

Company No.

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| 738090 | M |
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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014

Company No.

738090 M

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

| | 31.12.2014 | | | | | 30.06.2014 | | | | |
|--|-------------------------|-----------------------------|----------------------------|----------------|------|-------------------------|-----------------------------|----------------------------|----------------|--|
| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 | Note | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 | |
| ASSETS | | | | | | | | | | |
| Property and equipment | 1,899 | - | - | 1,899 | | 2,017 | - | - | 2,017 | |
| Intangible assets | 5,453 | - | - | 5,453 | | 4,439 | - | - | 4,439 | |
| Financial assets – available-for-sale | 77,734 | 37,095 | 118,048 | 227,973 | 3 | 80,886 | 37,236 | 103,694 | 216,906 | |
| Financial assets – fair value through profit or loss | - | - | 16,994 | 16,994 | 3 | - | - | 16,232 | 16,232 | |
| Loan and receivables | - | 690 | 6,825 | 7,515 | | - | 683 | 6,720 | 7,403 | |
| Qardh receivable | - | - | - | - | | - | - | - | - | |
| Retakaful assets | - | 93,880 | 22,097 | 115,977 | 4 | - | 72,340 | 30,511 | 102,851 | |
| Deferred tax assets | - | - | - | - | | 851 | - | - | 360 | |
| Current tax recoverable | 2,900 | - | - | 2,900 | | 1,895 | - | - | 1,895 | |
| Takaful receivables | - | 11,089 | 9,257 | 20,346 | | - | 8,567 | 21,166 | 29,733 | |
| Other receivables | 2,200 | 1,560 | 446 | 2,845 | | 2,802 | 1,476 | 1,317 | 4,022 | |
| Cash and cash equivalents | 6,283 | 9,651 | 27,473 | 43,407 | | 9,847 | 10,692 | 13,766 | 34,305 | |
| Total assets | 96,469 | 153,965 | 201,140 | 445,309 | | 102,737 | 130,994 | 193,406 | 420,163 | |
| LIABILITIES | | | | | | | | | | |
| Takaful contract liabilities | - | 146,134 | 183,519 | 324,749 | 5 | - | 120,317 | 173,758 | 289,165 | |
| Takaful payables | - | 3,240 | 10,871 | 14,111 | | - | 5,224 | 14,640 | 19,864 | |
| Expense liabilities | 7,179 | - | - | 7,179 | | 7,988 | - | - | 7,988 | |
| Qardh payable | - | - | - | - | | - | - | - | - | |
| Other payables | 6,966 | 1,486 | 4,913 | 12,004 | | 7,379 | 2,226 | 3,214 | 11,246 | |
| Due to related companies | 659 | - | - | 659 | | 362 | - | - | 362 | |
| Deferred tax liabilities | 288 | 207 | 205 | 700 | | - | 329 | 162 | - | |
| Current tax liabilities | - | 2,898 | 1,632 | 4,530 | | - | 2,898 | 1,632 | 4,530 | |
| Total liabilities | 15,092 | 153,965 | 201,140 | 363,932 | | 15,729 | 130,994 | 193,406 | 333,155 | |
| SHAREHOLDERS' EQUITY | | | | | | | | | | |
| Share capital | 100,000 | - | - | 100,000 | | 100,000 | - | - | 100,000 | |
| Accumulated losses | (20,286) | - | - | (20,286) | | (14,750) | - | - | (14,742) | |
| Fair value reserve | 1,663 | - | - | 1,663 | | 1,750 | - | - | 1,750 | |
| Total Equity | 81,377 | - | - | 81,377 | | 87,008 | - | - | 87,008 | |
| Total liabilities and equity | 96,469 | 153,965 | 201,140 | 445,309 | | 102,737 | 130,994 | 193,406 | 420,163 | |

The accompanying notes form an integral part of the interim financial statements.

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014

| | 6 months ended 31.12.2014 | | | 6 months ended 31.12.2013 | | | | |
|--|----------------------------|--------------------------------|-------------------------------|---------------------------|----------------------------|--------------------------------|-------------------------------|-------------------|
| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
| Gross contributions | - | 22,486 | 27,622 | 50,108 | - | 24,064 | 26,451 | 50,515 |
| Contributions ceded to retakaful | - | (12,004) | (4,918) | (16,922) | - | (9,954) | (6,114) | (16,068) |
| Net contributions | - | 10,482 | 22,704 | 33,186 | - | 14,110 | 20,337 | 34,447 |
| Change in unearned contribution reserve | - | 1,024 | - | 1,024 | - | 1,711 | - | 1,711 |
| Net earned contributions | - | 11,506 | 22,704 | 34,210 | - | 15,821 | 20,337 | 36,158 |
| Share of investment profit from: | | | | | | | | |
| Family takaful | 279 | - | - | - | 219 | - | - | - |
| General takaful | - | - | - | - | 69 | - | - | - |
| Wakalah fee income | 12,774 | - | - | - | 13,255 | - | - | - |
| Commission income | - | 2,772 | - | 2,772 | - | 2,086 | - | 2,086 |
| Investment income | 1,768 | 975 | 2,878 | 5,900 | 1,810 | 723 | 1,873 | 4,694 |
| Realised gains | - | 18 | - | 18 | 326 | 259 | 1,541 | 2,126 |
| Fair value gains/(losses) | - | - | 102 | 102 | - | (37) | (37) | (74) |
| Other operating income | 1,253 | 55 | 1,609 | 2,490 | 428 | 447 | 1,599 | 2,066 |
| Other income | 16,074 | 3,820 | 4,589 | 11,282 | 16,107 | 3,478 | 4,976 | 10,898 |
| Gross benefits and claims paid | - | (29,397) | (11,566) | (40,963) | - | (9,738) | (30,350) | (40,088) |
| Claims ceded to retakaful | - | 26,360 | 8,680 | 35,040 | - | 6,027 | 6,018 | 12,045 |
| Gross change to certificate liabilities | - | (28,318) | (9,362) | (37,680) | - | (9,050) | 3,584 | (5,466) |
| Change to certificate liabilities ceded to retakaful | - | 22,905 | (8,414) | 14,491 | - | 5,363 | 2,258 | 7,621 |
| Net benefits and claims | - | (8,450) | (20,662) | (29,112) | - | (7,398) | (18,490) | (25,888) |
| Wakalah fee expenses | - | (6,599) | (6,175) | - | - | (7,133) | (6,122) | - |
| Commission expenses | (7,345) | - | - | (7,345) | (6,874) | - | - | (6,874) |
| Management expenses | (13,105) | - | - | (13,105) | (9,067) | - | - | (9,067) |
| Other operating expenses | - | (363) | (448) | (384) | (963) | - | (423) | (978) |
| Other expenses | (20,450) | (6,962) | (6,623) | (20,834) | (16,904) | (7,133) | (6,545) | (16,919) |

The accompanying notes form an integral part of the interim financial statements.

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)

| | 6 months ended 31.12.2014 | | | 6 months ended 31.12.2013 | | | | |
|--|----------------------------|--------------------------------|-------------------------------|---------------------------|----------------------------|--------------------------------|-------------------------------|-------------------|
| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
| (Loss)/profit before zakat and taxation | (4,376) | (86) | 8 | (4,454) | (797) | 4,768 | 278 | 4,249 |
| Tax expense attributable to participants | (1,168) | 86 | (8) | (1,091) | - | (1,088) | (278) | (1,366) |
| Profit before taxation attributable to Takaful Operator | (5,544) | - | - | (5,545) | (797) | 3,680 | - | 2,883 |
| Taxation | - | 86 | (8) | 78 | (321) | (1,088) | (278) | (1,687) |
| Tax expense attributable to participants | - | (86) | 8 | (78) | - | 1,088 | 278 | 1,366 |
| Tax expense attributable to Takaful Operator | - | - | - | - | (321) | - | - | (321) |
| Zakat | - | - | - | - | - | - | - | - |
| (Loss)/profit after zakat and taxation | (5,544) | - | - | (5,544) | (1,118) | 3,680 | - | 2,562 |
| Other comprehensive (loss)/income: | | | | | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | | | | | |
| Fair value changes on available-for-sale financial assets, net of deferred tax: | | | | | | | | |
| - Gross fair value gains arising during the financial period | (116) | (131) | 433 | 193 | (713) | 526 | (238) | (367) |
| - Gross fair value gains transferred to income statement | - | (18) | - | (18) | (326) | (259) | (366) | (951) |
| - Deferred taxation | 29 | 37 | (34) | 31 | 260 | (67) | 48 | 241 |
| - Net fair value changes | (87) | (112) | 399 | 206 | (779) | 200 | (556) | (1,077) |
| Changes in Takaful contract liabilities arising from unrealised net fair value changes | - | 112 | (399) | (287) | - | (200) | 556 | 298 |
| Other comprehensive loss for the financial period | (87) | - | - | (87) | (779) | - | - | (779) |
| Total comprehensive (loss)/income for the financial period | (5,631) | - | - | (5,631) | (1,897) | 3,680 | - | 1,783 |

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HONG LEONG MSIG TAKAFUL BERHAD
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014

| | Issued and fully paid ordinary shares of RM 1 each | | Non- distributable AFS Reserve RM'000 | Accumulated Losses RM'000 | Total RM'000 |
|--|---|----------------------------|---|---------------------------------|-----------------|
| | Number of Shares | Nominal Value RM'000 | | | |
| At 1 July 2014 | 100,000 | 100,000 | 1,750 | (14,742) | 87,008 |
| Total comprehensive loss for the financial period | - | - | (87) | (5,544) | (5,631) |
| At 31 December 2014 | 100,000 | 100,000 | 1,663 | (20,286) | 81,377 |
| At 1 July 2013 | 100,000 | 100,000 | 2,746 | (16,936) | 85,810 |
| Total comprehensive (loss)/income for the financial period | - | - | (779) | 2,562 | 1,783 |
| At 31 December 2013 | 100,000 | 100,000 | 1,967 | (14,374) | 87,593 |

The accompanying notes form an integral part of the interim financial statements.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014**

| | 6 months ended 31.12.2014 RM'000 | 6 months ended 31.12.2013 RM'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit for the financial period | (5,544) | 2,562 |
| Adjustments for: | | |
| Write back of takaful receivables | - | (1,299) |
| Write back of retakaful payable | - | (1,390) |
| Depreciation of property and equipment | 268 | 129 |
| Amortisation of intangible assets | 592 | 161 |
| Gain on disposal of investments | (18) | (2,126) |
| Unrealised fair value gain on financial assets | (102) | - |
| Foreign exchange | - | 210 |
| Amortisation of discounts – net | 8 | 14 |
| Profits and dividend income | (5,908) | (4,854) |
| Allowance for diminution in value of investment | - | 74 |
| Taxation | 1,091 | 1,687 |
| Loss from operations before changes in operating assets and liabilities | (9,613) | (4,832) |
| Proceeds from disposal of investments | 4,922 | 48,894 |
| Maturity of investments | 5,000 | 28,777 |
| Purchase of investments | (21,430) | (90,057) |
| (Decrease)/increase in expense liabilities | (809) | 963 |
| Increase/(decrease) in Family Takaful certificate liabilities | 9,362 | (3,583) |
| Increase in General Takaful certificate liabilities | 25,929 | 1,298 |
| Decrease/(increase) in loan and receivables | (121) | 12,671 |
| Increase in retakaful assets | (13,126) | (1,578) |
| Decrease/(increase) in takaful receivables | 9,387 | (4,017) |
| Decrease/(increase) in other receivables | 1,594 | (1,311) |
| Decrease in takaful payables | (5,753) | (1,313) |
| Increase/(decrease) in other payables | 758 | (600) |
| Increase/(decrease) in amount due to related companies | 297 | 43 |
| | 6,397 | (14,645) |
| Tax paid | (1,005) | (322) |
| Profit received | 5,026 | 4,608 |
| Dividends received | 440 | 318 |
| Net cash generated from operating activities | 10,858 | (10,041) |

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)

| | 6 months Ended 31.12.2014 RM'000 | 6 months ended 31.12.2013 RM'000 |
|--|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of property and equipment | | |
| Purchase of intangible assets | (1,606) | (87) |
| Purchase of property and equipment | (150) | (1,120) |
| Net cash used in investing activities | <u>(1,756)</u> | <u>(1,207)</u> |
| | | |
| Net decrease in cash and cash equivalents | 9,102 | (11,248) |
| Cash and cash equivalents at beginning of the financial period | 34,305 | 75,787 |
| Cash and cash equivalents at the end of the financial period | <u>43,407</u> | <u>64,539</u> |
| | | |
| Cash and cash equivalents comprise: | | |
| Takaful Operator | 6,283 | 12,994 |
| General Takaful fund | 9,651 | 13,295 |
| Family Takaful fund | 27,473 | 38,250 |
| | <u>43,407</u> | <u>64,539</u> |

The accompanying notes form an integral part of the interim financial statements

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014**

1. Basis of preparation

The unaudited financial statements have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 *Interim Financial Reporting* issued by International Accounting Standards Board and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim statements have been prepared under the historical cost except for certain financial assets and financial liabilities that are stated at fair value.

The statements of financial position and the statements of comprehensive income of the Operator, Family Fund and General Fund are supplementary financial information presented in accordance with the requirement of BNM. In accordance with Islamic Financial Services Act, 2013 the Company is required to segregate assets, liabilities, income and expenses of the Takaful funds from its own. The statements of financial position and comprehensive income of the Operator include only assets, liabilities, income and expenses of the Company excluding the Takaful funds managed by it.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 June 2014. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 30 June 2014.

2. Summary of Significant 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 30 June 2014, except for the adoption of the following:

| <u>MFRS / Interpretations</u> | <u>Effective date</u> |
|--|-----------------------|
| - Amendment to MFRS 2 "Share-based Payment" | 1 July 2014 |
| - Amendment to MFRS 3 "Business Combinations" | 1 July 2014 |
| - Amendment to MFRS 8 "Operating Segments" | 1 July 2014 |
| - Amendment to MFRS 13 "Fair Value Measurement" | 1 July 2014 |
| - Amendment to MFRS 116 "Property, Plant and Equipment" | 1 July 2014 |
| - Amendment to MFRS 119 "Employee Benefit Plans – Employee Contribution" | 1 July 2014 |
| - Amendment to MFRS 124 "Related Party Disclosure" | 1 July 2014 |
| - Amendment to MFRS 138 "Intangible Assets" | 1 July 2014 |

The adoption of the above revised standards, amendments and interpretations issued by MASB which are effective in the current year do not have any significant financial impact to the financial statements of the Company.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

3. Financial assets

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>31 December 2014</u> | | | | |
| Government Investment Issues | 2,619 | - | 7,856 | 10,475 |
| Islamic bonds | 63,840 | 30,191 | 108,619 | 202,650 |
| Equity securities | 5,749 | 6,623 | 13,200 | 25,572 |
| Investments in investment-linked funds | 4,904 | - | - | - |
| Structured investments | - | - | 4,352 | 4,352 |
| Accrued profit | 622 | 281 | 1,015 | 1,918 |
| Total | <u>77,734</u> | <u>37,095</u> | <u>135,042</u> | <u>244,967</u> |
| <u>30 June 2014</u> | | | | |
| Government Investment Issues | 2,609 | - | 7,826 | 10,435 |
| Islamic bonds | 66,534 | 30,093 | 94,210 | 190,837 |
| Equity securities | 6,200 | 6,866 | 12,893 | 25,959 |
| Investments in investment-linked funds | 4,910 | - | - | - |
| Structured investments | - | - | 4,024 | 4,024 |
| Accrued profit | 633 | 277 | 973 | 1,883 |
| Total | <u>80,886</u> | <u>37,236</u> | <u>119,926</u> | <u>233,138</u> |

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

3. Financial assets (Continued)

(a) The Company's financial assets are summarised as follows:

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>31 December 2014</u> | | | | |
| AFS | 77,734 | 37,095 | 118,048 | 227,973 |
| FVTPL | - | - | 16,994 | 16,994 |
| Total | <u>77,734</u> | <u>37,095</u> | <u>135,042</u> | <u>244,967</u> |
| Current | 6,894 | 281 | 2,162 | 9,337 |
| Non-current | <u>70,840</u> | <u>36,814</u> | <u>132,880</u> | <u>235,630</u> |
| | <u>77,734</u> | <u>37,095</u> | <u>135,042</u> | <u>244,967</u> |
| i) AFS | | | | |
| Government Investment Issues | 2,619 | - | 6,809 | 9,428 |
| Islamic bonds | 63,840 | 30,191 | 99,436 | 193,467 |
| Equity securities quoted in Malaysia | 5,749 | 6,623 | 10,853 | 23,225 |
| Investments in investment-linked funds | 4,904 | - | - | - |
| Accrued profit | 622 | 281 | 950 | 1,853 |
| Total | <u>77,734</u> | <u>37,095</u> | <u>118,048</u> | <u>227,973</u> |
| ii) FVTPL | | | | |
| Government Investment Issues | - | - | 1,047 | 1,047 |
| Islamic bonds | - | - | 9,183 | 9,183 |
| Equity securities quoted in Malaysia | - | - | 2,347 | 2,347 |
| Structured investments | - | - | 4,352 | 4,352 |
| Accrued profit | - | - | 65 | 65 |
| Total | <u>-</u> | <u>-</u> | <u>16,994</u> | <u>16,994</u> |

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

3. Financial assets (Continued)

(a) The Company's financial assets are summarised as follows:

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>30 June 2014</u> | | | | |
| AFS | 80,886 | 37,236 | 103,694 | 216,906 |
| FVTPL | - | - | 16,232 | 16,232 |
| Total | <u>80,886</u> | <u>37,236</u> | <u>119,926</u> | <u>233,138</u> |
| Current | 3,642 | 277 | 2,980 | 6,899 |
| Non-current | <u>77,244</u> | <u>36,959</u> | <u>116,946</u> | <u>226,239</u> |
| | <u>80,886</u> | <u>37,236</u> | <u>119,926</u> | <u>233,138</u> |
| | | | | |
| i) AFS | | | | |
| Government Investment Issues | 2,609 | - | 6,783 | 9,392 |
| Islamic bonds | 66,534 | 30,093 | 85,460 | 182,087 |
| Equity securities quoted in Malaysia | 6,200 | 6,866 | 10,541 | 23,607 |
| Investments in investment-linked funds | 4,910 | - | - | - |
| Accrued profit | 633 | 277 | 910 | 1,820 |
| Total | <u>80,886</u> | <u>37,236</u> | <u>103,694</u> | <u>216,906</u> |
| | | | | |
| ii) FVTPL | | | | |
| Government Investment Issues | - | - | 1,043 | 1,043 |
| Islamic bonds | - | - | 8,750 | 8,750 |
| Equity securities quoted in Malaysia | - | - | 2,352 | 2,352 |
| Structured investments | - | - | 4,024 | 4,024 |
| Accrued profit | - | - | 63 | 63 |
| Total | <u>-</u> | <u>-</u> | <u>16,232</u> | <u>16,232</u> |

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

3. Financial assets (Continued)

(b) Carrying values of financial investments

| | | | | AFS | FVTPL |
|---|-------------------------------|--------------------------------------|-------------------------------------|-------------------|---|
| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 | Family Takaful Fund/ Company RM'000 |
| At 1 July 2013 | 72,990 | 24,193 | 52,520 | 144,950 | 35,003 |
| Purchases | 43,208 | 25,048 | 106,640 | 174,896 | 8,126 |
| Maturities | (2,536) | (412) | - | (2,948) | (24,659) |
| Disposals | (31,461) | (12,359) | (55,612) | (99,432) | (2,271) |
| Fair value (losses)/gains recorded in: | | | | | |
| Profit or loss | | | | | |
| - Unrealised gains | - | - | - | - | 223 |
| - Movement in impairment allowance | - | (37) | (37) | (74) | - |
| Other comprehensive income | (610) | 1,082 | 673 | 988 | - |
| Realised gains | (717) | (397) | (733) | (1,847) | - |
| Accretion/(amortisation) – net | (40) | (11) | (18) | (69) | - |
| Movement in accrued profit | 52 | 129 | 261 | 442 | 20 |
| Foreign exchange | - | - | - | - | (210) |
| At 30 June 2014/1 July 2014 | <u>80,886</u> | <u>37,236</u> | <u>103,694</u> | <u>216,906</u> | <u>16,232</u> |
| Purchases | 7 | 4,905 | 15,860 | 20,772 | 658 |
| Maturities | (3,000) | - | (2,000) | (5,000) | - |
| Disposals | - | (4,904) | - | (4,904) | - |
| Fair value (losses)/gains recorded in: | | | | | |
| Profit or loss | | | | | |
| - Unrealised gains | - | - | - | - | 102 |
| - Movement in impairment allowance | - | - | - | - | - |
| Other comprehensive income | (116) | (131) | 433 | 193 | - |
| Realised gains | - | (18) | - | (18) | - |
| Accretion/(amortisation) – net | (32) | 3 | 21 | (8) | - |
| Movement in accrued profit | (11) | 4 | 40 | 33 | 2 |
| Foreign exchange | - | - | - | - | - |
| At 31 December 2014 | <u>77,734</u> | <u>37,095</u> | <u>118,048</u> | <u>227,974</u> | <u>16,994</u> |

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HONG LEONG MSIG TAKAFUL BERHAD
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**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

3. Financial assets (Continued)

(c) Fair value hierarchy

The table below shows the financial assets recorded at fair value by their valuation method.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

| | | | | AFS | FVTPL |
|-------------------------|-------------------------------|--------------------------------------|-------------------------------------|-------------------|---|
| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 | Family Takaful Fund/ Company RM'000 |
| <u>31 December 2014</u> | | | | | |
| Level 1 | 10,653 | 6,623 | 10,853 | 23,225 | 2,347 |
| Level 2 | 67,081 | 30,472 | 107,195 | 204,748 | 14,647 |
| Level 3 | - | - | - | - | - |
| | <u>77,734</u> | <u>37,095</u> | <u>118,048</u> | <u>227,973</u> | <u>16,994</u> |
| <u>30 June 2014</u> | | | | | |
| Level 1 | 11,110 | 6,866 | 10,541 | 23,607 | 2,352 |
| Level 2 | 69,776 | 30,370 | 93,153 | 193,299 | 13,880 |
| Level 3 | - | - | - | - | - |
| | <u>80,886</u> | <u>37,236</u> | <u>103,694</u> | <u>216,906</u> | <u>16,232</u> |

4. Retakaful assets

| | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>31 December 2014</u> | | | |
| Retakaful of Takaful contracts | <u>93,880</u> | <u>22,097</u> | <u>115,977</u> |
| <u>30 June 2014</u> | | | |
| Retakaful of Takaful contracts | <u>72,340</u> | <u>30,511</u> | <u>102,851</u> |

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NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
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5. Takaful contract liabilities

| Note | 31.12.2014 | | | 30.06.2014 | | |
|--|------------|-------------|---------|------------|-------------|---------|
| | Gross | Re- takaful | Net | Gross | Re- takaful | Net |
| Family Takaful | 183,519 | (22,097) | 161,422 | 173,758 | (30,511) | 143,247 |
| General Takaful | 146,134 | (93,880) | 52,254 | 120,317 | (72,340) | 47,977 |
| Total | 329,653 | (115,977) | 213,676 | 294,075 | (102,851) | 191,224 |
| Elimination of investment in investment-linked funds | (4,904) | - | (4,904) | (4,910) | - | (4,910) |
| Total Company | 324,749 | (115,977) | 208,772 | 289,165 | (102,851) | 191,224 |

(a) Family Takaful contract liabilities

The Family Takaful contract liabilities and its movements are further analysed as follows:

| | 31.12.2014 | | | 30.06.2014 | | |
|--|------------|-------------|---------|------------|-------------|---------|
| | Gross | Re- takaful | Net | Gross | Re- takaful | Net |
| Certificateholders' liabilities | 156,992 | (17,646) | 139,346 | 151,603 | (25,364) | 126,239 |
| Net asset value attributable to certificateholders | 14,775 | - | 14,775 | 14,313 | - | 14,313 |
| Actuarial liabilities (i) | 171,767 | (17,646) | 154,121 | 165,916 | (25,364) | 140,552 |
| Claims liabilities | 5,109 | (4,451) | 658 | 5,844 | (5,147) | 697 |
| Unallocated surplus (ii) | 4,986 | - | 4,986 | 740 | - | 740 |
| AFS fair value adjustment (iii) | 1,657 | - | 1,657 | 1,258 | - | 1,258 |
| | 183,519 | (22,097) | 161,422 | 173,758 | (30,511) | 143,247 |

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**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
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5. Takaful contract liabilities (Continued)

(a) Family Takaful contract liabilities (continued)

(i) Actuarial liabilities

| | Gross RM'000 | Re-takaful RM'000 | Net RM'000 |
|---|-----------------|----------------------|----------------|
| At 1 July 2013 | 146,111 | (12,766) | 133,345 |
| Change in certificate liabilities | 39,059 | (12,598) | 26,461 |
| Movement in net asset value attributable to certificateholders | (19,254) | - | (19,254) |
| At 30 June 2014/1 July 2014 | 165,916 | (25,364) | 140,552 |
| Change in certificate liabilities | 5,389 | 7,718 | 13,107 |
| Movement in net asset value attributable to certificateholders | 462 | - | 462 |
| At 31 December 2014 | <u>171,767</u> | <u>(17,646)</u> | <u>154,121</u> |

| | Gross/Net | |
|---|----------------------|----------------------|
| | 31.12.2014 RM'000 | 30.06.2014 RM'000 |
| (ii) Unallocated surplus | | |
| At 1 July | 740 | 3,012 |
| Surplus/(deficits) during the financial period/year | 4,246 | (2,272) |
| At 31 December/30 June | <u>4,986</u> | <u>740</u> |
| (iii) AFS fair value adjustment | | |
| At 1 July | 1,258 | 1,313 |
| Net fair value change during the financial period/year | 399 | (55) |
| At 31 December/30 June | <u>1,657</u> | <u>1,258</u> |

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**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

5. Takaful contract liabilities (Continued)
(b) General Takaful contract liabilities

The General Takaful contract liabilities and its movements are further analysed as follows:

| | 31.12.2014 | | | 30.06.2014 | | |
|---|-----------------|-----------------------|---------------|-----------------|-----------------------|---------------|
| | Gross RM'000 | Re- takaful RM'000 | Net RM'000 | Gross RM'000 | Re- takaful RM'000 | Net RM'000 |
| Provision for claims reported by certificateholders | 44,936 | (34,550) | 10,386 | 49,845 | (38,703) | 11,142 |
| Provision for IBNR | 68,544 | (50,923) | 17,621 | 39,972 | (23,865) | 16,107 |
| Provision for outstanding claims (i) | 113,480 | (85,473) | 28,007 | 89,817 | (62,568) | 27,249 |
| Unearned contribution reserve (ii) | 18,354 | (8,407) | 9,947 | 20,743 | (9,772) | 10,971 |
| AFS fair value adjustment (iii) | 929 | - | 929 | 1,041 | - | 1,041 |
| Participants' account (iv) | - | - | - | 1,711 | - | 1,711 |
| Unallocated surplus (v) | 13,371 | - | 13,371 | 7,005 | - | 7,005 |
| | <u>146,134</u> | <u>(93,880)</u> | <u>52,254</u> | <u>120,317</u> | <u>(72,340)</u> | <u>47,977</u> |

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**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

5. Takaful contract liabilities (Continued)

(b) General Takaful contract liabilities (continued)

The General Takaful contract liabilities and its movements are further analysed as follows:

| | 31.12.2014 | | | 30.06.2014 | | |
|---|-----------------|--------------------------|---------------|-----------------|--------------------------|---------------|
| | Gross RM'000 | Re- takaful RM'000 | Net RM'000 | Gross RM'000 | Re- takaful RM'000 | Net RM'000 |
| (i) Provision for outstanding claims | | | | | | |
| At 1 July | 89,817 | (62,568) | 27,249 | 75,978 | (47,897) | 28,081 |
| Claims incurred in the current accident period/year | 27,809 | (20,826) | 6,983 | 51,089 | (37,809) | 13,280 |
| Other movements in claims incurred in prior accident period/year | 25,251 | (28,438) | (3,187) | (18,161) | 11,346 | (6,815) |
| Claims paid during the financial period / year | (29,397) | 26,360 | (3,037) | (19,089) | 11,792 | (7,297) |
| At 31 December/30 June | 113,480 | (85,472) | 28,008 | 89,817 | (62,568) | 27,249 |

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**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

5. Takaful contract liabilities (Continued)

(c) General Takaful contract liabilities (continued)

The General Takaful contract liabilities and its movements are further analysed as follows:

| | 31.12.2014 | | | 30.06.2014 | | |
|---|-----------------|--------------------------|---------------|-----------------|--------------------------|---------------|
| | Gross RM'000 | Re- takaful RM'000 | Net RM'000 | Gross RM'000 | Re- takaful RM'000 | Net RM'000 |
| (ii) Unearned contribution reserve | | | | | | |
| At 1 July | 20,743 | (9,772) | 10,971 | 34,798 | (21,345) | 13,453 |
| Contribution written in the financial period/year | 22,486 | (12,004) | 10,482 | 45,122 | (18,391) | 26,731 |
| Contribution earned during the financial period/year | (24,875) | 13,369 | (11,506) | (59,177) | 29,964 | (29,213) |
| At 31 December/30 June | 18,354 | (8,407) | 9,947 | 20,743 | (9,772) | 10,971 |

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**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

5. Takaful contract liabilities (Continued)

(b) General Takaful contract liabilities (continued)

| | 31.12.2014 | Gross/Net 30.06.2014 |
|---|---------------|-------------------------|
| | RM'000 | RM'000 |
| (iii) AFS fair value adjustment | | |
| At 1 July | 1,041 | 527 |
| Net fair value change during the financial period/year | (112) | 514 |
| At 31 December/30 June | <u>929</u> | <u>1,041</u> |
| (iv) Participants' account | 1,711 | 1,975 |
| Deficits arising during the financial year | - | (264) |
| Participants' account recognised as unallocated surplus | (1,711) | - |
| At 31 December/30 June | <u>-</u> | <u>1,711</u> |
| (v) Unallocated surplus | 2,343 | - |
| Surplus arising during the financial period/year | 11,028 | 7,005 |
| Surplus recognised from participants' account | 1,711 | - |
| At 31 December/30 June | <u>15,082</u> | <u>7,005</u> |

6. Total Capital Available

The capital structure of the Company as at the date of the statement of financial position, consisting of all funds as prescribed under the RBC Framework is provided below:

| | 31.12.2014 | 30.06.2014 |
|---|----------------|---------------|
| | RM'000 | RM'000 |
| Eligible Tier 1 capital | | |
| - Share capital | 100,000 | 100,000 |
| - Reserves, including retained earnings | (1,928) | (5,287) |
| Eligible Tier 2 capital | | |
| - Eligible reserves | <u>2,733</u> | <u>2,904</u> |
| | <u>100,805</u> | <u>97,617</u> |

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**NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)**

7. Items of An Unusual Nature

The result of the Company for the financial period under review were not substantially affected by any item

8. Changes in Estimate

As of 31 December 2014, the Company has resolved its dispute with a foreign retakaful company (RTO) on the termination of the treaty arrangement for certain family takaful products. The total amount recovered as agreed with the RTO was RM1,500,000 which has earlier been provided for in the financial statement.

There was no other material changes in the basis used for accounting estimates for the financial period ended 31 December 2014

9. Seasonal or Cyclical Factors

The operations of the Company for the financial period under review were not significantly affected by seasonality or cyclical factors

10. Changes in Contingent Liabilities

There were no material contingent liabilities as at the date of the Report

11. Debts and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities during the financial period ended 31 December 2014

12. Subsequent Events

There were no material events subsequent to the end of the financial period under review that have not been reported in the Report.