130,799
Loans receivable	316,009	321,028
	<u>4,202,492</u>	<u>4,136,680</u>

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

Loans and receivables ("LAR")	720,202	451,827
Available-for-sale ("AFS") financial assets	3,365,435	3,562,856
Designated upon initial recognition at fair value through profit or loss ("FVTPL")	116,855	121,997
	<u>4,202,492</u>	<u>4,136,680</u>

(a) LAR

At amortised cost:

Deposits with financial institutions	<u>404,193</u>	<u>130,799</u>
Loans receivable:		
Policy loans	309,577	313,095
Mortgage loans	6,699	7,104
Term loan to related party	3,000	4,000
Other loans	661	692
	319,937	324,891
Accumulated impairment loss	(3,928)	(3,863)
	<u>316,009</u>	<u>321,028</u>
	<u>720,202</u>	<u>451,827</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 RM403,314,000 (31.12.2015: RM129,899,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

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3. Investments (cont'd.)

(a) LAR (cont'd.)

The carrying value of the deposits with financial institutions approximates fair value due to the relatively short term maturities. 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 2016 and 31 December 2015.

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
(b) AFS		
At fair value:		
Malaysian government securities	1,674,302	1,531,771
Government investment issues	140,299	182,609
Malaysian government guaranteed bonds	547,412	598,839
Unquoted debt securities	660,345	908,260
Quoted equity securities	214,522	223,018
Quoted unit and property trust funds	117,132	106,818
Unquoted unit funds	7,384	7,502
	<u>3,361,396</u>	<u>3,558,817</u>
At cost less impairment:		
Unquoted equity securities (net of impairment loss of RM3,359,000 (31.12.2015 : RM3,359,000))	4,039	4,039
	<u>3,365,435</u>	<u>3,562,856</u>

(c) FVTPL

**Financial assets designated upon initial
recognition at FVTPL:**

Malaysian government securities	11,325	9,179
Government investment issues	2,016	2,927
Unquoted debt securities	9,781	13,136
Quoted equity securities	49,258	53,453
Quoted exchange trade funds	19,885	20,811
Quoted unit and property trust funds	3,340	3,094
Unquoted unit funds	21,250	19,397
	<u>116,855</u>	<u>121,997</u>

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3. Investments (cont'd.)

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.

For the Company's unquoted equity securities, fair value cannot be measured reliably. These financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment, less impairment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

4. Reinsurance assets

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Reinsurance of insurance contracts (Note 5(i))	<u>9,569</u>	<u>8,471</u>
	<u>9,569</u>	<u>8,471</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

	<----- 30.06.2016 ----->			<----- 31.12.2015 ----->		
	Gross RM'000	Reinsurance (Note 4) RM'000	Net RM'000	Gross RM'000	Reinsurance (Note 4) RM'000	Net RM'000
Provision for outstanding claims	70,519	(2,334)	68,185	73,188	(2,521)	70,667
Actuarial liabilities	3,250,744	(7,235)	3,243,509	3,194,000	(5,950)	3,188,050
Participating fund unallocated surplus	403,519	-	403,519	427,174	-	427,174
Participating fund AFS reserves	38,753	-	38,753	(60,751)	-	(60,751)
Participating fund asset revaluation reserves	78,013	-	78,013	78,013	-	78,013
Net asset value ("NAV") attributable to unitholders	141,286	-	141,286	141,769	-	141,769
	<u>3,982,834</u>	<u>(9,569)</u>	<u>3,973,265</u>	<u>3,853,393</u>	<u>(8,471)</u>	<u>3,844,922</u>

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5. Insurance contract liabilities (cont'd.)

(ii) Movements of life insurance contract liabilities

	Provision for outstanding claims	Actuarial liabilities	Participating fund unallocated surplus	Non Participating fund unallocated surplus	Participating fund AFS reserve	Participating fund asset revaluation reserve	NAV attributable to unitholders	Gross liabilities	Reinsurance	Net liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2016										
As at 1 January 2016	73,188	3,194,000	427,174	-	(60,751)	78,013	141,769	3,853,393	(8,471)	3,844,922
Net earned premiums	-	-	203,734	63,818	-	-	15,648	283,200	-	283,200
Other revenue	-	-	86,388	8,129	-	-	2,593	97,110	-	97,110
Net benefits and claims	(2,669)	-	(215,297)	(48,292)	-	-	(14,660)	(280,918)	3,213	(277,705)
Other expenses	-	-	(54,082)	(26,972)	-	-	(4,196)	(85,250)	-	(85,250)
Policy movement	-	46,849	(42,888)	(3,961)	-	-	-	-	-	-
Interest rate	-	9,344	-	(9,344)	-	-	-	-	-	-
Adjustments due to changes in assumptions:										
- Model change	-	482	-	(482)	-	-	-	-	-	-
- Others	-	69	4,115	127	-	-	-	4,311	(4,311)	-
Changes in AFS reserve	-	-	-	-	106,370	-	-	106,370	-	106,370
Taxation on AFS reserve	-	-	-	-	(6,866)	-	-	(6,866)	-	(6,866)
Taxation on taxable investment income	-	-	(5,625)	(584)	-	-	132	(6,077)	-	(6,077)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	-	-	-	17,561	-	-	-	17,561	-	17,561
As at 30 June 2016	70,519	3,250,744	403,519	-	38,753	78,013	141,286	3,982,834	(9,569)	3,973,265

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5. Insurance contract liabilities (cont'd.)

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

	Provision for outstanding claims RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Non Participating fund unallocated surplus RM'000	Participating fund AFS reserve RM'000	Participating fund asset revaluation reserve RM'000	NAV attributable to unitholders RM'000	Gross liabilities RM'000	Reinsurance RM'000	Net liabilities RM'000
31 December 2015										
As at 1 January 2015	59,408	3,076,625	487,852	-	(38,457)	78,004	134,146	3,797,578	(2,559)	3,795,019
Net earned premiums	-	-	410,295	114,302	-	-	37,382	561,979	-	561,979
Other revenue	-	-	168,735	17,698	-	-	889	187,322	-	187,322
Net benefits and claims	13,780	-	(392,639)	(75,016)	-	-	(30,565)	(484,440)	8,506	(475,934)
Other expenses	-	-	(120,674)	(48,449)	-	-	(43)	(169,166)	-	(169,166)
Policy movement	-	67,908	(55,077)	(12,831)	-	-	-	-	-	-
Interest rate	-	(11,025)	9,119	1,906	-	-	-	-	-	-
Adjustments due to changes in assumptions:										
- Model change	-	40,031	(39,720)	(311)	-	-	-	-	-	-
- Others	-	20,461	(15,013)	8,970	-	-	-	14,418	(14,418)	-
Changes in AFS reserve	-	-	-	-	(24,177)	-	-	(24,177)	-	(24,177)
Taxation on AFS reserve	-	-	-	-	1,883	-	-	1,883	-	1,883
Taxation on asset revaluation reserve	-	-	-	-	-	9	-	9	-	9
Taxation on taxable investment income	-	-	(10,166)	(1,211)	-	-	(40)	(11,417)	-	(11,417)
Participating fund surplus transferred to shareholders' fund	-	-	(15,538)	-	-	-	-	(15,538)	-	(15,538)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	-	-	-	(5,058)	-	-	-	(5,058)	-	(5,058)
As at 31 December 2015	73,188	3,194,000	427,174	-	(60,751)	78,013	141,769	3,853,393	(8,471)	3,844,922

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6. Earnings per share

Earnings per share is calculated by dividing (loss)/profit 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.

	01.01.2016 to 30.06.2016	01.01.2015 to 30.06.2015
Profit attributable to ordinary equity holders:		
Continuing operations (RM'000)	(10,545)	3,027
Discontinued operations (RM'000)	-	37,850
	<u>(10,545)</u>	<u>40,877</u>
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings per share:		
Continuing operations (sen)	(10.52)	3.02
Discontinued operations (sen)	-	37.74
	<u>(10.52)</u>	<u>40.76</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	Net dividend per share Sen
Approved and paid:		
Dividend paid in respect of the financial year ended 31 December 2015		
Final single tier dividend of 89.75% of nominal value of share capital, amounting to RM89,999,999 paid on 24 June 2016	<u>90,000</u>	<u>89.75</u>
Dividend paid in respect of the financial period ended 31 December 2014		
Final single tier dividend of 149.57% of nominal value of share capital, amounting to RM149,996,210 paid on 24 June 2015	<u>149,996</u>	<u>149.57</u>

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8. Capital commitments

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Approved and contracted for:		
Property and equipment	2,249	-
Intangible assets	1,067	240
	<u>3,315</u>	<u>240</u>
Approved but not contracted for:		
Property and equipment	3,230	6,808
Intangible assets	1,252	2,319
	<u>4,482</u>	<u>9,127</u>

9. Significant related party disclosures

The related parties and their relationship with the Company as at 30 June 2016 are as follows:

Name	Relationship
Sanlam Emerging Markets Proprietary Limited ("SEM")	Immediate holding company
Koperasi MCIS Berhad	Corporate shareholder
Sanlam Life Insurance Limited	Related company of SEM
National Land Finance Co-operative Society Limited	A Co-operative in which Dato' Balaram a/l Petha Naidu is also a director

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.

	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000
Transactions with related parties:		
(i) Interest income received from:		
National Land Finance Co-operative Society Limited	83	138
(ii) Rental income received from:		
Koperasi MCIS Berhad	196	168
(iii) Reimbursable costs to:		
Sanlam Life Insurance Limited	25	108

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

	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000
Transactions with related parties: (cont'd.)		
(iv) Directors' fees and allowances to: SEM	<u>208</u>	<u>152</u>
	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Balances with related parties:		
(i) Term loan granted to: National Land Finance Co-operative Society Limited	<u>3,000</u>	<u>4,000</u>
(ii) Directors' fees and allowances to: SEM	<u>57</u>	<u>213</u>
(iii) Reimbursable costs to: Sanlam Life Insurance Limited	<u>-</u>	<u>93</u>

10. Regulatory capital requirement

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

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,284	100,284
Reserves, including retained earnings	<u>954,331</u>	<u>1,144,858</u>
	<u>1,054,615</u>	<u>1,245,142</u>
<u>Tier 2 Capital</u>		
Eligible reserves	135,874	18,399
Deduction: Intangible assets, deferred tax assets and cash restricted in use	<u>(19,752)</u>	<u>(25,990)</u>
Total capital available	<u>1,170,737</u>	<u>1,237,551</u>

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11. Fair value measurement

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

30 June 2016	Date of valuation	Fair value measurement using			
		Level 1 - Quoted market price in active market RM'000	Level 2 - Significant observable inputs RM'000	Level 3 - Significant unobservable inputs RM'000	Total fair value RM'000
Assets measured at fair value:					
Investment properties	30 June 2016	-	-	16,540	16,540
AFS financial assets (Note 3(b)):					
Malaysian government securities	30 June 2016	-	1,674,302	-	1,674,302
Government investment issues	30 June 2016	-	140,299	-	140,299
Malaysian government guaranteed bonds	30 June 2016	-	547,412	-	547,412
Unquoted debt securities	30 June 2016	-	660,345	-	660,345
Quoted equity securities	30 June 2016	214,522	-	-	214,522
Quoted unit and property trust funds	30 June 2016	117,132	-	-	117,132
Unquoted unit funds	30 June 2016	-	7,384	-	7,384
		331,654	3,029,742	-	3,361,396
Financial assets designated at FVTPL (Note 3(c)):					
Malaysian government securities	30 June 2016	-	11,325	-	11,325
Government investment issues	30 June 2016	-	2,016	-	2,016
Unquoted debt securities	30 June 2016	-	9,781	-	9,781
Quoted equity securities	30 June 2016	49,258	-	-	49,258
Quoted exchange traded funds	30 June 2016	19,885	-	-	19,885
Quoted unit and property trust funds	30 June 2016	3,340	-	-	3,340
Unquoted unit funds	30 June 2016	-	21,250	-	21,250
		72,483	44,372	-	116,855
Revalued property and equipment	November/ December 2014	-	-	120,397	120,397
		404,137	3,074,114	136,937	3,615,188

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11. Fair value measurement (cont'd.)

		Fair value measurement using			
31 December 2015	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	31 December 2015	-	-	16,540	16,540
AFS financial assets (Note 3(b)):					
Malaysian government securities	31 December 2015	-	1,531,771	-	1,531,771
Government investment issues	31 December 2015	-	182,609	-	182,609
Malaysian government guaranteed bonds	31 December 2015	-	598,839	-	598,839
Unquoted debt securities	31 December 2015	-	908,260	-	908,260
Quoted equity securities	31 December 2015	223,018	-	-	223,018
Quoted unit and property trust funds	31 December 2015	106,818	-	-	106,818
Unquoted unit funds	31 December 2015	-	7,502	-	7,502
		329,836	3,228,981	-	3,558,817
Financial assets designated at FVTPL (Note 3(c)):					
Malaysian government securities	31 December 2015	-	9,179	-	9,179
Government investment issues	31 December 2015	-	2,927	-	2,927
Unquoted debt securities	31 December 2015	-	13,136	-	13,136
Quoted equity securities	31 December 2015	53,453	-	-	53,453
Quoted exchange traded funds	31 December 2015	20,811	-	-	20,811
Quoted unit and property trust funds	31 December 2015	3,094	-	-	3,094
Unquoted unit funds	31 December 2015	-	19,397	-	19,397
		77,358	44,639	-	121,997
Revalued property and equipment	November/December 2014	-	-	123,028	123,028
		407,194	3,273,620	139,568	3,820,382

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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 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 2016 and 31 December 2015.

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11. Fair value measurement (cont'd.)

Valuation methods and assumptions for properties and investment properties

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

Fair value of the properties was determined by using sales comparison method, other than fair value of an office building which was determined by using income capitalisation method. The sales comparison method entails comparing the property with comparable properties which have been sold or are being offered for sale, adjusted for differences in the nature, location, size, condition or other relevant characteristics of the specific property. Under the income capitalisation method, the gross income receivable from the property and the outgoings and expenditures such as repair and maintenance, assessment rates, insurance, etc, are projected in arriving at the estimated net income. Estimated net income is then capitalised by using an appropriate rate of interest (yield) reflecting the security of future income arising from the use of the said property.

As at the date of revaluation in November/December 2014 and 31 December 2015, the fair values of properties and investment properties respectively are based on valuations performed by PPC International Sdn. Bhd., a registered independent valuer.

Reconciliation of Level 3 fair value measurement:

Properties:	Apartment RM'000	Shop office/ shop house RM'000	Office building RM'000	Total RM'000
At 1 January 2015	300	26,188	101,800	128,288
Depreciation recognised in profit or loss under management expenses	(9)	(712)	(4,539)	(5,260)
At 31 December 2015 / 1 January 2016	291	25,476	97,261	123,028
Depreciation recognised in profit or loss under management expenses	(5)	(357)	(2,269)	(2,631)
At 30 June 2016	286	25,119	94,992	120,397
Investment properties	Agriculture land RM'000	Shop office/ shop house RM'000	Office building RM'000	Total RM'000
At 1 January 2015	1,100	6,880	8,360	16,340
Fair value gain recognised in the income statement under fair value gains and losses	-	200	-	200
At 31 December 2015 / 1 January 2016 / 30 June 2016	1,100	7,080	8,360	16,540

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11. Fair value measurement (cont'd.)

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

Revalued properties:

Type of property	Valuation technique	Key input	Price per square feet (average)	
Apartment	Comparison method	Sale evidence	Building	RM 241
Multi-storey shop office /shop house	Comparison method	Sale evidence	Land Building	RM 1,653 RM 79
7 ½-storey office building	Comparison method	Sale evidence	Land Building	RM 198 RM 95
A 10 and 7 storey office buildings	Income capitalisation method	Estimated market rent per square feet per month Vacancy rate Yield or discount rate		RM 3.00 - RM 6.00 5% & 10% 5.5% & 6%

Significant increases (decreases) in estimated price per square feet and estimated market rent rates in isolation would result in a significantly higher (lower) fair value.

Significant increases (decreases) in vacancy rate and yield or discount rate in isolation would result in a significantly lower (higher) fair value.

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

Investment properties:

Type of property	Valuation technique	Key input	Price per square feet (average)	
Agriculture land	Comparison method	Sale evidence	Land	RM 2.80
Multi-storey shop office /shop house	Comparison method	Sale evidence	Land Building	RM 2,741 RM 80
8-storey office building	Comparison method	Sale evidence	Land Building	RM 1,366 RM 153

Significant increases (decreases) in estimated price per square feet 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 funds 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 funds are presented as follows:

The statement of financial position and income statement by funds are presented as follows:

Statements of financial position by funds
As at 30 June 2016

	Shareholders' funds		Life funds		Total	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property and equipment	16	19	127,391	128,484	127,407	128,503
Investment properties	-	-	16,540	16,540	16,540	16,540
Intangible assets	-	-	11,070	11,952	11,070	11,952
Prepaid land lease payments	-	-	219	225	219	225
Investments	240,064	313,511	3,962,428	3,823,169	4,202,492	4,136,680
Reinsurance assets	-	-	9,569	8,471	9,569	8,471
Insurance receivables	-	-	74,533	56,558	74,533	56,558
Other receivables*	33,176	58,245	47,450	47,094	48,168	49,227
Tax recoverable	(328)	-	6,635	-	6,307	-
Cash and bank balances	8,367	8,305	28,868	38,673	37,235	46,978
Total assets	281,295	380,080	4,284,703	4,131,166	4,533,540	4,455,134
Total equity	270,575	362,293	-	-	270,575	362,293
Liabilities						
Insurance contract liabilities	-	-	3,982,834	3,853,393	3,982,834	3,853,393
Deferred tax liabilities	10,348	11,590	8,381	1,982	18,729	13,572
Insurance payables	-	-	161,208	118,821	161,208	118,821
Provision for taxation	-	3,514	-	(1,991)	-	1,523
Other payables*	372	2,683	132,280	158,961	100,194	105,532
Total liabilities	10,720	17,787	4,284,703	4,131,166	4,262,965	4,092,841
Total equity and liabilities	281,295	380,080	4,284,703	4,131,166	4,533,540	4,455,134

* Included in other receivables and payables are inter-fund balances which are eliminated in presenting the Company's total results.

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12. Insurance funds (cont'd.)

Income statement by funds

For the six-month period ended 30 June 2016

	Shareholders' and		Life Funds		Total	
	General Funds					
	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000
Continuing operations:						
Gross earned premiums	-	-	288,344	299,434	288,344	299,434
Earned premiums ceded to reinsurers	-	-	(5,144)	(3,380)	(5,144)	(3,380)
Net earned premiums	-	-	283,200	296,054	283,200	296,054
Investment income	6,149	7,254	87,714	86,427	93,863	93,681
Realised gains and losses	1,340	132	12,368	12,812	13,708	12,944
Fair value gains and losses	-	-	(3,241)	20	(3,241)	20
Other operating revenue	-	8	269	435	269	443
Other revenue	7,489	7,394	97,110	99,694	104,599	107,088
Gross benefits and claims paid	-	-	(280,918)	(249,027)	(280,918)	(249,027)
Claims ceded to reinsurers	-	-	3,213	1,742	3,213	1,742
Gross change in contract liabilities	-	-	(29,937)	(62,596)	(29,937)	(62,596)
Change in contract liabilities ceded to reinsurers	-	-	1,098	(341)	1,098	(341)
Net benefits and claims	-	-	(306,544)	(310,222)	(306,544)	(310,222)
Fee and commission expenses	-	-	(39,883)	(42,596)	(39,883)	(42,596)
Other operating expenses	(406)	(1,699)	(6,324)	(1,053)	(6,730)	(2,752)
Management expenses	(2,261)	(2,927)	(39,043)	(34,216)	(41,304)	(37,143)
Taxation of life insurance business	-	-	(6,077)	(6,454)	(6,077)	(6,454)
Other expenses	(2,667)	(4,626)	(91,327)	(84,319)	(93,994)	(88,945)
Profit/(Loss) from operations	4,822	2,768	(17,561)	1,207	(12,739)	3,975
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	(17,561)	1,207	17,561	(1,207)	-	-
(Loss)/Profit before taxation from continuing operations	(12,739)	3,975	-	-	(12,739)	3,975
Taxation	2,194	(948)	-	-	2,194	(948)
Net (loss)/profit for the period from continuing operations	(10,545)	3,027	-	-	(10,545)	3,027
Discontinued operations:						
Net profit for the period from discontinued operations	-	2,169	-	-	-	2,169
Gain on disposal of general insurance business	-	35,681	-	-	-	35,681
Net (loss)/profit for the period	(10,545)	40,877	-	-	(10,545)	40,877

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12. Insurance funds (cont'd.)

Statements of cash flows by funds
For the six-month period ended 30 June 2016

	Shareholders' and		Life Funds		Total	
	General Funds					
	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000	01.01.2016 to 30.06.2016 RM'000	01.01.2015 to 30.06.2015 RM'000
Cash flows from:						
Operating activities	144,451	49,285	211,411	104,579	355,862	153,864
Investing activities	(83)	34,879	(2,190)	(636)	(2,273)	34,243
Financing activities	(90,000)	(149,996)	-	-	(90,000)	(149,996)
Net increase/(decrease) in cash and cash equivalents	54,368	(65,832)	209,221	103,943	263,589	38,111
At beginning of period	20,447	88,060	148,143	214,196	168,590	302,256
At end of period	74,815	22,228	357,364	318,139	432,179	340,367
Cash and cash equivalents comprise of:						
Cash and bank balances	8,367	15,539	28,868	6,815	37,235	22,354
Less: Cash restricted in use	(8,370)	(8,204)	-	-	(8,370)	(8,204)
	(3)	7,335	28,868	6,815	28,865	14,150
Short term deposits with original maturity periods of less than 3 months	74,818	14,893	328,496	311,324	403,314	326,217
	74,815	22,228	357,364	318,139	432,179	340,367

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 2016.

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.

17. 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.

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18. Contingent liabilities

- (i) 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 ("GI") business of the Company. The transfer of GI business, including relevant GI personnel, 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-year 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 under a joint account will be used to indemnify Pacific Insurance on the Excess. Should the placement monies 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.

- (ii) In March 2015, the Company instituted legal proceedings against a former tenant of one of the Company's properties to seek recovery of outstanding rentals, utilities charges, reinstatement costs and corresponding late payment charges. In accordance with the Company's accounting policy, these outstanding sums are fully impaired in the 30 June 2015 financial statements. The Company had obtained Summary Judgment in September 2015 for its claims on outstanding rentals and late payment charges on rental. The former tenant however is appealing the judgment, together with the Company's other claims on reinstatement costs and utilities charges, which both are pending trial. In response to these proceedings, the former tenant filed a counter-claim against the Company for loss of branding and goodwill, amongst others. As the counter-claims by the former tenant is still at a pre-trial stage, any outflows as a result of this counter-claim are considered not probable. Accordingly, no provision for any liability has been made in these financial statements.

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

19. Effect of changes in composition of the Company

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