

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

Unaudited Condensed Interim Financial Statements
For the six-month period ended 30 June 2015

435318-U

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

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MCIS Insurance Berhad
(Incorporated in Malaysia)

Unaudited condensed statement of financial position
As at 30 June 2015

| | | As at | As at |
|--|-------------|-------------------|-------------------|
| | | 30.06.2015 | 31.12.2014 |
| | Note | RM'000 | RM'000 |
| Assets | | | |
| Property and equipment | | 131,039 | 134,491 |
| Investment properties | | 16,340 | 16,340 |
| Intangible assets | | 12,834 | 13,367 |
| Prepaid land lease payments | | 231 | 237 |
| Investments | 3 | 4,149,180 | 4,199,713 |
| Reinsurance assets | 4 | 2,218 | 2,559 |
| Insurance receivables | 5 | 62,656 | 39,599 |
| Other receivables | | 48,775 | 46,064 |
| Cash and bank balances | | 22,354 | 7,424 |
| | | <u>4,445,627</u> | <u>4,459,794</u> |
| Assets classified as held for sale | 6(a) | - | 429,895 |
| Total assets | | <u>4,445,627</u> | <u>4,889,689</u> |
| Equity | | | |
| Share capital | | 100,284 | 100,284 |
| Share premium | | 24,740 | 24,740 |
| Retained profits | | 169,073 | 278,192 |
| Merger reserves | | 40,672 | 40,672 |
| Available-for-sale reserves | | 5,142 | (755) |
| Revaluation reserves | | 6,814 | 6,814 |
| | | <u>346,725</u> | <u>449,947</u> |
| Reserves of a disposal group classified as held for sale | 6(a) | - | (3,258) |
| Total equity | | <u>346,725</u> | <u>446,689</u> |
| Liabilities | | | |
| Insurance contract liabilities | 7 | 3,888,349 | 3,797,578 |
| Deferred tax liabilities | | 18,363 | 15,573 |
| Insurance payables | 8 | 65,821 | 56,108 |
| Provision for taxation | | 6,674 | 17,545 |
| Other payables | | 119,695 | 119,338 |
| | | <u>4,098,902</u> | <u>4,006,142</u> |
| Liabilities directly associated with the assets classified as held for sale | 6(a) | - | 436,858 |
| Total liabilities | | <u>4,098,902</u> | <u>4,443,000</u> |
| Total equity and liabilities | | <u>4,445,627</u> | <u>4,889,689</u> |

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the six-month period ended 31 December 2014 and the accompanying explanatory notes on pages 7 to 46 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 2015

| | | 01.01.2015 | 01.01.2014 |
|---|-------------|-------------------|-------------------|
| | | to | to |
| | | 30.06.2015 | 30.06.2014 |
| | Note | RM'000 | RM'000 |
| Continuing operations: | | | |
| Gross earned premiums | 9(a) | 299,434 | 304,510 |
| Earned premiums ceded to reinsurers | 9(b) | <u>(3,380)</u> | <u>(2,844)</u> |
| Net earned premiums | | <u>296,054</u> | <u>301,666</u> |
| Investment income | 10 | 93,681 | 95,841 |
| Realised gains and losses | 11 | 12,944 | 37,767 |
| Fair value gains and losses | 12 | 20 | 945 |
| Fee and commission income | 13 | - | 299 |
| Other operating revenue | 14 | 443 | - |
| Other revenue | | <u>107,088</u> | <u>134,852</u> |
| Gross benefits and claims paid | 15(a) | (249,027) | (229,836) |
| Claims ceded to reinsurers | 15(b) | 1,742 | 4,715 |
| Gross change in insurance contract liabilities | 15(c) | (62,596) | (86,367) |
| Change in insurance contract liabilities ceded to reinsurers | 15(d) | <u>(341)</u> | <u>(1,434)</u> |
| Net benefits and claims | | <u>(310,222)</u> | <u>(312,922)</u> |
| Fee and commission expenses | 16 | (42,596) | (43,213) |
| Other operating expenses | 14 | (2,752) | (29,240) |
| Management expenses | 17 | (37,143) | (39,689) |
| Taxation of life insurance business | 18 | (6,454) | (12,521) |
| Other expenses | | <u>(88,945)</u> | <u>(124,663)</u> |
| Profit/(Loss) before taxation from continuing operations | | 3,975 | (1,067) |
| Taxation | 18 | <u>(948)</u> | <u>1,260</u> |
| Net profit for the period from continuing operations | | <u>3,027</u> | <u>193</u> |
| Discontinued operations: | | | |
| Net profit for the period from discontinued operations | 6(a) | 2,169 | 5,092 |
| Gain on disposal of general insurance business | 6(b) | <u>35,681</u> | <u>-</u> |
| Net profit for the period from discontinued operations | | <u>37,850</u> | <u>5,092</u> |
| Net profit for the period | | <u>40,877</u> | <u>5,285</u> |
| Earnings per share (sen) | | | |
| Basic and diluted | 19 | <u>40.76</u> | <u>5.27</u> |

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the six-month period ended 31 December 2014 and the accompanying explanatory notes on pages 7 to 46 attached to the unaudited condensed interim financial statements.

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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 2015

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|--|--|
| Net profit for the period | 40,877 | 5,285 |
| Other comprehensive income/(loss): | | |
| <u>Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:</u> | | |
| Available-for-sale ("AFS") investments: | | |
| Gain on fair value changes of AFS investments | 11,633 | 5,154 |
| Realised loss/(gain) transferred to the income statement (Note 11) | 468 | (5,518) |
| Cumulative loss reclassified to the income statement (Note 14) | 106 | - |
| Deferred tax relating to components of other comprehensive income | (3,052) | 91 |
| Other comprehensive income/(loss) for the period, net of taxation | 9,155 | (273) |
| Comprising of: | | |
| Continuing operations | 5,897 | 140 |
| Discontinued operations | 3,258 | (413) |
| | <u>9,155</u> | <u>(273)</u> |
| Total comprehensive income for the period | <u>50,032</u> | <u>5,012</u> |
| Comprising of: | | |
| Continuing operations | 8,924 | 333 |
| Discontinued operations | 41,108 | 4,679 |
| | <u>50,032</u> | <u>5,012</u> |

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MCIS Insurance Berhad
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Unaudited condensed statement of changes in equity
For the six-month period ended 30 June 2015

| 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 2014 | 100,284 | 24,740 | 40,672 | 4,572 | (2,329) | (5,774) | 4,661 | (1,113) | 78,111 | 201,522 | 279,633 | 446,459 |
| Net profit for the period | - | - | - | - | - | - | - | - | 2,982 | 2,303 | 5,285 | 5,285 |
| Other comprehensive income/(loss) | - | - | - | - | - | 485 | (758) | (273) | - | - | - | (273) |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | 485 | (758) | (273) | 2,982 | 2,303 | 5,285 | 5,012 |
| Transfer from non-participating surplus as recommended by Appointed Actuary (net of tax) | - | - | - | - | - | - | - | - | (18,172) | 18,172 | - | - |
| Discontinued operations | - | - | - | - | (413) | - | 413 | 413 | - | - | - | - |
| At 30 June 2014 | 100,284 | 24,740 | 40,672 | 4,572 | (2,742) | (5,289) | 4,316 | (973) | 62,921 | 221,997 | 284,918 | 451,471 |
| 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 | 100,284 | 24,740 | 40,672 | 6,814 | - | (2,122) | 7,264 | 5,142 | 26,980 | 142,093 | 169,073 | 346,725 |

* The unallocated surplus under retained profits of the non-participating ("Non-Par") funds is only available for distribution to the shareholders' fund upon recommended by the Appointed Actuary. The net additional unallocated surplus of the Non-Par funds generated for the financial period ended 30 June 2015 and 30 June 2014 were RM905,000 and RM2,982,000, net of tax at 25% respectively.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the six-month period ended 31 December 2014 and the accompanying explanatory notes on pages 7 to 46 attached to the unaudited condensed interim financial statements.

MCIS Insurance Berhad
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Unaudited condensed statement of cash flows
For the six-month period ended 30 June 2015

| | | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|-------------|--|--|
| | Note | | |
| Profit/(Loss) before taxation: | | | |
| Continuing operations | | 3,975 | (1,067) |
| Discontinued operations | | 36,603 | 2,348 |
| | | <u>40,578</u> | <u>1,281</u> |
| Investment income | | (98,765) | (103,902) |
| Investment income received | | 95,676 | 109,800 |
| Realised gains recorded in the income statement | 3(d) | (10,802) | (39,870) |
| Purchases of FVTPL financial assets | 3(d) | (39,127) | (33,053) |
| Purchases of AFS investments | 3(d) | (2,276,418) | (2,506,115) |
| Proceeds from sale of AFS investments | | 2,592,051 | 2,643,793 |
| Proceeds from sale of FVTPL financial assets | 3(d) | 40,509 | 24,619 |
| Decrease in LAR | | 8,524 | 11,931 |
| Taxation of life insurance business | 18 | 6,454 | 12,521 |
| Non-cash items: | | | |
| Gain on disposal of general insurance business | 6(b) | (35,681) | - |
| Depreciation of property and equipment | | 3,616 | 2,560 |
| Amortisation of intangible assets | | 1,057 | 242 |
| Amortisation of prepaid land lease payments | | 6 | 6 |
| Property and equipment written-off | | - | 1 |
| Net amortisation of investments | 3(d) | 3,485 | 1,642 |
| Impairment loss/(write back) on: | | | |
| - quoted equity securities | 14 | 106 | - |
| - loans receivable | 14 | (170) | 2,318 |
| - reinsurance assets | | - | 925 |
| Changes in working capital: | | | |
| Decrease/(increase) in assets: | | | |
| Reinsurance assets | | 143,913 | (1,609) |
| Insurance receivables | | (5,748) | (11,594) |
| Other receivables | | 73,667 | (11) |
| (Decrease)/increase in liabilities: | | | |
| Insurance contract liabilities | | (344,743) | 101,286 |
| Insurance payables | | (16,839) | 3,567 |
| Other payables | | (9,318) | 36,139 |
| Cash generated from operating activities | | <u>172,031</u> | <u>256,477</u> |
| Income tax paid | | (18,167) | (7,337) |
| Net cash flows from operating activities | | <u>153,864</u> | <u>249,140</u> |

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Unaudited condensed statement of cash flows
For the six-month period ended 30 June 2015 (cont'd.)

| | Note | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|------|--|--|
| Investing activities | | | |
| Proceeds from disposal of general insurance business | 6(b) | 42,370 | - |
| Placement monies in relation to the proceeds from disposal of general insurance business* | | (8,204) | - |
| Proceeds from disposal of property and equipment | | 301 | - |
| Proceeds from disposal of intangible assets | | 415 | - |
| Purchase of property and equipment | | (150) | (1,382) |
| Purchase of intangible assets | | (489) | - |
| Net cash flows from investing activities | | <u>34,243</u> | <u>(1,382)</u> |
| Financing activity | | | |
| Dividends paid | 20 | <u>(149,996)</u> | - |
| Net cash flows from financing activity | | <u>(149,996)</u> | - |
| Cash and cash equivalents | | | |
| Net increase in cash and cash equivalents | | 38,111 | 247,758 |
| Cash and cash equivalents at beginning of period | | <u>302,256</u> | <u>188,337</u> |
| Cash and cash equivalents at end of period | | <u>340,367</u> | <u>436,095</u> |
| Cash and cash equivalents comprise of: | | | |
| Cash and bank balances | | 22,354 | 5,977 |
| Less: Cash restricted in use* | | <u>(8,204)</u> | - |
| | | 14,150 | 5,977 |
| Short term deposits with original maturity periods of less than 3 months | | <u>326,217</u> | <u>430,118</u> |
| | | <u>340,367</u> | <u>436,095</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, as disclosed in Note 31(i).

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the six-month period ended 31 December 2014 and the accompanying explanatory notes on pages 7 to 46 attached to the unaudited condensed interim financial statements.

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

**Notes to the unaudited condensed interim financial statements
For the six-month period ended 30 June 2015**

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 six-month period ended 31 December 2014.

The notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the six-month period ended 31 December 2014.

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

Standards issued but not yet effective

The following are MFRSs and amendments to MFRSs issued by MASB that will be effective in future years. The Company intends to adopt the following standards (if applicable and relevant to its business) when they become effective:

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2. Significant accounting policies (cont'd.)

Standards issued but not yet effective (cont'd.)

| | Effective for annual period beginning on or after |
|---|--|
| Annual Improvements to MFRSs 2012 – 2014 Cycle | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Method of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to MFRS 101: Disclosure Initiatives | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 9 Financial Instruments | 1 January 2018 |

The Company will only be affected by those standards which are applicable to the Company. The Directors expect that the adoption of the above relevant MFRSs and amendments to MFRSs will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 *Financial Instruments* ("MFRS 9")

In November 2014, MASB issued the final version of MFRS 9 - *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139 - *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with an early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review of its financial instruments in the upcoming years.

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3. Investments

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|---------------------------------------|--|--|
| Malaysian government securities | 1,364,465 | 1,505,336 |
| Government investment issues | 150,646 | 94,870 |
| Malaysian government guaranteed bonds | 687,402 | 539,354 |
| Unquoted debt securities | 844,347 | 1,032,689 |
| Quoted equity securities | 280,760 | 289,415 |
| Quoted exchange traded funds | 23,388 | 20,371 |
| Unquoted equity securities | 7,336 | 7,336 |
| Quoted unit and property trust funds | 136,271 | 134,482 |
| Deposits with financial institutions | 327,044 | 239,940 |
| Loans receivable | 327,521 | 335,920 |
| Total | <u>4,149,180</u> | <u>4,199,713</u> |

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

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|---|--|--|
| Loans and receivables ("LAR") | 654,565 | 575,860 |
| Available-for-sale financial assets ("AFS") | 3,374,205 | 3,502,756 |
| Designated upon initial recognition at fair value through profit or loss ("FVTPL") | 120,410 | 121,097 |
| Total | <u>4,149,180</u> | <u>4,199,713</u> |

(a) LAR

At amortised cost:

| | | |
|--------------------------------------|----------------|----------------|
| Deposits with financial institutions | <u>327,044</u> | <u>239,940</u> |
| Loans receivable: | | |
| Policy loans | 318,221 | 324,481 |
| Mortgage loans | 7,845 | 8,977 |
| Term loan to related party | 5,000 | 6,000 |
| Other loans | 626 | 803 |
| Accumulated impairment loss | (4,171) | (4,341) |
| | <u>327,521</u> | <u>335,920</u> |
| | <u>654,565</u> | <u>575,860</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 RM326,217,000 (31.12.2014: 239,158,000), 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.)

Movement in allowance accounts:

| | Individually impaired RM'000 |
|--|---|
| At 1 July 2014 | 5,292 |
| Amount written back in respect of recoveries | (951) |
| At 31 December 2014 | <u>4,341</u> |
| At 31 December 2014 | 4,341 |
| Amount written back in respect of recoveries | (170) |
| At 30 June 2015 | <u>4,171</u> |

(b) AFS

At fair value:

| | | |
|---------------------------------------|------------------|------------------|
| Malaysian government securities | 1,355,025 | 1,491,699 |
| Government investment issues | 148,656 | 92,914 |
| Malaysian government guaranteed bonds | 687,402 | 539,354 |
| Unquoted debt securities | 836,801 | 1,026,329 |
| Quoted equity securities | 221,892 | 228,702 |
| Quoted unit and property trust funds | 117,093 | 116,422 |
| | <u>3,366,869</u> | <u>3,495,420</u> |

At cost less impairment:

| | | |
|--|------------------|------------------|
| Unquoted equity securities (net of impairment loss of RM62,000 (31.12.2014 : RM62,000)) | 7,336 | 7,336 |
| | <u>3,374,205</u> | <u>3,502,756</u> |

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3. Investments (cont'd.)

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|---|-------------------------------|-------------------------------|
| (c) FVTPL | | |
| Financial assets designated upon initial recognition at FVTPL: | | |
| Malaysian government securities | 9,440 | 13,637 |
| Government investment issues | 1,990 | 1,956 |
| Unquoted debt securities | 7,546 | 6,360 |
| Quoted equity securities | 58,868 | 60,713 |
| Quoted exchange trade funds | 23,388 | 20,371 |
| Quoted unit and property trust funds | 19,178 | 18,060 |
| | <u>120,410</u> | <u>121,097</u> |

(d) Carrying values of investments by category

| | LAR RM'000 | AFS RM'000 | FVTPL RM'000 | Total RM'000 |
|---|---------------|---------------|-----------------|-----------------|
| At 1 July 2014 | 709,231 | 3,364,956 | 114,177 | 4,188,364 |
| Purchases | - | 3,083,867 | 42,665 | 3,126,532 |
| Disposals | - | (2,944,147) | (32,605) | (2,976,752) |
| Fair value losses recorded in: | | | | |
| Other comprehensive income | - | (400) | - | (400) |
| Insurance contract liabilities | - | (9,994) | - | (9,994) |
| Income statement | - | - | (3,058) | (3,058) |
| Realised gain/(loss) recorded in the income statement: | | | | |
| - continuing operations | - | 16,469 | (82) | 16,387 |
| - discontinued operations | - | 410 | - | 410 |
| | - | 16,879 | (82) | 16,797 |
| Decrease in loans | (8,699) | - | - | (8,699) |
| Decrease in deposits with financial institutions | (135,266) | - | - | (135,266) |
| Write back of impairment loss on loans receivable | 951 | - | - | 951 |
| Increase in impairment loss on quoted equity securities | | | | |
| - continuing operations | - | (5,135) | - | (5,135) |
| - discontinued operations | - | (230) | - | (230) |
| | - | (5,365) | - | (5,365) |

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3. Investments (cont'd.)

(d) Carrying values of investments by category (cont'd.)

| | LAR RM'000 | AFS RM'000 | FVTPL RM'000 | Total RM'000 |
|--|----------------|------------------|-----------------|------------------|
| At 1 July 2014 (cont'd.) | | | | |
| Net amortisation of premiums: | | | | |
| - continuing operations | - | (3,551) | - | (3,551) |
| - discontinued operations | - | 225 | - | 225 |
| | - | (3,326) | - | (3,326) |
| Assets classified as held for sale | 9,643 | 286 | - | 9,929 |
| At 31 December 2014 | 575,860 | 3,502,756 | 121,097 | 4,199,713 |
| Purchases | - | 2,276,418 | 39,127 | 2,315,545 |
| Disposals | - | (2,453,616) | (40,509) | (2,494,125) |
| Fair value gains recorded in: | | | | |
| Other comprehensive income | - | 12,207 | - | 12,207 |
| Insurance contract liabilities | - | 29,904 | - | 29,904 |
| Income statement | - | - | 20 | 20 |
| Realised gains recorded in the income statement | | | | |
| - continuing operations | - | 12,257 | 687 | 12,944 |
| - discontinued operations | - | (2,142) | - | (2,142) |
| | - | 10,115 | 687 | 10,802 |
| Decrease in loans | (8,569) | - | - | (8,569) |
| Increase in deposits with financial institutions | 87,104 | - | - | 87,104 |
| Increase in impairment loss on quoted equity securities | - | (106) | - | (106) |
| Write back of impairment loss on loans receivable | 170 | - | - | 170 |
| Net amortisation of premiums | | | | |
| - continuing operations | - | (3,391) | (12) | (3,403) |
| - discontinued operations | - | (82) | - | (82) |
| | - | (3,473) | (12) | (3,485) |
| At 30 June 2015 | 654,565 | 3,374,205 | 120,410 | 4,149,180 |

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4. Reinsurance assets

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|-------------------------------------|--|--|
| Reinsurance of insurance contracts: | | |
| Claims liabilities (Note 7) | <u>2,218</u> | <u>2,559</u> |
| | <u>2,218</u> | <u>2,559</u> |

5. Insurance receivables

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|---|--|--|
| Due premiums including agents/brokers and co-insurers balances | 58,267 | 36,663 |
| Due from reinsurers and cedants | <u>4,389</u> | <u>2,936</u> |
| | <u>62,656</u> | <u>39,599</u> |

6. Discontinued operations and disposal group classified as held for sale

On 1 December 2014, Fairfax Financial Holdings Limited ("Fairfax") through its wholly-owned subsidiary, The Pacific Insurance Berhad ("Pacific Insurance"), entered into a business transfer agreement with the Company and Koperasi MCIS Berhad ("Koperasi") to acquire the general insurance ("GI") business of MCIS for a total cash consideration of RM42.8 million. The transfer of GI business, including relevant GI personnel, was completed on 1 March 2015. Consequently, effective from 1 March 2015, the Company is no longer operating a GI business and serves solely as a Life insurance company.

(a) Statement of financial position, income statements and other comprehensive income

As the transfer of the GI business was completed during the period, the assets and liabilities of GI business are no longer presented in the statement of financial position as at 30 June 2015.

The discontinued operations at 31 December 2014 included balances and transactions relating to the Malaysian Motor Insurance Pool ("MMIP"). These balances and transactions were closely related to the GI business and was therefore reclassified as part of discontinued operations.

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6. Discontinued operations and disposal group classified as held for sale (cont'd.)

The major classes of assets and liabilities of the GI Business classified as held for sale as at 31 December 2014 were as follows:

| | MMIP | Other | Total |
|--|----------------|--------------------|----------------|
| | RM'000 | GI business | RM'000 |
| | | RM'000 | RM'000 |
| 31 December 2014 | | | |
| Assets | | | |
| Property and equipment | - | 315 | 315 |
| Intangible assets | - | 450 | 450 |
| Investments | - | 194,109 | 194,109 |
| Reinsurance assets* | - | 143,572 | 143,572 |
| Insurance receivables | - | 17,309 | 17,309 |
| Deferred tax assets | - | 831 | 831 |
| Other receivables | 63,046 | 10,263 | 73,309 |
| Assets classified as held for sale | 63,046 | 366,849 | 429,895 |
| Liabilities | | | |
| Insurance contract liabilities | 70,840 | 336,480 | 407,320 |
| Insurance payables | - | 26,552 | 26,552 |
| Other payables | - | 2,986 | 2,986 |
| Liabilities directly associated with assets classified as held for sale | 70,840 | 366,018 | 436,858 |
| Net (liabilities)/assets directly associated with disposal group | (7,794) | 831 | (6,963) |
| Reserves of disposal group classified as held for sale | | | |
| AFS reserves | - | (4,344) | (4,344) |
| Deferred tax effects on AFS reserves | - | 1,086 | 1,086 |
| | - | (3,258) | (3,258) |
| Fair value measurement: | | | |
| Assets | | | |
| Assets measured at fair value | - | 138,435 | 138,435 |
| Assets measured at cost/amortised cost | 63,046 | 228,414 | 291,460 |
| | 63,046 | 366,849 | 429,895 |
| Liabilities | | | |
| Assets measured at cost/amortised cost | 70,840 | 366,018 | 436,858 |

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6. Discontinued operations and disposal group classified as held for sale (cont'd.)

The results of the GI business for the two-month period ended 28 February 2015 are presented below:

For the two-month period ended 28 February 2015

| | MMIP | Other | Total |
|--|----------------|--------------------|-----------------|
| | RM'000 | GI business | RM'000 |
| | | RM'000 | RM'000 |
| Gross earned premiums | 2,356 | 27,224 | 29,580 |
| Earned premiums ceded to reinsurers | (84) | (9,984) | (10,068) |
| Net earned premiums | <u>2,272</u> | <u>17,240</u> | <u>19,512</u> |
| Investment income | - | 1,681 | 1,681 |
| Realised gains and losses | - | (2,142) | (2,142) |
| Fee and commission income | 6 | 3,225 | 3,231 |
| Other operating revenue | 410 | 8 | 418 |
| Other revenue | <u>416</u> | <u>2,772</u> | <u>3,188</u> |
| Gross benefits and claims paid | (1,877) | (13,361) | (15,238) |
| Claims ceded to reinsurers | - | 3,265 | 3,265 |
| Gross change in contract liabilities | (1,587) | 4,631 | 3,044 |
| Change in contract liabilities ceded to reinsurers | - | (3,319) | (3,319) |
| Net benefits and claims | <u>(3,464)</u> | <u>(8,784)</u> | <u>(12,248)</u> |
| Fee and commission expenses | (277) | (2,616) | (2,893) |
| Management expenses | - | (4,651) | (4,651) |
| Other operating expenses | - | (1,986) | (1,986) |
| Other expenses | <u>(277)</u> | <u>(9,253)</u> | <u>(9,530)</u> |
| (Loss)/Profit before taxation | (1,053) | 1,975 | 922 |
| Taxation | 263 | 984 | 1,247 |
| Net (loss)/profit for the period | <u>(790)</u> | <u>2,959</u> | <u>2,169</u> |

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6. Discontinued operations and disposal group classified as held for sale (cont'd.)

For the two-month period ended 28 February 2015 (cont'd.)

Other comprehensive income:

| | MMIP | Other | Total |
|--|---------------|--------------------|---------------|
| | RM'000 | GI business | RM'000 |
| | | RM'000 | RM'000 |
| AFS reserves: | | | |
| Gain on fair value changes of AFS investments | - | 4,574 | 4,574 |
| Realised gain transferred to the income statement | - | (230) | (230) |
| Deferred tax relating to components of other comprehensive income | - | (1,086) | (1,086) |
| Other comprehensive gain for the period, net of tax | - | 3,258 | 3,258 |

For the six-month period ended 30 June 2014

| | MMIP | Other | Total |
|---|-----------------|--------------------|-----------------|
| | RM'000 | GI business | RM'000 |
| | | RM'000 | RM'000 |
| Gross earned premiums | 8,974 | 81,881 | 90,855 |
| Earned premiums ceded to reinsurers | (456) | (31,434) | (31,890) |
| Net earned premiums | 8,518 | 50,447 | 58,965 |
| Investment income | 434 | 5,163 | 5,597 |
| Realised gains and losses | - | 2,103 | 2,103 |
| Fee and commission income | 30 | 12,329 | 12,359 |
| Other operating income | 451 | 532 | 983 |
| Other revenue | 915 | 20,127 | 21,042 |
| Gross benefits and claims paid | (6,700) | (44,605) | (51,305) |
| Claims ceded to reinsurers | - | 13,507 | 13,507 |
| Gross change in contract liabilities | (8,995) | (6,791) | (15,786) |
| Change in contract liabilities ceded to reinsurers | - | 6,429 | 6,429 |
| Net benefits and claims | (15,695) | (31,460) | (47,155) |

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6. Discontinued operations and disposal group classified as held for sale (cont'd.)

For the six-month period ended 30 June 2014 (cont'd.)

| | MMIP | Other | Total |
|---|----------------|--------------------|-----------------|
| | RM'000 | GI business | RM'000 |
| | | RM'000 | RM'000 |
| Fee and commission expenses | (1,520) | (11,800) | (13,320) |
| Other operating expenses | - | (926) | (926) |
| Management expenses | (52) | (16,206) | (16,258) |
| Other expenses | <u>(1,572)</u> | <u>(28,932)</u> | <u>(30,504)</u> |
| (Loss)/profit before taxation | (7,834) | 10,182 | 2,348 |
| Taxation | 6,457 | (3,713) | 2,744 |
| Net (loss)/profit for the period | <u>(1,377)</u> | <u>6,469</u> | <u>5,092</u> |

Other comprehensive income:

AFS reserves:

| | | | |
|--|----------|--------------|--------------|
| Gain on fair value changes of AFS investments | - | 1,551 | 1,551 |
| Realised gain transferred to the income statement | - | (2,102) | (2,102) |
| Deferred tax relating to components of other comprehensive income | - | 138 | 138 |
| Other comprehensive loss for the period, net of tax | <u>-</u> | <u>(413)</u> | <u>(413)</u> |

The net cash flows for GI business are as follows:

| | 01.01.2015 | 01.01.2014 |
|--|-------------------|-------------------|
| | to | to |
| | 28.02.2015 | 30.06.2014 |
| | RM'000 | RM'000 |
| Cash flows from: | | |
| Operating activities | 54,221 | (12,282) |
| Investing activities | - | - |
| Net increase/(decrease) in cash and bank balances | <u>54,221</u> | <u>(12,282)</u> |

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6. Discontinued operations and disposal group classified as held for sale (cont'd.)

(b) Gain on disposal of GI business

The cash consideration of RM42.8 million set out in the business transfer agreement was subject to adjustments to be made to the value of the assets and liabilities at the finalisation of transfer. Based on the final completion accounts as at 28 February 2015, the final consideration was adjusted to RM42.4 million.

Analysis of assets and liabilities over which control was lost:

| | RM'000 |
|--------------------------------|----------------|
| Assets | |
| Property and equipment | 301 |
| Intangible assets | 415 |
| Investments | 145,852 |
| Reinsurance assets | 142,044 |
| Insurance receivables | 27,108 |
| Other receivables | 3,437 |
| Cash and bank balances | 54,221 |
| Total assets | <u>373,378</u> |
| Liabilities | |
| Insurance contract liabilities | 331,754 |
| Insurance payables | 34,406 |
| Other payables | 7,218 |
| Total liabilities | <u>373,378</u> |
| Net asset disposed of | <u>-</u> |

Gain on disposal of GI business

| | RM'000 |
|-----------------------------------|---------------|
| Final consideration | 42,370 |
| Net asset disposed of | - |
| Transaction and incidental costs* | (6,689) |
| Gain on disposal | <u>35,681</u> |

* Excludes transaction and incidental costs of RM742,000 which were incurred and recognised in the six-month period ended 31 December 2014.

The gain on disposal is included in the profit for the period from discontinued operations.

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7. Insurance contract liabilities

| | <----- 30.06.2015 -----> | | | <----- 31.12.2014 -----> | | |
|----------------------------|--------------------------|-----------------------|------------------|--------------------------|-----------------------|------------------|
| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
| Life insurance (Note A) | 3,888,349 | (2,218) | 3,886,131 | 3,797,578 | (2,559) | 3,795,019 |
| Discontinued operations | | | | | | |
| General insurance (Note B) | - | - | - | 407,320 | (145,257) | 262,063 |
| Less: Impairment loss | - | - | - | - | 1,685 | 1,685 |
| | - | - | - | 407,320 | (143,572) | 263,748 |
| | <u>3,888,349</u> | <u>(2,218)</u> | <u>3,886,131</u> | <u>4,204,898</u> | <u>(146,131)</u> | <u>4,058,767</u> |

(A) Life insurance

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

(i) Life insurance contract liabilities

| | <----- 30.06.2015 -----> | | | <----- 31.12.2014 -----> | | |
|---|--------------------------|-----------------------|------------------|--------------------------|-----------------------|------------------|
| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
| Provision for outstanding claims | 66,904 | (2,218) | 64,686 | 59,408 | (2,559) | 56,849 |
| Actuarial liabilities | 3,163,349 | - | 3,163,349 | 3,076,625 | - | 3,076,625 |
| Participating fund unallocated surplus | 451,748 | - | 451,748 | 487,852 | - | 487,852 |
| Participating fund AFS reserves | (10,292) | - | (10,292) | (38,457) | - | (38,457) |
| Participating fund asset revaluation reserves | 78,013 | - | 78,013 | 78,004 | - | 78,004 |
| NAV attributable to unitholders | 138,627 | - | 138,627 | 134,146 | - | 134,146 |
| | <u>3,888,349</u> | <u>(2,218)</u> | <u>3,886,131</u> | <u>3,797,578</u> | <u>(2,559)</u> | <u>3,795,019</u> |

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7. Insurance contract liabilities (cont'd.)

(A) Life insurance (cont'd.)

(ii) Movements of life insurance contract liabilities

| | Provision for outstanding claims RM'000 | Actuarial liabilities RM'000 | 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 |
|---|--|------------------------------------|---|--|---|---|--------------------------------|-----------------------|------------------------------|
| 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 | - | - | 218,491 | - | - | 18,391 | 236,882 | - | 236,882 |
| Other revenue | - | - | 87,442 | - | - | 1,892 | 89,334 | - | 89,334 |
| Net benefits and claims | 7,496 | - | (205,025) | - | - | (15,654) | (213,183) | 341 | (212,842) |
| Other expenses | - | - | (54,498) | - | - | (148) | (54,646) | - | (54,646) |
| Policy movements | - | 39,857 | (33,789) | - | - | - | 6,068 | - | 6,068 |
| Interest rate movements | - | 16,881 | (12,778) | - | - | - | 4,103 | - | 4,103 |
| Adjustments due to changes in assumptions: | | | | | | | | | |
| - Model change | - | 31,208 | (30,737) | - | - | - | 471 | - | 471 |
| - Others | - | (1,222) | 346 | - | - | - | (876) | - | (876) |
| Changes in AFS reserve | - | - | - | 29,904 | - | - | 29,904 | - | 29,904 |
| Taxation on AFS reserve | - | - | - | (1,739) | - | - | (1,739) | - | (1,739) |
| Taxation on asset revaluation reserve | - | - | - | - | 9 | - | 9 | - | 9 |
| Taxation on taxable investment income | - | - | (5,556) | - | - | - | (5,556) | - | (5,556) |
| As at 30 June 2015 | <u>66,904</u> | <u>3,163,349</u> | <u>451,748</u> | <u>(10,292)</u> | <u>78,013</u> | <u>138,627</u> | <u>3,888,349</u> | <u>(2,218)</u> | <u>3,886,131</u> |

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7. Insurance contract liabilities (cont'd.)

(A) Life insurance (cont'd.)

(ii) Movements of life insurance contract liabilities

| | Provision for outstanding claims RM'000 | Actuarial liabilities RM'000 | 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 |
|--|--|------------------------------------|---|--|---|---|--------------------------------|-----------------------|------------------------------|
| As at 1 July 2014 | 59,685 | 3,099,697 | 450,938 | (29,141) | 36,929 | 131,970 | 3,750,078 | (3,291) | 3,746,787 |
| Net earned premiums | - | - | 194,796 | - | - | 15,616 | 210,412 | - | 210,412 |
| Other revenue | - | - | 92,988 | - | - | 23 | 93,011 | - | 93,011 |
| Net benefits and claims | (277) | - | (196,147) | - | - | (13,449) | (209,873) | 732 | (209,141) |
| Other expenses | - | - | (56,030) | - | - | (14) | (56,044) | - | (56,044) |
| Policy movements | - | 24,088 | (17,605) | - | - | - | 6,483 | - | 6,483 |
| Interest rate movements | - | (8,687) | 6,518 | - | - | - | (2,169) | - | (2,169) |
| Adjustments due to changes in assumptions: | | | | | | | - | | |
| - Model change | - | (11,206) | 8,562 | - | - | - | (2,644) | - | (2,644) |
| - Others | - | (27,267) | 18,821 | - | - | - | (8,446) | - | (8,446) |
| Changes in AFS reserve | - | - | - | (9,994) | - | - | (9,994) | - | (9,994) |
| Taxation on AFS reserve | - | - | - | 678 | - | - | 678 | - | 678 |
| Changes in asset revaluation reserve | - | - | - | - | 44,657 | - | 44,657 | - | 44,657 |
| Taxation on asset revaluation reserve | - | - | - | - | (3,582) | - | (3,582) | - | (3,582) |
| Taxation on taxable investment income | - | - | (7,143) | - | - | - | (7,143) | - | (7,143) |
| Participating fund surplus transferred to shareholders' fund | - | - | (7,846) | - | - | - | (7,846) | - | (7,846) |
| As at 31 December 2014 | 59,408 | 3,076,625 | 487,852 | (38,457) | 78,004 | 134,146 | 3,797,578 | (2,559) | 3,795,019 |

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7. Insurance contract liabilities (cont'd.)

(B) General insurance (Discontinued operations)

| | ←----- 31.12.2014 -----> | | |
|---|--------------------------|-------------------------------|-----------------------|
| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
| Provision for claims reported by policyholders | 200,842 | (91,764) | 109,078 |
| Provision for incurred but not reported ("IBNR") claims and provision for risk margin for adverse deviations ("PRAD") | 129,373 | (33,909) | 95,464 |
| | <u>330,215</u> | <u>(125,673)</u> | <u>204,542</u> |
| Less: Impairment loss on reinsurance assets | - | 1,685 | 1,685 |
| Claim liabilities (i) | <u>330,215</u> | <u>(123,988)</u> | <u>206,227</u> |
| Premium liabilities (ii) | <u>77,105</u> | <u>(19,584)</u> | <u>57,521</u> |
| | <u>407,320</u> | <u>(143,572)</u> | <u>263,748</u> |
| (i) Claim liabilities | | | |
| At 1 July 2014 | 316,741 | (126,518) | 190,223 |
| Claims incurred in the current accident period | 33,586 | (6,307) | 27,279 |
| IBNR and PRAD incurred | 8,302 | (411) | 7,891 |
| Claims incurred in prior accident years | 22,260 | (2,619) | 19,641 |
| Claims paid during the period | (50,674) | 10,182 | (40,492) |
| | <u>330,215</u> | <u>(125,673)</u> | <u>204,542</u> |
| Less: Impairment loss on reinsurance assets | - | 1,685 | 1,685 |
| At 31 December 2014 | <u>330,215</u> | <u>(123,988)</u> | <u>206,227</u> |
| (ii) Premium liabilities | | | |
| At 1 July 2014 | 83,027 | (20,084) | 62,943 |
| Premiums written in the period | 79,661 | (26,199) | 53,462 |
| Premiums earned during the period | (85,583) | 26,699 | (58,884) |
| At 31 December 2014 | <u>77,105</u> | <u>(19,584)</u> | <u>57,521</u> |

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8. Insurance payables

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|-------------------------------------|--|--|
| Due to agents and intermediaries | 14,446 | 9,078 |
| Due to reinsurers and cedants | 6,546 | 3,700 |
| Due to policyholders | 30,429 | 33,607 |
| Accrual for agency related expenses | 14,400 | 9,723 |
| | <u>65,821</u> | <u>56,108</u> |

9. Net earned premiums

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|----------------------------|--|--|
| (a) Gross premiums | | |
| Life insurance contracts | <u>299,434</u> | <u>304,510</u> |
| (b) Premiums ceded | | |
| Life insurance contracts | <u>(3,380)</u> | <u>(2,844)</u> |
| Net earned premiums | <u>296,054</u> | <u>301,666</u> |

10. Investment income

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|--|--|--|
| Rental income related to properties | 1,992 | 773 |
| Expenses related to properties | (1,571) | (1,568) |
| AFS financial assets: | | |
| Interest/profit income | 69,404 | 69,216 |
| Dividend income: | | |
| - Quoted equity securities in Malaysia | 4,748 | 5,687 |
| - Unquoted equity securities in Malaysia | - | 292 |
| - Quoted unit and property trust funds | 3,169 | 3,894 |
| LAR interest/profit income | 20,053 | 20,578 |
| Other investment income | 135 | 896 |
| Sundry investment expenses | (846) | (1,463) |
| | 97,084 | 98,305 |
| Net amortisation of premiums on investment | (3,403) | (2,464) |
| | <u>93,681</u> | <u>95,841</u> |

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11. Realised gains and losses

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|--|--|
| AFS financial assets: | | |
| Realised gains: | | |
| Quoted equity securities in Malaysia | 1,065 | 15,373 |
| Unquoted debt securities in Malaysia | 13,723 | 24,395 |
| Realised losses: | | |
| Quoted equity securities in Malaysia | - | (4) |
| Unquoted debt securities in Malaysia | (2,531) | (2,065) |
| Total realised gains for AFS financial assets | <u>12,257</u> | <u>37,699</u> |
| FVTPL: | | |
| Realised gains: | | |
| Quoted equity securities in Malaysia | 672 | 178 |
| Unquoted debt securities in Malaysia | 228 | 68 |
| Realised losses: | | |
| Quoted equity securities in Malaysia | (191) | (147) |
| Unquoted debt securities in Malaysia | (22) | (31) |
| | <u>687</u> | <u>68</u> |
| | <u>12,944</u> | <u>37,767</u> |

Total realised loss of AFS financial assets transferred from statement of comprehensive income amounts to RM468,000 (30.06.2014: gain of RM5,518,000).

12. Fair value gains and losses

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|--------------------------------------|--|--|
| Unquoted debt securities | 371 | 155 |
| Quoted equity securities | (1,389) | 393 |
| Quoted unit and property trust funds | 1,038 | 397 |
| | <u>20</u> | <u>945</u> |

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13. Fee and commission income

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|-------------------------------|--|--|
| Reinsurance commission income | - | 299 |
| | <u>-</u> | <u>299</u> |

14. Net other operating revenue/(expenses)

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|--|--|
| Other operating revenue: | | |
| Other miscellaneous income | 273 | - |
| Write back of impairment loss on loans receivable | 170 | - |
| | <u>443</u> | <u>-</u> |
| Other operating expenses: | | |
| Provision for compensation to participating funds | (554) | (25,400) |
| Agency special benefit | (1,000) | - |
| Impairment loss on quoted equity securities | (106) | - |
| Impairment loss on loans receivable | - | (2,318) |
| Property and equipment written-off | - | (1) |
| Other miscellaneous expenses | (1,092) | (1,521) |
| | <u>(2,752)</u> | <u>(29,240)</u> |

15. Net benefits and claims

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|--|--|
| (a) Gross benefits and claims paid | | |
| Life insurance contracts | <u>(249,027)</u> | <u>(229,836)</u> |
| (b) Claims ceded to reinsurers | | |
| Life insurance contracts | <u>1,742</u> | <u>4,715</u> |

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15. Net benefits and claims (cont'd.)

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|--|--|
| (c) Gross change in contract liabilities | | |
| Life insurance contracts | <u>(62,596)</u> | <u>(86,367)</u> |
| (d) Change in contract liabilities ceded to reinsurers | | |
| Life insurance contracts | <u>(341)</u> | <u>(1,434)</u> |

16. Fee and commission expenses

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|----------------------------|--|--|
| Agency commission expenses | <u>42,596</u> | <u>43,213</u> |
| | <u>42,596</u> | <u>43,213</u> |

17. Management expenses

| | Note | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|------|--|--|
| Employee benefits expenses | (a) | 18,100 | 19,465 |
| Directors' remuneration | (b) | 541 | 448 |
| Auditors' remuneration | | 423 | 321 |
| Office rental | | 840 | 928 |
| Equipment rental | | 71 | 60 |
| Depreciation of property and equipment | | 3,601 | 2,560 |
| Amortisation of intangible assets | | 1,022 | 242 |
| Amortisation of prepaid land lease payments | | 6 | 6 |
| Entertainment | | 41 | 57 |
| Electronic data processing expenses | | 2,850 | 1,880 |
| Advertising and promotion | | 214 | 588 |
| Repair and maintenance | | 930 | 922 |

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17. Management expenses (cont'd.)

| | 01.01.2015 | 01.01.2014 |
|----------------------------|-------------------|-------------------|
| | to | to |
| | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 |
| Agency training | 294 | 946 |
| Printing and stationery | 598 | 764 |
| Electricity and water | 790 | 764 |
| Telephone and postages | 779 | 847 |
| Legal and consultancy fees | 925 | 3,358 |
| Finance charges | 1,719 | 1,977 |
| Fund management fees | - | 355 |
| Other expenses | 3,399 | 3,201 |
| | <u>37,143</u> | <u>39,689</u> |

(a) Employee benefits expenses

| | | |
|---|---------------|---------------|
| Wages and salaries | 11,864 | 11,077 |
| Social security contributions | 112 | 98 |
| Contributions to defined contribution plan, EPF | 1,733 | 1,828 |
| Other benefits | 4,391 | 6,462 |
| | <u>18,100</u> | <u>19,465</u> |

(b) Directors' remuneration

The details of non-executive directors' remuneration for the period are as follows:

| | 01.01.2015 | 01.01.2014 |
|---------------------------------|-------------------|-------------------|
| | to | to |
| | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 |
| Non-executive: | | |
| Fees | 170 | 122 |
| Allowances and other emoluments | 371 | 326 |
| | <u>541</u> | <u>448</u> |

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17. Management expenses (cont'd.)

(b) Directors' remuneration (cont'd.)

The details of non-executive directors' remuneration for the period are as follows (cont'd.)

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|--|--|
| Director fees | | |
| Tan Sri Mohamed Al Amin bin Abdul Majid | 23 | 22 |
| Dato' Balaram a/l Petha Naidu | 21 | 21 |
| Dato' Hj Mustapha @ Mustapa bin Md Nasir | 21 | 21 |
| Kirupalani a/l Chelliah | 21 | 21 |
| Murugiah M N Singham | 21 | 16 |
| Dato' Dr Mohd. Khir Abdul Rahman | 21 | - |
| Cornelius Karel Foord* | 21 | - |
| Philippus Rudolph Van Rooijen* | 21 | - |
| Eva Ip Yee Kwan | - | 21 |
| | <u>170</u> | <u>122</u> |
| Director allowances and other emoluments | | |
| Tan Sri Mohamed Al Amin bin Abdul Majid | 79 | 92 |
| Dato' Balaram a/l Petha Naidu | 39 | 39 |
| Dato' Hj Mustapha @ Mustapa bin Md Nasir | 33 | 44 |
| Kirupalani a/l Chelliah | 40 | 39 |
| Eva Ip Yee Kwan | - | 30 |
| Murugiah M N Singham | 35 | 38 |
| Dato' Dr Mohd. Khir Abdul Rahman | 35 | 30 |
| Cornelius Karel Foord* | 56 | 7 |
| Philippus Rudolph Van Rooijen* | 52 | 7 |
| William Robertson Dommissee* | 2 | - |
| | <u>371</u> | <u>326</u> |

* Fees and allowances for the Directors are paid to Sanlam Emerging Market Proprietary Limited ("SEM").

(c) Chief Executive Officer's remuneration

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|----------------------|--|--|
| Salaries and bonuses | 642 | 516 |
| Benefits-in-kind | 82 | 84 |
| | <u>724</u> | <u>600</u> |

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18. Taxation

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|---|--|--|
| In respect of current period: | | |
| Current tax | 1,969 | 4,044 |
| Deferred tax | (1,021) | (5,304) |
| | <u>948</u> | <u>(1,260)</u> |
| Taxation of life insurance business: | | |
| Current tax | 6,594 | 11,431 |
| Deferred tax | (140) | 1,090 |
| | <u>6,454</u> | <u>12,521</u> |

Income tax for the Shareholders' funds is calculated based on the tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial period. Income tax for the Life fund is calculated based on tax rate of 8% (2014: 8%) on the taxable investment income for the financial period.

19. Earnings per share

Earnings per share is calculated by dividing 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.

| | 01.01.2015 to 30.06.2015 | 01.01.2014 to 30.06.2014 |
|--|---|---|
| Profit attributable to ordinary equity holders: | | |
| Continuing operations (RM'000) | 3,027 | 193 |
| Discontinued operations (RM'000) | 37,850 | 5,092 |
| | <u>40,877</u> | <u>5,285</u> |
| Weighted average number of shares in issue ('000) | 100,284 | 100,284 |
| Basic and diluted earnings per share: | | |
| Continuing operations (sen) | 3.02 | 0.19 |
| Discontinued operations (sen) | 37.74 | 5.08 |
| | <u>40.76</u> | <u>5.27</u> |

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19. Earnings per share (cont'd.)

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 completion of these unaudited condensed interim financial statements.

20. Dividends

| | 01.01.2015 to 30.06.2015 | Net dividend per share Sen |
|--|-------------------------------------|---|
| | Amount RM'000 | |
| Approved and paid: | | |
| 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 | 149,996 | 149.57 |
| | <u>149,996</u> | <u>149.57</u> |

21. Capital commitments

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|----------------------------------|--|--|
| Approved but not contracted for: | | |
| Property and equipment | 3,974 | 4,137 |
| Intangible assets | 149 | 882 |
| | <u>4,123</u> | <u>5,019</u> |

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22. Significant related party disclosures

(a) Related parties

The related parties and their relationship with the Company as at 30 June 2015 are as follows:

| Name | Relationship |
|--|--|
| Sanlam Emerging Market Proprietary Limited ("SEM") | Corporate shareholder |
| 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.

| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
|--|--|--|
| Transactions with related parties: | | |
| (i) Interest income received from: | | |
| National Land Finance Co-operative Society Limited | <u>138</u> | <u>193</u> |
| (ii) Rental income received from: | | |
| Koperasi MCIS Berhad | <u>168</u> | <u>53</u> |
| (iii) Reimbursable costs to: | | |
| Sanlam Life Insurance Limited | <u>108</u> | <u>-</u> |
| (iv) Directors' fees and allowances to: | | |
| SEM | <u>152</u> | <u>14</u> |
| Balances with related parties: | | |
| (i) Term loan granted to: | | |
| National Land Finance Co-operative Society Limited | <u>5,000</u> | <u>6,000</u> |
| (ii) Reimbursable costs to: | | |
| Sanlam Life Insurance Limited | <u>108</u> | <u>-</u> |
| (iii) Directors' fees and allowances to: | | |
| SEM | <u>42</u> | <u>-</u> |

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

In the previous financial period, the significant related party transactions held with the related parties of the former corporate shareholder of the Company, Zurich Asia Holdings Limited ("Z AHL"), were as follows:

| | 01.01.2014 to 30.06.2014 RM'000 |
|---|--|
| Transactions with related parties (cont'd.): | |
| (i) Reinsurance premium income from: Zurich Insurance Malaysia Berhad | <u>(11)</u> |
| (ii) Reinsurance premium ceded to: Zurich Insurance Company (Switzerland) | <u>653</u> |
| (iii) Claims recovered from: Zurich Insurance Company (Switzerland) | <u>997</u> |
| (iv) Coinsurance premium ceded to: Zurich Insurance Malaysia Berhad | <u>409</u> |
| (v) Coinsurance claims recovered from: Zurich Insurance Malaysia Berhad | <u>181</u> |

23. Regulatory capital requirement

The capital structure of the Company as at 30 June 2015, as prescribed under the RBC Framework is provided below:

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|---------------------------------------|--|--|
| <u>Eligible Tier 1 Capital</u> | | |
| Share capital (paid-up) | 100,284 | 100,284 |
| Reserves, including retained earnings | <u>1,112,237</u> | <u>1,262,884</u> |
| | <u>1,212,521</u> | <u>1,363,168</u> |
| <u>Tier 2 Capital</u> | | |
| Eligible reserves | <u>73,477</u> | <u>41,039</u> |
| Amount deducted from capital | <u>(15,995)</u> | <u>(15,472)</u> |
| Total capital available | <u>1,270,003</u> | <u>1,388,735</u> |

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24. Financial instruments

(a) Financial instrument by category

| | FVTPL | AFS | LAR | Sub-total | Assets not in scope of MFRS 139 | Total |
|--------------------------------|----------------|------------------|----------------|------------------|--|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 30 June 2015 | | | | | | |
| Assets | | | | | | |
| Property and equipment | - | - | - | - | 131,039 | 131,039 |
| Investment properties | - | - | - | - | 16,340 | 16,340 |
| Intangible assets | - | - | - | - | 12,834 | 12,834 |
| Prepaid land lease payments | - | - | - | - | 231 | 231 |
| Investments | 120,410 | 3,374,205 | 654,565 | 4,149,180 | - | 4,149,180 |
| Reinsurance assets | - | - | - | - | 2,218 | 2,218 |
| Insurance receivables | - | - | 62,656 | 62,656 | - | 62,656 |
| Other receivables | - | - | 48,775 | 48,775 | - | 48,775 |
| Cash and bank balances | - | - | 22,354 | 22,354 | - | 22,354 |
| Total assets | 120,410 | 3,374,205 | 788,350 | 4,282,965 | 162,662 | 4,445,627 |
| Liabilities | | | | | | |
| Insurance contract liabilities | - | - | - | - | 3,888,349 | 3,888,349 |
| Deferred tax liabilities | - | - | - | - | 18,363 | 18,363 |
| Insurance payables | - | - | - | - | 65,821 | 65,821 |
| Provision for taxation | - | - | - | - | 6,674 | 6,674 |
| Other payables | - | 119,695 | - | 119,695 | - | 119,695 |
| Total liabilities | - | 119,695 | - | 119,695 | 3,979,207 | 4,098,902 |

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24. Financial instruments (cont'd.)

(b) Fair value measurement

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

| | Date of valuation | Fair value measurement using | | |
|---------------------------------------|--------------------------|-------------------------------|---|------------------|
| | | Level 1 - Quoted market price | Level 2 - Valuation Techniques - Market observable inputs | Total fair value |
| | | RM'000 | RM'000 | RM'000 |
| 30 June 2015 | | | | |
| Assets measured at fair value: | | | | |
| Investment properties | November / December 2014 | - | 16,340 | 16,340 |
| AFS financial assets: | | | | |
| Malaysian Government securities | 30 June 2015 | - | 1,355,025 | 1,355,025 |
| Government investment issues | 30 June 2015 | - | 148,656 | 148,656 |
| Malaysian Government guaranteed bonds | 30 June 2015 | - | 687,402 | 687,402 |
| Unquoted debt securities | 30 June 2015 | - | 836,801 | 836,801 |
| Quoted equity securities | 30 June 2015 | 221,892 | - | 221,892 |
| Quoted unit and property trust funds | 30 June 2015 | 117,093 | - | 117,093 |
| | | 338,985 | 3,027,884 | 3,366,869 |
| Financial assets designated at FVTPL: | | | | |
| Malaysian Government securities | 30 June 2015 | - | 9,440 | 9,440 |
| Government investment issues | 30 June 2015 | - | 1,990 | 1,990 |
| Unquoted debt securities | 30 June 2015 | - | 7,546 | 7,546 |
| Quoted equity securities | 30 June 2015 | 58,868 | - | 58,868 |
| Quoted exchange traded funds | 30 June 2015 | 23,388 | - | 23,388 |
| Quoted unit and property trust funds | 30 June 2015 | 19,178 | - | 19,178 |
| | | 101,434 | 18,976 | 120,410 |

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24. Financial instruments (cont'd.)

(b) Fair value measurement (cont'd.)

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

| | Date of valuation | Fair value measurement using | | |
|---------------------------------------|--------------------------|-------------------------------|---|------------------|
| | | Level 1 - Quoted market price | Level 2 - Valuation Techniques - Market observable inputs | Total fair value |
| | | RM'000 | RM'000 | RM'000 |
| 30 June 2015 (cont'd.) | | | | |
| Revalued property and equipment | November / December 2014 | - | 128,288 | 128,288 |
| | | 440,419 | 3,191,488 | 3,631,907 |
| 31 December 2014 | | | | |
| Assets measured at fair value: | | | | |
| Investment properties | November / December 2014 | - | 16,340 | 16,340 |
| AFS financial assets: | | | | |
| Malaysian Government securities | 31 December 2014 | - | 1,491,699 | 1,491,699 |
| Government investment issues | 31 December 2014 | - | 92,914 | 92,914 |
| Malaysian Government guaranteed bonds | 31 December 2014 | - | 539,354 | 539,354 |
| Unquoted debt securities | 31 December 2014 | - | 1,026,329 | 1,026,329 |
| Quoted equity securities | 31 December 2014 | 228,702 | - | 228,702 |
| Quoted unit and property trust funds | 31 December 2014 | 116,422 | - | 116,422 |
| | | 345,124 | 3,150,296 | 3,495,420 |

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24. Financial instruments (cont'd.)

(b) Fair value measurement (cont'd.)

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

| | Date of valuation | Fair value measurement using | | |
|---------------------------------------|--------------------------|-------------------------------|---|------------------|
| | | Level 1 - Quoted market price | Level 2 - Valuation Techniques - Market observable inputs | Total fair value |
| | | RM'000 | RM'000 | RM'000 |
| 31 December 2014 (cont'd.) | | | | |
| Financial assets designated at FVTPL: | | | | |
| Malaysian Government securities | 31 December 2014 | - | 13,637 | 13,637 |
| Government investment issues | 31 December 2014 | - | 1,956 | 1,956 |
| Unquoted debt securities | 31 December 2014 | - | 6,360 | 6,360 |
| Quoted equity securities | 31 December 2014 | 60,713 | - | 60,713 |
| Quoted exchange traded funds | 31 December 2014 | 20,371 | - | 20,371 |
| Quoted unit and property trust funds | 31 December 2014 | 18,060 | - | 18,060 |
| | | 99,144 | 21,953 | 121,097 |
| Revalued property and equipment | November / December 2014 | - | 128,288 | 128,288 |
| Discontinued operations | 31 December 2014 | - | 138,435 | 138,435 |
| | | 444,268 | 3,455,312 | 3,899,580 |

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24. Financial instruments (cont'd.)

(b) 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:

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

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 periods ended 30 June 2015 and 31 December 2014.

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25. Insurance funds

The Company's activities are organised by funds and segregated into the Shareholders' and General, Life and Investment linked 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 2015**

| | Shareholders' and General funds*** | | Life funds | | Investment linked funds | | Total | |
|------------------------------------|---------------------------------------|----------------------|----------------------|----------------------|-------------------------|----------------------|----------------------|----------------------|
| | 30.06.2015 RM'000 | 31.12.2014 RM'000 | 30.06.2015 RM'000 | 31.12.2014 RM'000 | 30.06.2015 RM'000 | 31.12.2014 RM'000 | 30.06.2015 RM'000 | 31.12.2014 RM'000 |
| Assets | | | | | | | | |
| Property and equipment | 17 | 16 | 131,022 | 134,475 | - | - | 131,039 | 134,491 |
| Investment properties | - | - | 16,340 | 16,340 | - | - | 16,340 | 16,340 |
| Intangible assets | - | - | 12,834 | 13,367 | - | - | 12,834 | 13,367 |
| Prepaid land lease payments | - | - | 231 | 237 | - | - | 231 | 237 |
| Investments | 308,621 | 380,398 | 3,697,672 | 3,682,854 | 142,887 | 136,461 | 4,149,180 | 4,199,713 |
| Reinsurance assets | - | - | 2,218 | 2,559 | - | - | 2,218 | 2,559 |
| Insurance receivables | - | - | 62,656 | 39,599 | - | - | 62,656 | 39,599 |
| Other receivables* | 44,876 | 340,602 | 45,765 | 44,615 | 362 | 475 | 48,775 | 46,064 |
| Cash and bank balances | 15,539 | 4,141 | 6,618 | 3,027 | 197 | 256 | 22,354 | 7,424 |
| Assets classified as held for sale | - | 429,895 | - | - | - | - | - | 429,895 |
| Total assets | 369,053 | 1,155,052 | 3,975,356 | 3,937,073 | 143,446 | 137,192 | 4,445,627 | 4,889,689 |

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

25. Insurance funds (cont'd.)

**Statements of financial position by funds (cont'd.)
As at 30 June 2015**

| | Shareholders' and General funds*** | | Life funds | | Investment linked funds | | Total | |
|---|---------------------------------------|------------|------------|------------|-------------------------|------------|------------|------------|
| | 30.06.2015 | 31.12.2014 | 30.06.2015 | 31.12.2014 | 30.06.2015 | 31.12.2014 | 30.06.2015 | 31.12.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Total equity | 346,725 | 446,689 | - | - | - | - | 346,725 | 446,689 |
| Liabilities | | | | | | | | |
| Insurance contract liabilities | - | - | 3,749,722 | 3,663,432 | 138,627 | 134,146 | 3,888,349 | 3,797,578 |
| Deferred tax liabilities | 12,047 | 10,846 | 4,814 | 3,229 | 1,502 | 1,498 | 18,363 | 15,573 |
| Insurance payables | - | - | 65,821 | 56,108 | - | - | 65,821 | 56,108 |
| Provision for taxation** | 6,079 | 14,447 | (445) | 2,164 | 1,040 | 934 | 6,674 | 17,545 |
| Other payables* | 4,202 | 246,212 | 155,444 | 212,140 | 2,277 | 614 | 119,695 | 119,338 |
| Liabilities directly associated with assets classified as held for sale | - | 436,858 | - | - | - | - | - | 436,858 |
| Total liabilities | 22,328 | 708,363 | 3,975,356 | 3,937,073 | 143,446 | 137,192 | 4,098,902 | 4,443,000 |
| Total equity and liabilities | 369,053 | 1,155,052 | 3,975,356 | 3,937,073 | 143,446 | 137,192 | 4,445,627 | 4,889,689 |

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

** Tax recoverable in other receivables and provision for taxation are eliminated in presenting the Company's net results.

*** The result under Shareholders' and General funds at 30 June 2015 solely represents position for shareholders' funds as the GI business is no longer part of the Company as a result of the transfer of GI business to Pacific Insurance on 1 March 2015 as disclosed in Note 6.

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**MCIS Insurance Berhad
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25. Insurance funds (cont'd.)

**Income statement by funds
For the six-month period ended 30 June 2015**

| | Shareholders' and General Funds | | Life Funds | | Investment Linked Funds | | Total | |
|--|--|--|--|--|--|--|--|--|
| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
| Continuing operations: | | | | | | | | |
| Gross earned premiums | - | - | 281,043 | 282,992 | 18,391 | 21,518 | 299,434 | 304,510 |
| Earned premiums ceded to reinsurers | - | - | (3,380) | (2,844) | - | - | (3,380) | (2,844) |
| Net earned premiums | - | - | 277,663 | 280,148 | 18,391 | 21,518 | 296,054 | 301,666 |
| Investment income | 7,254 | 6,779 | 85,244 | 87,822 | 1,183 | 1,240 | 93,681 | 95,841 |
| Realised gains and losses | 132 | 857 | 12,125 | 36,842 | 687 | 68 | 12,944 | 37,767 |
| Fair value gains and losses | - | - | - | - | 20 | 945 | 20 | 945 |
| Fee and commission income | - | - | - | 299 | - | - | - | 299 |
| Other operating revenue | 8 | - | 433 | - | 2 | - | 443 | - |
| Other revenue | 7,394 | 7,636 | 97,802 | 124,963 | 1,892 | 2,253 | 107,088 | 134,852 |

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25. Insurance funds (cont'd.)

Income statement by funds

For the six-month period ended 30 June 2015 (cont'd.)

| | Shareholders' and General Funds | | Life Funds | | Investment Linked Funds | | Total | |
|---|--|--|--|--|--|--|--|--|
| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
| Gross benefits and claims paid | - | - | (233,373) | (212,386) | (15,654) | (17,450) | (249,027) | (229,836) |
| Claims ceded to reinsurers | - | - | 1,742 | 4,715 | - | - | 1,742 | 4,715 |
| Gross change in contract liabilities | - | - | (58,115) | (80,296) | (4,481) | (6,071) | (62,596) | (86,367) |
| Change in contract liabilities ceded to reinsurers | - | - | (341) | (1,434) | - | - | (341) | (1,434) |
| Net benefits and claims | - | - | (290,087) | (289,401) | (20,135) | (23,521) | (310,222) | (312,922) |
| Fee and commission expenses | - | - | (42,596) | (43,213) | - | - | (42,596) | (43,213) |
| Other operating expenses | (1,699) | (25,796) | (1,053) | (3,444) | - | - | (2,752) | (29,240) |
| Management expenses | (2,927) | (2,306) | (34,198) | (37,372) | (18) | (11) | (37,143) | (39,689) |
| Taxation of life insurance business | - | - | (6,324) | (12,282) | (130) | (239) | (6,454) | (12,521) |
| Other expenses | (4,626) | (28,102) | (84,171) | (96,311) | (148) | (250) | (88,945) | (124,663) |
| Profit/(Loss) from operations | 2,768 | (20,466) | 1,207 | 19,399 | - | - | 3,975 | (1,067) |
| Transferred from Life funds: | | | | | | | | |
| - Participating fund | - | 15,422 | - | (15,422) | - | - | - | - |
| - Non-participating fund | - | 24,230 | - | (24,230) | - | - | - | - |
| | - | 39,652 | - | (39,652) | - | - | - | - |

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25. Insurance funds (cont'd.)

Income statement by funds

For the six-month period ended 30 June 2015 (cont'd.)

| | Shareholders' and General Funds | | Life Funds | | Investment Linked Funds | | Total | |
|---|------------------------------------|--------------|------------|---------------|-------------------------|------------|---------------|--------------|
| | 01.01.2015 | 01.01.2014 | 01.01.2015 | 01.01.2014 | 01.01.2015 | 01.01.2014 | 01.01.2015 | 01.01.2014 |
| | to | to | to | to | to | to | to | to |
| | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Reclassification of unallocated surplus/(deficits) of non-participating funds to shareholders' fund | 1,207 | (20,253) | (1,207) | 20,253 | - | - | - | - |
| Profit/(Loss) before taxation from continuing operations | 3,975 | (1,067) | - | 39,652 | - | - | 3,975 | (1,067) |
| Taxation | (948) | 1,260 | - | - | - | - | (948) | 1,260 |
| Net profit for the period from continuing operations | 3,027 | 193 | - | 39,652 | - | - | 3,027 | 193 |
| Discontinued operations: | | | | | | | | |
| Net profit for the period from discontinued operations | 2,169 | 5,092 | - | - | - | - | 2,169 | 5,092 |
| Gain on disposal of general insurance business | 35,681 | - | - | - | - | - | 35,681 | - |
| Net profit for the period | 40,877 | 5,285 | - | 39,652 | - | - | 40,877 | 5,285 |

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25. Insurance funds (cont'd.)

**Statements of cash flows by funds
For the six-month period ended 30 June 2015**

| | Shareholders' and General Funds | | Life Funds | | Investment Linked Funds | | Total | |
|--|--|--|--|--|--|--|--|--|
| | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 | 01.01.2015 to 30.06.2015 RM'000 | 01.01.2014 to 30.06.2014 RM'000 |
| Cash flows from: | | | | | | | | |
| Operating activities | 49,285 | 38,634 | 97,525 | 212,898 | 7,054 | (2,392) | 153,864 | 249,140 |
| Investing activities | 34,879 | (52) | (636) | (1,330) | - | - | 34,243 | (1,382) |
| Financing activities | (149,996) | - | - | - | - | - | (149,996) | - |
| Net (decrease)/increase in cash and cash equivalents | (65,832) | 38,582 | 96,889 | 211,568 | 7,054 | (2,392) | 38,111 | 247,758 |
| At beginning of period | 88,060 | 50,709 | 198,576 | 115,598 | 15,620 | 22,030 | 302,256 | 188,337 |
| At end of period | 22,228 | 89,291 | 295,465 | 327,166 | 22,674 | 19,638 | 340,367 | 436,095 |
| Cash and cash equivalents comprise of: | | | | | | | | |
| Cash and bank balances | 15,539 | 4,647 | 6,618 | 1,107 | 197 | 223 | 22,354 | 5,977 |
| Less: Cash restricted in use | (8,204) | - | - | - | - | - | (8,204) | - |
| | 7,335 | 4,647 | 6,618 | 1,107 | 197 | 223 | 14,150 | 5,977 |
| Short term deposits with original maturity periods of less than 3 months | 14,893 | 84,644 | 288,847 | 326,059 | 22,477 | 19,415 | 326,217 | 430,118 |
| | 22,228 | 89,291 | 295,465 | 327,166 | 22,674 | 19,638 | 340,367 | 436,095 |

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26. Seasonal or cyclical factors

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

27. Unusual items

On 1 March 2015, the Company completed the transfer of its GI business to Pacific Insurance. The details of the transfer are disclosed in Note 6.

Except for the above, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 30 June 2015.

28. 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.

29. Debt and equity securities

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

30. 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.

31. Contingent liabilities

- (i) 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 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.

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31. Contingent liabilities (cont'd.)

- (ii) During the period to June 2015, the Company instituted legal proceedings against a former tenant of one of the Company's properties to seek recovery of outstanding rentals, electricity and water 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. In response to these proceedings, the former tenant filed a counter-claim against the Company for loss of branding and goodwill and double payment of electricity charges, amongst others. As at the date of approval of these financial statements the matter is still at a pre-trial stage, and any outflows as a result of this counter-claim are deemed possible, but 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.

32. Effect of changes in composition of the Company

On 1 March 2015, the Company disposed its GI business to Pacific Insurance as detailed in Note 6. Consequently, the Company operates solely as a life insurance company after the disposal.