

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 2016

Company No.

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Company No.

738090

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HONG LEONG MSIG TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

| | Note | 31.12.2016 | | | | 30.06.2016 | | | |
|--|------|----------------------------|--------------------------------|-------------------------------|-------------------|----------------------------|--------------------------------|-------------------------------|-------------------|
| | | 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 |
| ASSETS | | | | | | | | | |
| Property and equipment | | 1,896 | - | - | 1,896 | 1,622 | - | - | 1,622 |
| Intangible assets | | 5,512 | - | - | 5,512 | 6,009 | - | - | 6,009 |
| Financial assets – available-for-sale | 3 | 72,256 | 74,709 | 188,451 | 330,192 | 70,984 | 44,591 | 157,515 | 267,971 |
| Financial assets – fair value through profit or loss | 3 | - | - | 27,089 | 27,089 | - | - | 22,597 | 22,597 |
| Loans and receivables | | - | 2 | 47 | 49 | - | 407 | 6,312 | 6,719 |
| Retakaful assets | 4 | - | 67,231 | 37,852 | 105,083 | - | 69,603 | 36,010 | 105,613 |
| Deferred tax assets | | (157) | 584 | (549) | (122) | 649 | 618 | (552) | 715 |
| Takaful receivables | | - | - | 158 | 158 | - | 4,627 | 7,824 | 12,451 |
| Other receivables | | 14,172 | 50,569 | 33,369 | 12,563 | 19,541 | 3,951 | 1,485 | 7,368 |
| Due from related companies | | 60 | - | - | 60 | 111 | - | - | 111 |
| Cash and cash equivalents | | 1,631 | 13,402 | 48,683 | 63,716 | 4,616 | 38,874 | 53,298 | 96,788 |
| Total assets | | 95,370 | 206,497 | 335,100 | 546,196 | 103,532 | 162,671 | 284,489 | 527,964 |
| LIABILITIES | | | | | | | | | |
| Takaful contract liabilities | 5 | - | 120,049 | 283,578 | 398,403 | - | 118,743 | 266,189 | 379,813 |
| Tax Payable | | (1,281) | 2,148 | 2,120 | 2,987 | (44) | 1,154 | 1,684 | 2,794 |
| Takaful payables | | - | 26,948 | 11,558 | 38,506 | - | 27,668 | 7,473 | 35,141 |
| Expense liabilities | | 9,594 | - | - | 9,594 | 10,710 | - | - | 10,710 |
| Other payables | | 10,192 | 57,352 | 37,844 | 19,841 | 12,373 | 15,106 | 9,143 | 19,013 |
| Total liabilities | | 18,505 | 206,497 | 335,100 | 469,331 | 23,039 | 162,671 | 284,489 | 447,471 |
| SHAREHOLDERS' EQUITY | | | | | | | | | |
| Share capital | | 100,000 | - | - | 100,000 | 100,000 | - | - | 100,000 |
| Accumulated losses | | (24,834) | - | - | (24,834) | (21,673) | - | - | (21,673) |
| Fair value reserve | | 1,699 | - | - | 1,699 | 2,166 | - | - | 2,166 |
| Total equity | | 76,865 | - | - | 76,865 | 80,493 | - | - | 80,493 |
| Total liabilities and equity | | 95,370 | 206,497 | 335,100 | 546,196 | 103,532 | 162,671 | 284,489 | 527,964 |

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 STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

| | 6 months ended 31.12.2016 | | | | 6 months ended 31.12.2015 | | | |
|---|----------------------------|--------------------------------|-------------------------------|-------------------|----------------------------|--------------------------------|-------------------------------|-------------------|
| | 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 | - | 23,503 | 47,752 | 71,255 | - | 21,482 | 32,440 | 53,922 |
| Contributions ceded to retakaful | - | (8,828) | (13,862) | (22,690) | - | (8,908) | (5,560) | (14,468) |
| Net contributions | - | 14,675 | 33,890 | 48,565 | - | 12,574 | 26,880 | 39,454 |
| Change in unearned contribution reserve | - | (1,083) | - | (1,083) | - | (815) | - | (815) |
| Net earned contributions | - | 13,592 | 33,890 | 47,482 | - | 11,759 | 26,880 | 38,639 |
| Wakalah fee income | 21,068 | - | - | - | 15,992 | - | - | - |
| Share of investment profit from Family Takaful | 481 | - | - | - | 282 | - | - | - |
| Commission income | - | 2,468 | - | 2,468 | - | 2,445 | - | 2,445 |
| Investment income | 1,500 | 1,429 | 4,719 | 8,129 | 1,528 | 1,101 | 3,757 | 6,668 |
| Realised gains | 90 | 75 | 1,093 | 1,258 | 86 | 27 | 325 | 438 |
| Fair value (losses)/gains | (29) | (46) | (526) | (601) | (199) | (147) | (1,255) | (1,601) |
| Other operating income | 205 | 72 | 29 | 125 | 370 | - | 1,222 | 1,236 |
| Other income | 23,315 | 3,998 | 5,315 | 11,379 | 18,059 | 3,426 | 4,049 | 9,186 |
| Gross benefits and claims paid | - | (8,016) | (16,147) | (24,163) | - | (7,980) | (6,979) | (14,959) |
| Claims ceded to retakaful | - | 2,117 | 10,700 | 12,817 | - | 4,886 | 3,898 | 8,784 |
| Gross change to Takaful contract liabilities | - | (3,426) | (20,829) | (24,255) | - | (7,468) | (18,782) | (26,250) |
| Change to Takaful contract liabilities ceded to retakaful | - | 229 | 892 | 1,121 | - | 4,291 | 845 | 5,136 |
| Net benefits and claims | - | (9,096) | (25,384) | (34,480) | - | (6,271) | (21,018) | (27,289) |
| Wakalah fee expenses | - | (7,516) | (13,552) | - | - | (6,686) | (9,306) | - |
| Commission expenses | (9,627) | - | - | (9,627) | (6,403) | - | - | (6,403) |
| Management expenses | (15,686) | - | (1) | (15,687) | (14,293) | - | - | (14,293) |
| Other operating expenses | 81 | - | (16) | 246 | (116) | (1,612) | (415) | (1,787) |
| Other expenses | (25,232) | (7,516) | (13,569) | (25,068) | (20,812) | (8,298) | (9,721) | (22,483) |

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 STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)

| | 6 months ended 31.12.2016 | | | | 6 months ended 31.12.2015 | | | |
|--|----------------------------|--------------------------------|-------------------------------|-------------------|----------------------------|--------------------------------|-------------------------------|-------------------|
| | 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 | (1,917) | 978 | 252 | (687) | (2,753) | 616 | 190 | (1,947) |
| Tax expense attributable to participants | - | (978) | (252) | (1,230) | - | (616) | (190) | (806) |
| Profit before taxation attributable to Takaful Operator | (1,917) | - | - | (1,917) | (2,753) | - | - | (2,753) |
| Taxation | (1,244) | (978) | (252) | (2,474) | (99) | (616) | (190) | (905) |
| Tax expense attributable to participants | - | 978 | 252 | 1,230 | - | 616 | 190 | 806 |
| Tax expense attributable to Takaful Operator | (1,244) | - | - | (1,244) | (99) | - | - | (99) |
| Zakat | - | - | - | - | - | - | - | - |
| Loss after zakat and taxation | (3,161) | - | - | (3,161) | (2,852) | - | - | (2,852) |
| Other comprehensive income/(loss): | | | | | | | | |
| <u>Items that may be subsequently reclassified to profit or loss:</u> | | | | | | | | |
| Fair value changes on available-for-sale financial assets, net of deferred tax: | | | | | | | | |
| - Gross fair value gains arising during the financial period | (505) | 707 | 3,528 | 3,625 | (361) | 1,260 | 2,873 | 3,736 |
| - Gross fair value gains transferred to income statement | (90) | (74) | (789) | (953) | (86) | (27) | (330) | (443) |
| - Deferred taxation | 128 | (152) | (219) | (243) | 112 | (308) | (203) | (399) |
| - Net fair value changes | (467) | 481 | 2,520 | 2,429 | (335) | 925 | 2,340 | 2,894 |
| Changes in Takaful contract liabilities arising from unrealised net fair value changes | - | (481) | (2,520) | (2,896) | - | (925) | (2,340) | (3,229) |
| Other comprehensive loss for the financial period, net of tax | (467) | - | - | (467) | (335) | - | - | (335) |
| Total Comprehensive loss for the financial period | (3,628) | - | - | (3,628) | (3,187) | - | - | (3,187) |

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 STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

| | <u>Issued and fully paid ordinary shares of RM 1 each</u> | | <u>Non- distributable</u> | <u>Accumulated Losses</u> | <u>Total</u> |
|---|---|-------------------------------------|-----------------------------------|-------------------------------|---------------|
| | <u>Number of Shares</u> | <u>Nominal Value RM'000</u> | <u>AFS Reserve RM'000</u> | | |
| At 1 July 2016 | 100,000 | 100,000 | 2,166 | (21,673) | 80,493 |
| Total comprehensive loss for the financial period | - | - | (467) | (3,161) | (3,628) |
| At 31 December 2016 | <u>100,000</u> | <u>100,000</u> | <u>1,699</u> | <u>(24,834)</u> | <u>76,865</u> |
| At 1 July 2015 | 100,000 | 100,000 | 2,155 | (14,280) | 87,875 |
| Total comprehensive loss for the financial period | - | - | (335) | (2,852) | (3,187) |
| At 31 December 2015 | <u>100,000</u> | <u>100,000</u> | <u>1,820</u> | <u>(17,132)</u> | <u>84,688</u> |

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HONG LEONG MSIG TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

| | 6 months ended 31.12.2016 RM'000 | 6 months ended 31.12.2015 RM'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss for the financial period | (3,161) | (2,852) |
| Adjustments for: | | |
| Write back of takaful receivables | - | 3,138 |
| Write back of retakaful payable | - | 34 |
| Depreciation of property and equipment | 298 | 275 |
| Amortisation of intangible assets | 999 | 929 |
| Realised gain on disposal of investments | (854) | (446) |
| Unrealised fair value loss on financial assets | 835 | 57 |
| Amortisation of premium /(accretion of discount) -net | 1 | (23) |
| Profits and dividend income | (7,235) | (6,857) |
| Allowance for diminution in value of investment | 689 | 1544 |
| Taxation | 2,324 | (883) |
| Loss from operations before changes in operating assets and liabilities | (6,104) | (5,084) |
| Proceeds from disposal of investments | 94,582 | 6,916 |
| Maturity of investments | 5,000 | 1,131 |
| Purchase of investments | (166,781) | (22,684) |
| (Decrease)/increase in expense liabilities | (1,115) | 116 |
| Increase in Family Takaful contract liabilities | 17,389 | 19,030 |
| Increase in General Takaful contract liabilities | 1,306 | 6,672 |
| Decrease in loans and receivables | 6,670 | 405 |
| Decrease/(increase) in retakaful assets | 529 | (2,564) |
| Decrease/(increase) in Takaful receivables | 7,666 | (1,304) |
| Decrease in other receivables | 12,600 | 372 |
| Increase/(decrease) in Takaful payables | 7,855 | (2,865) |
| Decrease in other payables | (17,334) | (742) |
| Increase/(decrease) in amount due to related companies | 51 | (3) |
| | (37,686) | (604) |
| Tax (paid)/refund | (1,547) | 354 |
| Profit received | 6,534 | 6,042 |
| Dividends received | 702 | 596 |
| Net cash generated from operating activities | (31,997) | 6,389 |

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 STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)

| | 6 months ended 31.12.2016 RM'000 | 6 months ended 31.12.2015 RM'000 |
|--|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of intangible assets | (503) | (315) |
| Purchase of property and equipment | (572) | (131) |
| Net cash used in investing activities | <u>(1,075)</u> | <u>(446)</u> |
| Net (decrease)/increase in cash and cash equivalents | (33,072) | 5,943 |
| Cash and cash equivalents at beginning of the financial period | <u>96,788</u> | <u>33,145</u> |
| Cash and cash equivalents at the end of the financial period | <u>63,716</u> | <u>39,088</u> |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 8,120 | 7,980 |
| Short term deposits | 55,596 | 31,108 |
| | <u>63,716</u> | <u>39,088</u> |

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

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HONG LEONG MSIG TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

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 2016. 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 2016.

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 2016.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)**

3. Financial assets

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>31 December 2016</u> | | | | |
| Government Investment Issues | 2,599 | - | 17,901 | 20,500 |
| Islamic bonds | 56,090 | 37,798 | 152,325 | 246,213 |
| Equity securities | 4,333 | 6,597 | 38,216 | 49,146 |
| Unit and property trust funds | 3,441 | 30,009 | 993 | 34,443 |
| Investments in investment-linked funds | 5,224 | - | - | - |
| Structured investments | - | - | 4,525 | 4,525 |
| Accrued profit | 569 | 305 | 1,580 | 2,454 |
| Total | <u>72,256</u> | <u>74,709</u> | <u>215,540</u> | <u>357,281</u> |
| <u>30 June 2016</u> | | | | |
| Government Investment Issues | 2,697 | - | 8,092 | 10,789 |
| Islamic bonds | 59,138 | 39,009 | 141,295 | 239,442 |
| Equity securities | 3,436 | 5,270 | 25,009 | 33,715 |
| Investments in investment-linked funds | 5,119 | - | - | - |
| Structured investments | - | - | 4,486 | 4,486 |
| Accrued profit | 594 | 312 | 1,230 | 2,136 |
| Total | <u>70,984</u> | <u>44,591</u> | <u>180,112</u> | <u>290,568</u> |

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HONG LEONG MSIG TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (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 2016</u> | | | | |
| AFS | 72,256 | 74,709 | 188,451 | 330,192 |
| FVTPL | - | - | 27,089 | 27,089 |
| Total | <u>72,256</u> | <u>74,709</u> | <u>215,540</u> | <u>357,281</u> |
| Current | 569 | 305 | 1,580 | 2,454 |
| Non-current | <u>71,687</u> | <u>74,404</u> | <u>213,960</u> | <u>354,827</u> |
| | <u>72,256</u> | <u>74,709</u> | <u>215,540</u> | <u>357,281</u> |
| i) AFS | | | | |
| Government Investment Issues | 2,599 | - | 16,861 | 19,460 |
| Islamic bonds | 56,090 | 37,798 | 142,496 | 236,384 |
| Equity securities quoted in Malaysia | 4,333 | 6,597 | 26,618 | 37,548 |
| Unit and property trust funds | 3,441 | 30,009 | 993 | 34,443 |
| Investments in investment-linked funds | 5,224 | - | - | - |
| Accrued profit | 569 | 305 | 1,483 | 2,357 |
| Total | <u>72,256</u> | <u>74,709</u> | <u>188,451</u> | <u>330,192</u> |
| ii) FVTPL | | | | |
| Government Investment Issues | - | - | 1,040 | 1,040 |
| Islamic bonds | - | - | 9,829 | 9,829 |
| Equity securities quoted in Malaysia | - | - | 11,598 | 11,598 |
| Structured investments | - | - | 4,525 | 4,525 |
| Accrued profit | - | - | 97 | 97 |
| Total | <u>-</u> | <u>-</u> | <u>27,089</u> | <u>27,089</u> |

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HONG LEONG MSIG TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)

3. Financial assets (Continued)

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

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>30 June 2016</u> | | | | |
| AFS | 70,984 | 44,591 | 157,515 | 267,971 |
| FVTPL | - | - | 22,597 | 22,597 |
| Total | <u>70,984</u> | <u>44,591</u> | <u>180,112</u> | <u>290,568</u> |
| Current | 594 | 312 | 1,230 | 2,136 |
| Non-current | <u>70,390</u> | <u>44,279</u> | <u>178,882</u> | <u>288,432</u> |
| | <u>70,984</u> | <u>44,591</u> | <u>180,112</u> | <u>290,568</u> |
| i) AFS | | | | |
| Government Investment Issues | 2,697 | - | 7,013 | 9,710 |
| Islamic bonds | 59,138 | 39,009 | 131,897 | 230,044 |
| Equity securities quoted in Malaysia | 3,436 | 5,270 | 17,444 | 26,150 |
| Investments in investment-linked funds | 5,119 | - | - | - |
| Accrued profit | <u>594</u> | <u>312</u> | <u>1,161</u> | <u>2,067</u> |
| Total | <u>70,984</u> | <u>44,591</u> | <u>157,515</u> | <u>267,971</u> |
| ii) FVTPL | | | | |
| Government Investment Issues | - | - | 1,079 | 1,079 |
| Islamic bonds | - | - | 9,398 | 9,398 |
| Equity securities quoted in Malaysia | - | - | 7,565 | 7,565 |
| Structured investments | - | - | 4,486 | 4,486 |
| Accrued profit | <u>-</u> | <u>-</u> | <u>69</u> | <u>69</u> |
| Total | <u>-</u> | <u>-</u> | <u>22,597</u> | <u>22,597</u> |

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HONG LEONG MSIG TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (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 2015 | 74,064 | 49,879 | 133,836 | 252,760 | 17,754 |
| Purchases | 3,431 | 7,703 | 48,105 | 59,239 | 5,775 |
| Maturities | - | - | (870) | (870) | (269) |
| Disposals | (6,209) | (12,203) | (23,102) | (41,514) | (927) |
| Fair value (losses)/gains recorded in: | | | | | |
| Profit or loss | | | | | |
| - Unrealised gains | - | - | - | - | 264 |
| - Movement in impairment allowance | (252) | (380) | (2,051) | (2,683) | - |
| Other comprehensive income | 431 | 120 | 2,571 | 3,022 | - |
| Realised gains | (454) | (461) | (1,172) | (2,087) | - |
| Accretion/(amortisation) – net | 11 | (5) | 34 | 40 | - |
| Movement in accrued profit | (38) | (62) | 164 | 64 | - |
| At 30 June 2016/1 July 2016 | <u>70,984</u> | <u>44,591</u> | <u>157,515</u> | <u>267,971</u> | <u>22,597</u> |
| Purchases | 4,617 | 93,793 | 62,762 | 161,172 | 5,609 |
| Maturities | (2,500) | (1,000) | (1,500) | (5,000) | (1,826) |
| Disposals | (198) | (62,273) | (28,579) | (91,050) | - |
| Fair value (losses)/gains recorded in: | | | | | |
| Profit or loss | | | | | |
| - Unrealised gains | - | - | - | - | 709 |
| - Movement in impairment allowance | (40) | (44) | (605) | (689) | - |
| Other comprehensive income | (505) | (279) | (760) | (1,649) | - |
| Realised gains | (90) | (73) | (690) | (853) | - |
| Accretion/(amortisation) – net | 11 | 1 | (13) | (1) | - |
| Movement in accrued profit | (23) | (7) | 321 | 291 | - |
| At 31 December 2016 | <u>72,256</u> | <u>74,709</u> | <u>188,451</u> | <u>330,192</u> | <u>27,089</u> |

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HONG LEONG MSIG TAKAFUL BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (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 liability that are not based on observable market data (unobservable inputs).

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | AFS Company RM'000 | FVTPL Family Takaful Fund/ Company RM'000 |
|-------------------------|-------------------------------|--------------------------------------|-------------------------------------|--------------------------|--|
| <u>31 December 2016</u> | | | | | |
| Level 1 | 4,333 | 6,597 | 26,618 | 37,548 | 11,598 |
| Level 2 | 67,923 | 68,112 | 161,833 | 292,644 | 15,491 |
| Level 3 | - | - | - | - | - |
| | 72,256 | 74,709 | 188,451 | 330,192 | 27,089 |
| <u>30 June 2016</u> | | | | | |
| Level 1 | 3,436 | 5,270 | 17,444 | 26,150 | 7,565 |
| Level 2 | 67,548 | 39,321 | 140,071 | 241,821 | 15,032 |
| Level 3 | - | - | - | - | - |
| | 70,984 | 44,591 | 157,515 | 267,971 | 22,597 |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)

4. Retakaful assets

| | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>31 December 2016</u> | | | |
| Retakaful of Takaful contracts | <u>67,231</u> | <u>37,852</u> | <u>105,083</u> |
| <u>30 June 2016</u> | | | |
| Retakaful of Takaful contracts | <u>69,603</u> | <u>36,010</u> | <u>105,613</u> |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)**

5. Takaful contract liabilities

| | | 31.12.2016 | | | 30.06.2016 | | |
|---|-------------|-----------------|-----------------------|----------------|-----------------|-----------------------|----------------|
| | <u>Note</u> | Gross RM'000 | Re- takaful RM'000 | Net RM'000 | Gross RM'000 | Re- takaful RM'000 | Net RM'000 |
| General Takaful | 5(a) | 120,049 | (67,231) | 52,818 | 118,743 | (69,603) | 49,140 |
| Family Takaful | 5(b) | 283,578 | (37,852) | 245,726 | 266,189 | (36,010) | 230,179 |
| Total | | <u>403,627</u> | <u>(105,083)</u> | <u>298,544</u> | <u>384,932</u> | <u>(105,613)</u> | <u>279,319</u> |
| Elimination of investment in investment-linked funds | | <u>(5,224)</u> | <u>-</u> | <u>(5,224)</u> | <u>(5,119)</u> | <u>-</u> | <u>(5,119)</u> |
| Total Company | | <u>398,403</u> | <u>(105,083)</u> | <u>293,320</u> | <u>379,813</u> | <u>(105,613)</u> | <u>274,200</u> |

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

(a.) General Takaful contract liabilities

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

| | 31.12.2016 | | | 30.06.2016 | | |
|---|-----------------|-----------------------|---------------|-----------------|-----------------------|---------------|
| | 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 | 55,227 | (45,891) | 9,336 | 58,317 | (47,596) | 10,721 |
| Provision for IBNR | 29,667 | (18,873) | 10,794 | 27,023 | (17,386) | 9,637 |
| Provision for outstanding claims (i) | 84,894 | (64,764) | 20,130 | 85,340 | (64,982) | 20,358 |
| Unearned contribution reserve (ii) | 13,122 | (2,467) | 10,655 | 14,193 | (4,621) | 9,572 |
| AFS fair value adjustment (iii) | 480 | - | 480 | 792 | - | 792 |
| Participants' account (iv) | 16,100 | - | 16,100 | 16,392 | - | 16,392 |
| Unallocated surplus (v) | 5,453 | - | 5,453 | 2,026 | - | 2,026 |
| | <u>120,049</u> | <u>(67,231)</u> | <u>52,818</u> | <u>118,743</u> | <u>(69,603)</u> | <u>49,140</u> |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)**

5. Takaful contract liabilities (Continued)

(a) General Takaful contract liabilities (continued)

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

| | 31.12.2016 | | | 30.06.2016 | | |
|---|-----------------|-----------------------|---------------|-----------------|----------------------|---------------|
| | 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 | 85,340 | (64,982) | 20,358 | 84,927 | (61,687) | 23,240 |
| Claims incurred in the current accident period/year | 11,078 | (7,380) | 3,698 | 20,759 | (12,245) | 8,514 |
| Other movements in claims incurred in prior accident period/year | (19,540) | 9,715 | (9,825) | (16,367) | 6,381 | (9,986) |
| Claims paid during the financial period / year | 8,016 | (2,117) | 5,899 | (3,979) | 2,569 | (1,410) |
| At 31 December/30 June | <u>84,894</u> | <u>(64,764)</u> | <u>20,130</u> | <u>85,340</u> | <u>(64,982)</u> | <u>20,358</u> |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)**

5. Takaful contract liabilities (Continued)

(a) General Takaful contract liabilities (continued)

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

| | 31.12.2016 | | | 30.06.2016 | | |
|---|-----------------|-----------------------|-----------------|-----------------|----------------------|-----------------|
| | Gross RM'000 | Re- takaful RM'000 | Net RM'000 | Gross RM'000 | Re-takaful RM'000 | Net RM'000 |
| Unearned contribution reserve | | | | | | |
| At 1 July | 14,193 | (4,620) | 9,573 | 17,725 | (8,390) | 9,335 |
| Contribution written in the financial period/year | 23,503 | (8,828) | 14,675 | 43,065 | (19,970) | 23,095 |
| Contribution earned during the financial period/year | <u>(24,574)</u> | <u>10,981</u> | <u>(13,593)</u> | <u>(46,597)</u> | <u>23,739</u> | <u>(22,858)</u> |
| At 31 December/30 June | <u>13,122</u> | <u>(2,467)</u> | <u>10,655</u> | <u>14,193</u> | <u>(4,621)</u> | <u>9,572</u> |

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

(a) General Takaful contract liabilities (continued)

| | 31.12.2016 | Gross/Net 30.06.2016 |
|--|---------------|-------------------------|
| | RM'000 | RM'000 |
| (iii) AFS fair value adjustment | | |
| At 1 July | 925 | 1,037 |
| Net fair value change during the financial period/year | (445) | (245) |
| At 31 December/30 June | <u>480</u> | <u>792</u> |
| (iv) Participants' account | | |
| At 1 July | 16,392 | 7,270 |
| Surplus payable to participants | (292) | 9,122 |
| At 31 December/30 June | <u>16,100</u> | <u>16,392</u> |
| (v) Unallocated surplus | | |
| At 1 July | 2,026 | 3,635 |
| Surplus arising during the financial period/year | 3,427 | 19,515 |
| Surplus sharing with Takaful operator/participants | - | (21,124) |
| At 31 December/30 June | <u>5,453</u> | <u>2,026</u> |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)**

5. Takaful contract liabilities (Continued)

(b) Family Takaful contract liabilities

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

| | 31.12.2016 | | | 30.06.2016 | | |
|---|-----------------|-----------------------|----------------|-----------------|-----------------------|----------------|
| | Gross RM'000 | Re- takaful RM'000 | Net RM'000 | Gross RM'000 | Re- takaful RM'000 | Net RM'000 |
| Certificateholders' liabilities | 233,822 | (30,072) | 203,750 | 220,961 | (31,590) | 189,371 |
| Net asset value attributable to certificateholders | <u>27,317</u> | <u>-</u> | <u>27,317</u> | <u>25,956</u> | <u>-</u> | <u>25,956</u> |
| Actuarial liabilities (i) | 261,139 | (30,072) | 231,067 | 246,917 | (31,590) | 215,327 |
| Claims liabilities | 5,937 | (7,780) | (1,843) | 5,449 | (4,420) | 1,029 |
| Unallocated surplus (ii) | 13,982 | - | 13,982 | 8,755 | - | 8,755 |
| AFS fair value adjustment (iii) | <u>2,520</u> | <u>-</u> | <u>2,520</u> | <u>5,068</u> | <u>-</u> | <u>5,068</u> |
| | <u>283,578</u> | <u>(37,852)</u> | <u>245,726</u> | <u>266,189</u> | <u>(36,010)</u> | <u>230,179</u> |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)**

5. Takaful contract liabilities (Continued)

(b) Family Takaful contract liabilities (continued)

(i) Actuarial liabilities

| | Gross RM'000 | Re-takaful RM'000 | Net RM'000 |
|--|-----------------|----------------------|----------------|
| At 1 July 2015 | 201,729 | (28,151) | 173,578 |
| Change in certificate liabilities | 34,748 | (3,439) | 31,309 |
| Movement in net asset value attributable to certificateholders | <u>10,440</u> | <u>-</u> | <u>10,440</u> |
| At 30 June 2016/1 July 2016 | 246,917 | (31,590) | 215,327 |
| Change in certificate liabilities | 12,861 | 1,518 | 14,379 |
| Movement in net asset value attributable to certificateholders | <u>1,361</u> | <u>-</u> | <u>1,361</u> |
| At 31 December 2016 | <u>261,139</u> | <u>(30,072)</u> | <u>231,067</u> |

| | <u>Gross/Net</u> | |
|--|----------------------|----------------------|
| | 31.12.2016 RM'000 | 30.06.2016 RM'000 |
| (ii) Unallocated surplus | | |
| At 1 July | 8,755 | 2,396 |
| Surplus during the financial period/year | 5,227 | 7,596 |
| Surplus sharing with Takaful operator/participants | <u>-</u> | <u>(1,237)</u> |
| At 31 December/30 June | <u>13,982</u> | <u>8,755</u> |
| (iii) AFS fair value adjustment | | |
| At 1 July | 5,068 | 3,921 |
| Net fair value change during the financial period/year | <u>(2,548)</u> | <u>1,147</u> |
| At 31 December/30 June | <u>2,520</u> | <u>5,068</u> |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)

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:

| | <u>31.12.2016</u> | <u>30.06.2016</u> |
|---|-------------------|-------------------|
| | RM'000 | RM'000 |
| Eligible Tier 1 capital | | |
| - Share capital | 100,000 | 100,000 |
| - Reserves, including retained earnings | (5,205) | (10,891) |
| Eligible Tier 2 capital | | |
| - Eligible reserves | <u>1,651</u> | <u>2,920</u> |
| | <u>96,446</u> | <u>92,029</u> |

7. Items of An Unusual Nature

The results of the Company for the financial period under review were not substantially affected by any item, transaction or event of a material and unusual nature.

8. Seasonal or Cyclical Factors

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

9. Changes in Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets as at the date of this report.

10. 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 2016.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)

11. Significant Events during the financial period

On 30 June 2016, the penultimate holding and immediate holding company, Hong Leong Financial Group Berhad (“HLFG”) and HLA Holdings Sdn Bhd (“HLAH”) announced that Bank Negara Malaysia (“BNM”) has no objection for HLFG and HLAH to commence negotiations with certain parties for the possible acquisition by them of HLAH’s equity interest in Hong Leong MSIG Takaful Berhad, a 65% subsidiary of HLAH, subject to the negotiations being concluded within 6 months from 23 June 2016.

On 4 November 2016, HLFG announced that both HLFG and HLAH could not reach an acceptable commercial agreement with the BNM approved negotiating parties and have mutually agreed to cease negotiations.

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.