

COMPANY NUMBER (738090-M)

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

CONTENTS	PAGE(S)
UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION	1-2
UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME	3-4
UNAUDITED CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME	5-6
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY	7
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS	8-9
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	10-32

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31.12.2018				30.06.2018			
		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 equipments		1,343	-	-	1,343	1,189	-	-	1,189
Intangible assets		2,901	-	-	2,901	3,781	-	-	3,781
Financial assets		184,485	-	358,251	537,304	71,410	-	306,013	371,972
- available-for-sale	3	-	-	-	-	71,410	-	272,802	338,761
- fair value through profit or loss	3	184,485	-	358,251	537,304	-	-	33,211	33,211
Loans and receivables		-	-	6,412	6,412	-	-	6,305	6,305
Deferred tax assets		548	-	-	548	493	-	-	493
Tax recoverable		-	-	-	-	2,455	-	-	2,455
Retakaful assets	4	-	-	47,694	47,694	-	-	43,446	43,446
Takaful receivables		-	-	8,340	8,340	-	-	6,597	6,597
Qard receivables		558	-	-	-	31	-	-	-
Other receivables		11,741	-	443	3,873	31,846	-	4,252	7,751
Due from related companies		-	-	-	-	-	-	-	-
Cash and cash equivalents		36,153	-	61,183	97,336	7,429	-	69,544	76,973
Assets of a disposal group as classified as held-for sale	5	-	118,515	-	118,515	-	164,784	-	164,784
		<u>237,729</u>	<u>118,515</u>	<u>482,323</u>	<u>824,266</u>	<u>118,634</u>	<u>164,784</u>	<u>436,157</u>	<u>685,746</u>

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

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	31.12.2018			30.06.2018				
		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
Shareholders' equity									
Share capital		200,000	-	-	200,000	100,000	-	-	100,000
Accumulated losses		(9,587)	-	-	(9,587)	(13,335)	-	-	(13,335)
Fair value reserves		-	-	-	-	1,856	-	-	1,856
Total equity		190,413	-	-	190,413	88,521	-	-	88,521
Liabilities									
Takaful contract liabilities	6	-	-	445,267	439,835	-	-	396,128	390,677
Tax payables		152	-	764	916	-	-	3,018	3,018
Deferred tax liabilities		-	-	71	71	-	-	57	57
Takaful payables		-	-	14,409	14,409	-	-	12,098	12,098
Expense liabilities		10,442	-	-	10,442	14,563	-	-	14,563
Qard payables		-	-	558	-	-	-	31	-
Other payables		34,330	-	21,254	47,273	14,911	-	24,825	11,389
Due to related companies		2,392	-	-	2,392	639	-	-	639
Liabilities of a disposal group as classified as held-for sale		-	118,515	-	118,515	-	164,784	-	164,784
Total liabilities		47,316	118,515	482,323	633,853	30,113	164,784	436,157	597,225
Total equity and liabilities		237,729	118,515	482,323	824,266	118,634	164,784	436,157	685,746

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

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

	6 months ended 31.12.2018				6 months ended 31.12.2017			
	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	-	-	104,412	104,412	-	-	74,764	74,764
Contributions ceded to retakaful	-	-	(21,778)	(21,778)	-	-	(16,572)	(16,572)
Net Contributions	-	-	82,634	82,634	-	-	58,192	58,192
Change in unearned contribution reserve	-	-	-	-	-	-	-	-
Net earned contribution	-	-	82,634	82,634	-	-	58,192	58,192
Wakalah Income	27,419	-	-	-	19,201	-	-	-
Surplus sharing from General and Family Takaful funds	-	-	-	-	-	-	-	-
Share of investment profit from Family Takaful	717	-	-	-	549	-	-	-
Commission income	-	-	-	-	-	-	-	-
Investment Income	3,223	-	7,953	11,893	1,502	-	6,187	8,238
Realised (losses)/gains	(57)	-	(615)	(672)	142	-	509	651
Fair value (losses)/gains	(294)	-	35	(259)	(31)	-	447	416
Other Operating income	458	-	521	749	234	-	35	72
Other income	31,466	-	7,894	11,711	21,597	-	7,178	9,377
Gross benefits and claim paid	-	-	(27,819)	(27,819)	-	-	(19,942)	(19,942)
Claims ceded to retakaful	-	-	16,244	16,244	-	-	13,661	13,661
Gross change to Takaful contract liabilities	-	-	(48,189)	(48,189)	-	-	(35,740)	(35,740)
Change in Takaful contract liabilities ceded to retakaful	-	-	(1,359)	(1,359)	-	-	(2,052)	(2,052)
Net benefits and claims	-	-	(61,123)	(61,123)	-	-	(44,073)	(44,073)

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

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

	6 months ended 31.12.2018				6 months ended 31.12.2017			
	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
Wakalah expenses	-	-	(27,419)	-	-	-	(19,201)	-
Surplus sharing with Takaful Operator	-	-	-	-	-	-	-	-
Fees and commision expense	(12,892)	-	-	(12,892)	(8,889)	-	-	(8,889)
Management expenses	(17,913)	-	-	(17,913)	(10,765)	-	-	(10,765)
Change to expense liability	125	-	-	125	477	-	-	477
Other operating expenses	(232)	-	(1,270)	(1,272)	(100)	-	(1,385)	(1,288)
Other expenses	(30,912)	-	(28,689)	(31,952)	(19,277)	-	(20,586)	(20,465)
Profit before zakat and taxation	554	-	716	1,270	2,320	-	711	3,031
Tax expense attributable to participants	-	-	(716)	(716)	-	-	(711)	(711)
Profit before taxation attributable to Takaful Operator	554	-	-	554	2,320	-	-	2,320
Taxation	(580)	-	(716)	(1,297)	(611)	-	711	100
Tax expense attributable to participants	-	-	716	716	-	-	(711)	(711)
Tax expense attributable to Takaful Operator	(580)	-	-	(581)	(611)	-	-	(611)
Zakat	-	-	-	-	-	-	-	-
(Loss)/profit after zakat and taxation from continuing operations	(26)	-	-	(26)	1,709	-	-	1,709
Discontinued operations: Profit/(loss) after zakat and taxation from discontinued operations	1,919	-	-	1,919	(2,751)	-	-	(2,751)
Net profit/(losses) for the financial year	1,893	-	-	1,893	(1,042)	-	-	(1,042)
Earning per share (sen)	0.95	-	-	0.95	(1.04)	-	-	(1.04)

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HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

	6 months ended 31.12.2018				6 months ended 31.12.2017			
	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
Profit/(loss) after zakat and taxation	1,893	-	-	1,893	(1,042)	-	-	(1,042)
Other comprehensive (loss)/income:								
<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 year	-	-	-	-	807	-	2,362	3,001
Gross fair value loss transferred to profit or loss	-	-	-	-	(142)	-	(516)	(658)
	-	-	-	-	665	-	1,846	2,343
Tax effects thereon	-	-	-	-	(160)	-	(148)	(308)
Net fair value gains	-	-	-	-	505	-	1,698	2,035
Change in Takaful contract liabilities arising from unrealised net fair value losses	-	-	-	-	-	-	(1,698)	(1,530)
Other Comprehensive income for the financial year, net of tax	-	-	-	-	505	-	-	505

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HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

	6 months ended 31.12.2018				6 months ended 31.12.2017			
	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
Comprising:								
- Continuing operations	-	-	-	-	505	-	-	505
- Discontinued operations	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	<u>1,893</u>	<u>-</u>	<u>-</u>	<u>1,893</u>	<u>(537)</u>	<u>-</u>	<u>-</u>	<u>(537)</u>
Comprising:								
- Continuing operations	(26)	-	-	(26)	2,214	-	-	2,214
- Discontinued operations	1,919	-	-	1,919	(2,751)	-	-	(2,751)
	<u>1,893</u>	<u>-</u>	<u>-</u>	<u>1,893</u>	<u>(537)</u>	<u>-</u>	<u>-</u>	<u>(537)</u>

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	
	No. of shares '000	Share capital RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 July 2017	100,000	100,000	2,405	(21,526)	80,879
Loss for the financial year	-	-	-	(1,042)	(1,042)
Other comprehensive income for the financial year	-	-	505	-	505
At 31 December 2017	<u>100,000</u>	<u>100,000</u>	<u>2,910</u>	<u>(22,568)</u>	<u>80,342</u>
At 1 July 2018	100,000	100,000	1,857	(13,335)	88,522
Profit for the financial year	-	-	-	1,893	1,893
Additions	100,000	100,000	-	-	100,000
At 31 December 2018	<u>200,000</u>	<u>200,000</u>	<u>1,857</u>	<u>(11,442)</u>	<u>190,415</u>

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

	<u>6 months</u> <u>ended</u> <u>31.12.2018</u> RM'000	<u>6 months</u> <u>ended</u> <u>31.12.2017</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	1,893	(1,042)
Adjustments for:		
Write back of impairment of takaful receivables	(372)	(802)
Write off of property and equipment	-	-
Depreciation of property and equipment	194	269
Amortisation of intangible assets	1,020	3,282
(Gain)/loss on disposal of investments	(486)	874
Unrealised fair value loss/(gain) on financial assets	633	(974)
Amortisation of premiums/(accretion of discounts)-net	18	(21)
Profits and dividend income	(13,410)	(11,737)
Allowance for diminution in value of investments	-	716
Taxation	2,443	2,516
Losses from operations before change in operating assets and liabilities	(8,067)	(6,919)
Proceeds from disposal of investments	180,203	57,736
Maturity of investments	5,200	16,500
Purchase of investments	(333,047)	(69,773)
(Decrease)/increase in expenses liabilities	(4,121)	1,004
Increase in family takaful contract liabilities	49,158	39,836
(Decrease)/increase in general takaful contract liabilities	(34,867)	6,954
Increase in loans and receivables	(107)	(5,414)
Increase in retakaful assets	(803)	(3,722)
Decrease in takaful receivables	2,060	16,427
Decrease in other receivables	3,801	1,197
Increase/(decrease) in takaful payables	4,826	(5,857)
Increase in other payables	21,714	4,433
Increase in amount due to related companies	1,752	303
Increase in share capital	100,000	-
	(12,298)	52,705
Tax paid	(2,883)	(3,890)
Profit received	9,604	7,286
Dividend received	2,147	690
Net cash generated from operating activities	(3,430)	56,791

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

	<u>6 months</u> <u>ended</u> <u>31.12.2018</u> RM'000	<u>6 months</u> <u>ended</u> <u>31.12.2017</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(349)	(283)
Purchase of intangible assets	<u>(140)</u>	<u>(2,224)</u>
Net cash used in investing activities	<u>(489)</u>	<u>(2,507)</u>
Net (decrease)/increase in cash and cash equivalents	(3,919)	54,284
Cash and cash equivalents at beginning of the financial year	102,905	35,817
Transfer to assets of disposal group classified as Held-For-Sale	<u>(1,650)</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	<u>97,336</u>	<u>90,101</u>
Cash and cash equivalents comprise:		
Cash and bank balances	9,945	8,543
Short term deposits	<u>87,391</u>	<u>81,558</u>
	<u>97,336</u>	<u>90,101</u>

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

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(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 31 December 2018 of Hong Leong MSIG Takaful Berhad ("the Company") are unaudited and have been prepared in accordance with MFRS 134/ IAS 34: Interim Financial Reporting and should be read in conjunction with the Company's audited financial statements for the financial year ended 30 June 2018, which were prepared in accordance with the Malaysian Financial Reporting Standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2018 and modified for the adoption for of the following Amendments to MFRSs applicable for the financial period beginning on or after 1 July 2018:

- 'Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- MFRS 9 'Financial Instruments' (effective from 1 July 2018)

With effect from financial year beginning on/after 1 July 2018, the Group and the Company apply MFRS 9 "Financial Instruments", replacing MFRS 139" Financial Instruments: Recognition and Measurement", and include requirements for classification and measurement of financial assets and liabilities, impairment of financial assets.

HONG LEONG MSIG TAKAFUL BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**3. FINANCIAL ASSETS**

	Continuing operations			Discontinued operations
	Takaful Operator	Family Takaful Fund	Company	General Takaful Fund
	RM'000	RM'000	RM'000	RM'000
<u>31 December 2018</u>				
Government Investment Issues	12,704	44,175	56,879	-
Islamic bonds	128,460	256,078	384,538	-
Equity securities quoted in Malaysia	10,896	46,879	57,775	4,545
Unit and property trust funds	25,367	2,810	28,177	49,577
Investments in investment-linked funds	5,432	-	-	-
Structured investments	-	4,888	4,888	-
Accrued profit	1,626	3,421	5,047	-
Total	184,485	358,251	537,304	54,122
<u>30 June 2018</u>				
Government Investment Issues	2,613	36,440	39,052	1,202
Islamic bonds	53,575	207,531	261,107	34,182
Equity securities quoted in Malaysia	8,962	53,418	62,379	6,569
Unit and property trust funds	208	1,262	1,470	27,260
Investments in investment-linked funds	5,451	-	-	-
Structured investments	-	4,793	4,793	-
Accrued profit	601	2,569	3,171	271
Total	71,410	306,013	371,972	69,484

HONG LEONG MSIG TAKAFUL BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**3. FINANCIAL ASSETS (CONTINUED)**

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

	Continuing operations			Discontinued operations
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	General Takaful Fund RM'000
<u>31 December 2018</u>				
AFS financial assets	-	-	-	-
FVTPL financial assets	184,485	358,251	537,304	54,122
	<u>184,485</u>	<u>358,251</u>	<u>537,304</u>	<u>54,122</u>
Current	1,626	3,421	5,047	-
Non-current	182,859	354,830	532,257	54,122
	<u>184,485</u>	<u>358,251</u>	<u>537,304</u>	<u>54,122</u>
(i) AFS				
<u>31 December 2018</u>				
Government Investment Issues	-	-	-	-
Islamic bonds	-	-	-	-
Equity securities quoted in Malaysia	-	-	-	-
Unit and property trust funds	-	-	-	-
Investments in investment-linked funds	-	-	-	-
Structured investments	-	-	-	-
Accrued profit	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(ii) FVTPL				
<u>31 December 2018</u>				
Government Investment Issues	12,704	44,175	56,879	-
Islamic bonds	128,460	256,078	384,538	-
Equity securities quoted in Malaysia	10,896	46,879	57,775	4,545
Unit and property trust funds	25,367	2,810	28,177	49,577
Investments in investment-linked funds	5,432	-	-	-
Structured investments	-	4,888	4,888	-
Accrued profit	1,626	3,421	5,047	-
	<u>184,485</u>	<u>358,251</u>	<u>537,304</u>	<u>54,122</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**3. FINANCIAL ASSETS (CONTINUED)**

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

	Continuing operations			Discontinued operations
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	General Takaful Fund RM'000
<u>30 June 2018</u>				
AFS financial assets	71,410	272,802	338,761	69,484
FVTPL financial assets	-	33,211	33,211	-
	<u>71,410</u>	<u>306,013</u>	<u>371,972</u>	<u>69,484</u>
Current	601	2,570	3,171	271
Non-current	70,809	303,443	368,801	69,213
	<u>71,410</u>	<u>306,013</u>	<u>371,972</u>	<u>69,484</u>
(i) AFS				
<u>30 June 2018</u>				
Government Investment Issues	2,613	33,591	36,203	1,202
Islamic bonds	53,575	196,225	249,800	34,182
Equity securities quoted in Malaysia	8,962	39,716	48,678	6,569
Unit and property trust funds	208	862	1,070	27,260
Investments in investment-linked funds	5,451	-	-	-
Structured investments	-	-	-	-
Accrued profit	601	2,408	3,010	271
	<u>71,410</u>	<u>272,802</u>	<u>338,761</u>	<u>69,484</u>
(ii) FVTPL				
<u>30 June 2018</u>				
Government Investment Issues	-	2,849	2,849	-
Islamic bonds	-	11,306	11,306	-
Equity securities quoted in Malaysia	-	13,702	13,702	-
Unit and property trust funds	-	400	400	-
Structured investments	-	4,793	4,793	-
Accrued profit	-	161	161	-
	<u>-</u>	<u>33,211</u>	<u>33,211</u>	<u>-</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL ASSETS (CONTINUED)

(b) Carrying value of financial instruments

	Continuing Operations			Discontinued Operations
	FVTPL			FVTPL
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	General Takaful Fund RM'000
At 1 July 2018	71,410	306,013	371,972	69,484
Purchases	189,264	102,548	291,812	41,235
Maturities	-	(1,200)	(1,200)	(4,000)
Disposals	(78,232)	(49,999)	(128,231)	(51,972)
Fair value losses/(gains) recorded in profit or loss	979	(578)	402	(168)
Movement in impairment allowance	-	-	-	-
Realised losses/(gains)	57	615	672	(186)
Accretion of discount, net of amortisation of premium	(18)	-	-	-
Movement in accrued profit	1,025	852	1,877	(271)
At 31 December 2018	<u>184,484</u>	<u>358,251</u>	<u>537,304</u>	<u>54,122</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL ASSETS (CONTINUED)

(b) Carrying value of financial instruments (continued)

	Continuing Operations				Discontinued Operations
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	FVTPL Family Takaful Fund/ Company RM'000	AFS
At 1 July 2017	73,856	233,391	380,330	31,296	78,526
Purchases	17,930	96,373	153,079	15,825	38,776
Maturities	(5,000)	(2,000)	(18,700)	(2,800)	(11,700)
Disposals	(14,305)	(48,993)	(97,817)	(9,721)	(34,519)
Fair value gain recorded in profit or loss	-	-	-	(1,445)	-
Fair value gain recorded in other comprehensive income	(154)	(2,384)	(2,969)	-	(424)
Movement in impairment allowance	(384)	(3,191)	(4,277)	-	(702)
Realised gains	(567)	(939)	(1,906)	(40)	(400)
Accretion of discount, net of amortisation of premium	(10)	36	19	(1)	(7)
Movement in accrued profit	44	509	487	97	(66)
At 30 June 2018	<u>71,410</u>	<u>272,802</u>	<u>408,246</u>	<u>33,211</u>	<u>69,484</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy

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

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).

	Continuing operations			Discontinued operations
	FVTPL			FVTPL
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	General Takaful Fund RM'000
<u>31 December 2018</u>				
Level 1	36,263	49,689	85,952	54,122
Level 2	148,222	308,562	451,352	-
	<u>184,485</u>	<u>358,251</u>	<u>537,304</u>	<u>54,122</u>

	Continuing operations			Discontinued operations
	AFS		FVTPL	AFS
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	General Takaful Fund RM'000
<u>30 June 2018</u>				
Level 1	9,170	40,577	49,747	33,830
Level 2	62,240	232,225	289,014	35,654
	<u>71,410</u>	<u>272,802</u>	<u>338,761</u>	<u>69,484</u>

4. RETAKAFUL ASSETS

	Continuing operations		Discontinued operations
	Family Takaful Fund RM'000	Company RM'000	General Takaful Fund RM'000
<u>31 December 2018</u>			
Retakaful of Takaful contracts	<u>47,694</u>	<u>47,694</u>	<u>60,639</u>
<u>30 June 2018</u>			
Retakaful of Takaful contracts	<u>43,446</u>	<u>43,446</u>	<u>64,084</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

The Islamic Financial Services Act, 2013 ("IFSA") requires all composite Takaful Operators to segregate their composite licences into separate Family Takaful and General Takaful licences by 1 July 2018. In compliance with this Act, the company has surrendered the General Takaful license and proceed with an application for a single licence to continue its Family Takaful business and to relinquish its composite Takaful license by 1 July 2018.

Accordingly, the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of cash flows of General Takaful Fund have been classified as discontinued operations.

The components of assets and liabilities held-for-sale attributable to the discontinued operations are as follows :

(i) Assets of a disposal group classified as held-for-sale

	31.12.2018	
	General Takaful Fund	Company
	RM'000	RM'000
Available for sale financial assets	54,122	54,122
Deferred tax assets	776	776
Retakaful assets	60,639	60,639
Takaful receivables	814	814
Other receivables	514	514
Cash and cash equivalents	1,650	1,650
	<u>118,515</u>	<u>118,515</u>

(ii) Liabilities of a disposal group classified as held-for-sale

	31.12.2018	
	General Takaful Fund	Company
	RM'000	RM'000
Takaful contract liabilities	81,291	81,291
Tax payable	1,251	1,251
Takaful payable	30,727	30,727
Other payable	5,246	5,246
	<u>118,515</u>	<u>118,515</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**5. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)**

(i) Assets of a disposal group classified as held-for-sale

	30.06.2018	
	General Takaful Fund	Company
	RM'000	RM'000
Available for sale financial assets	69,484	69,484
Deferred tax assets	653	653
Retakaful assets	64,084	64,084
Takaful receivables	4,245	4,245
Other receivables	386	386
Cash and cash equivalents	25,932	25,932
	<u>164,784</u>	<u>164,784</u>

(ii) Liabilities of a disposal group classified as held-for-sale

	30.06.2018	
	General Takaful Fund	Company
	RM'000	RM'000
Takaful contract liabilities	116,158	116,158
Tax payable	1,883	1,883
Takaful payable	28,211	28,211
Other payable	18,532	18,532
	<u>164,784</u>	<u>164,784</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
5. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

Note	6 months ended 31.12.2018			6 months ended 31.12.2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Takaful Operator	Company	General Takaful Fund	Takaful Operator	Company	General Takaful Fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross contributions	-	-	1,205	-	-	28,364
Contributions ceded to retakaful	-	-	(1,951)	-	-	(8,774)
Net Contributions	-	-	(746)	-	-	19,590
Change in unearned contribution reserve	-	-	8,079	-	-	(1,305)
Net earned contribution	-	-	7,333	-	-	18,285
Wakalah Income	980	980	-	10,142	10,142	-
Surplus sharing from General Takaful funds	-	-	-	-	-	-
Commission income	-	-	(57)	-	-	1,671
Investment Income	-	-	1,527	-	-	1,266
Realised gains	-	-	186	-	-	216
Fair value losses	-	-	(356)	-	-	(158)
Other Operating income	-	-	372	-	-	802
Other income	980	980	1,672	10,142	10,142	3,797
Gross benefits and claim paid	-	-	(5,913)	-	-	(5,535)
Claims ceded to retakaful	-	-	3,212	-	-	3,568
Gross change to Takaful contract liabilities	-	-	(3,787)	-	-	(4,846)
Change in Takaful contract liabilities ceded to retakaful	-	-	39	-	-	(3,761)
Net benefits and claims	-	-	(6,449)	-	-	(10,574)

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
5. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

Note	6 months ended 31.12.2018			6 months ended 31.12.2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Takaful Operator	Company	General Takaful Fund	Takaful Operator	Company	General Takaful Fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Wakalah expenses	-	-	(980)	-	-	(10,142)
Surplus sharing with Takaful Operator	-	-	-	-	-	-
Fees and commission expense	(186)	(186)	-	(4,152)	(4,152)	-
Management expenses	(2,871)	(2,871)	-	(7,260)	(7,260)	-
Change to expense liability	3,996	3,996	-	(1,481)	(1,481)	-
Other operating expenses	-	-	(430)	-	-	-
Other expenses	939	939	(1,410)	(12,893)	(12,893)	(10,142)
(Loss)/profit before zakat and taxation	1,919	1,919	1,146	(2,751)	(2,751)	1,366
Tax expense attributable to participants	-	-	(1,146)	-	-	(1,366)
Profit before taxation attributable to Takaful Operator	1,919	1,919	-	(2,751)	(2,751)	-
Taxation	-	-	(1,146)	-	-	(1,366)
Tax expense attributable to participants	-	-	1,146	-	-	1,366
Tax expense attributable to Takaful Operator	-	-	-	-	-	-
Zakat	-	-	-	-	-	-
Profit/(loss) after zakat and taxation	1,919	1,919	-	(2,751)	(2,751)	-
Earning per share (sen)	0.96	0.96	-	(2.75)	(2.75)	-

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

Note	6 months ended 31.12.2018			6 months ended 31.12.2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Takaful Operator	Company	General Takaful Fund	Takaful Operator	Company	General Takaful Fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(loss) after zakat and taxation	1,919	1,919	-	(2,751)	(2,751)	-
Other comprehensive (loss)/income:						
<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 year	-	-	-	-	-	432
Gross fair value losses transferred to income statement	-	-	-	-	-	(216)
Tax effects thereon	-	-	-	-	-	(52)
Net fair value /gains	-	-	-	-	-	164
Change in Takaful contract liabilities arising from unrealised net fair value gains	-	-	-	-	-	(164)
Other Comprehensive income for the financial year, net of tax	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	-

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. TAKAFUL CONTRACT LIABILITIES

		Discontinued operations					
		31.12.2018			30.6.2018		
Note	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	
General Takaful	5(a)	<u>81,291</u>	<u>(60,639)</u>	<u>20,652</u>	<u>116,158</u>	<u>(64,084)</u>	<u>52,074</u>
		Continuing operations					
		31.12.2018			30.6.2018		
Note	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	
Family Takaful	5(b)	445,267	(47,694)	397,573	396,128	(43,446)	352,682
Elimination of investment in investment-linked funds		(5,432)	-	(5,432)	(5,451)	-	(5,451)
Total Family		<u>439,835</u>	<u>(47,694)</u>	<u>392,141</u>	<u>390,677</u>	<u>(43,446)</u>	<u>347,231</u>
Total Company		<u>439,835</u>	<u>(47,694)</u>	<u>392,141</u>	<u>390,677</u>	<u>(43,446)</u>	<u>347,231</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) General Takaful contract liabilities

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

	Discontinued operations					
	31.12.2018			30.6.2018		
	Gross	Re-takaful	Net	Gross	Re-takaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims reported by certificateholders	55,642	(47,463)	8,178	56,499	(47,551)	8,948
Provision for IBNR	17,228	(11,058)	6,171	17,230	(11,789)	5,441
Provision for outstanding claims (i)	72,870	(58,521)	14,349	73,729	(59,340)	14,389
Unearned contribution reserve (ii)	4,731	(2,118)	2,613	15,436	(4,744)	10,692
AFS fair value adjustment (iii)	-	-	-	400	-	400
Participants' account (iv)	-	-	-	26,337	-	26,337
Unallocated surplus (v)	3,690	-	3,690	256	-	256
	<u>81,291</u>	<u>(60,639)</u>	<u>20,652</u>	<u>116,158</u>	<u>(64,084)</u>	<u>52,074</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) General Takaful contract liabilities (continued)

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

	Discontinued operations					
	31.12.2018			30.6.2018		
	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	73,728	(59,340)	14,388	77,842	(60,959)	16,883
Claims incurred in the current accident year	5,284	(2,622)	2,662	25,508	(17,018)	8,490
Other movements in claims incurred in prior accident year	(12,283)	6,882	(5,401)	(19,281)	12,183	(7,098)
Claims paid during the financial year	6,141	(3,441)	2,700	(10,340)	6,454	(3,886)
At 31 December / 30 June	<u>72,870</u>	<u>(58,521)</u>	<u>14,349</u>	<u>73,729</u>	<u>(59,340)</u>	<u>14,389</u>
(ii) Unearned contribution reserve						
At 1 July	15,436	(4,744)	10,692	23,038	(11,061)	11,977
Contribution written in the financial year	1,205	(1,951)	(746)	51,292	(16,378)	34,914
Contribution earned during the financial year	(11,910)	4,577	(7,333)	(58,894)	22,695	(36,199)
At 31 December / 30 June	<u>4,731</u>	<u>(2,118)</u>	<u>2,613</u>	<u>15,436</u>	<u>(4,744)</u>	<u>10,692</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) General Takaful contract liabilities (continued)

	<u>Discontinued operations</u>	
	<u>Gross/Net</u>	
	<u>31.12.2018</u>	<u>30.06.2018</u>
	<u>RM'000</u>	<u>RM'000</u>
(iii) AFS fair value adjustment		
At 1 July	400	1,003
Net fair value change during the financial year	(400)	(603)
At 31 December / 30 June	<u>-</u>	<u>400</u>
(iv) Participants' account		
At 1 July	26,337	20,200
Participants' account recognised as unallocated surplus	(26,337)	6,137
At 31 December / 30 June	<u>-</u>	<u>26,337</u>
(v) Unallocated surplus		
At 1 July	256	1,290
Surplus arising during the financial year	3,433	18,796
Surplus sharing with Takaful Operator/participants	-	(19,830)
At 31 December / 30 June	<u>3,689</u>	<u>256</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) Family Takaful contract liabilities

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

	31.12.2018			30.6.2018		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Certificateholders' liabilities	389,874	(30,461)	359,413	337,402	(32,855)	304,547
Net asset value attributable to certificateholders	30,595	-	30,595	29,221	-	29,221
Actuarial liabilities (i)	420,469	(30,461)	390,008	366,623	(32,855)	333,768
Claims liabilities	17,920	(17,233)	687	16,927	(10,591)	6,336
Unallocated surplus (ii)	6,878	-	6,878	9,992	-	9,992
AFS fair value adjustment (iii)	-	-	-	2,586	-	2,586
	<u>445,267</u>	<u>(47,694)</u>	<u>397,573</u>	<u>396,128</u>	<u>(43,446)</u>	<u>352,682</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. 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 2017	281,437	(24,315)	257,122
Change in certificate liabilities	85,082	(8,540)	76,542
Movement in net asset value attributable to certificateholders	104	-	104
At 30 June 2018/1 July 2018	366,623	(32,855)	333,768
Change in certificate liabilities	52,472	2,394	54,866
Movement in net asset value attributable to certificateholders	1,374	-	1,374
At 31 December 2018	<u>420,469</u>	<u>(30,461)</u>	<u>390,008</u>
			Gross/Net
			31.12.2018 30.06.2018
			RM'000 RM'000
(ii) Unallocated surplus			
At 1 July		9,992	9,852
Surplus during the financial year		(3,114)	9,797
Surplus sharing with Takaful Operator/participants		-	(9,657)
At 31 December / 30 June		<u>6,878</u>	<u>9,992</u>
(iii) AFS fair value adjustment			
At 1 July		2,586	5,643
Net fair value change during the financial year		(2,586)	(3,057)
At 31 December / 30 June		<u>-</u>	<u>2,586</u>

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. 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>31.12.2018</u>	<u>30.6.2018</u>
	RM'000	RM'000
Eligible Tier 1 capital		
- Share capital	200,000	100,000
- Reserves, including retained earnings	12,730	(3,488)
Eligible Tier 2 capital		
- Eligible reserves	558	2,489
Amount deducted from capital	<u>(4,782)</u>	<u>(4,957)</u>
Total capital available	<u>208,506</u>	<u>94,044</u>

8. 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.

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 OR CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets as at date of this 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 2018.

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

- a) On 28 May 2018, the Board of Directors approved a Letter of Undertaking to be submitted to Bank Negara Malaysia (“BNM”) to increase the paid-up capital by an additional of RM100 million by end September 2018. After receiving the approval from Ministry of Finance and BNM for single Family Takaful License, the existing shareholders have injected a total of share capital according to its proposed share capital and stipulated timeline.

An injection of share capital amounting to RM 50 million was made on 11 July 2018 and a further injection of share capital amounting to RM 50 million was made on 26 September 2018.

- b) On 4 July 2018, the Company was granted by Minister of Finance, a license to carry on family Takaful business in pursuant to section 10(4) of the IFSA. The Company shall continue to discharge its obligations after the cessation of business, to transfer its general Takaful business to another licensed Takaful operator by 30 December 2018.

On 28 December 2018, the Company and the proposed transferee of the Company’s general Takaful business submitted a joint application to BNM for the approval of a business transfer scheme.

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**13. FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS**

The following table analyses the impact of transition on the Statements of Financial Position of the Company from MFRS 139 to MFRS 9 as at 1 July 2018:

Impact of adopting MFRS 9 as at 1 July 2018

Company	30 June 2018	Classification and measurement	01 July 2018
	RM'000	RM'000	RM'000
Assets			
Property, plant and equipment	1,189		1,189
Intangible assets	3,781		3,781
Financial assets	441,456	6,305	447,761
- Available-for-sale financial assets (AFS)	408,245	(408,245)	-
- Fair value through profit or loss financial assets (FVTPL)	33,211	408,245	441,456
- Amortised cost ("AC")	-	6,305	6,305
Loans and receivables	6,305	(6,305)	-
Deferred tax assets	1,146		1,146
Tax recoverable	2,455		2,455
Retakaful assets	107,530		107,530
Takaful receivables	10,842	(754)	10,088
Other receivables	8,137		8,137
Cash and cash equivalents	102,905		102,905
Total assets	685,746	(754)	684,992
Equity			
Share capital	100,000		100,000
Accumulated losses	(13,335)	1,856	(11,479)
AFS fair value reserves	1,856	(1,856)	-
Total equity	88,521	-	88,521
Liabilities			
<u>Takaful contract liabilities</u>	506,835	(754)	506,081
-AFS fair value adjustment	-	(2,986)	(2,986)
-Unallocated Surplus	-	2,232	2,232
Tax payables	4,901		4,901
Deferred tax liabilities	57		57
Takaful payables	40,309		40,309
Expense liabilities	14,563		14,563
Other payables	29,921		29,921
Due to related companies	639		639
Total liabilities	597,225	(754)	596,471
Total equity, policyholders' fund and liabilities	685,746	(754)	684,992

HONG LEONG MSIG TAKAFUL BERHAD

(Company No. 738090-M)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**13. FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

The following table analyses the impact of transition on the Statements of Financial Position of the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

Impact of adopting MFRS 9 as at 1 July 2018 (continued)

	Company RM'000
Financial assets at Available-for-sale financial assets (AFS)	
Closing balance under MFRS 139 as at 30 June 2018	408,245
-redesignation to financial assets at fair value through profit or loss financial assets (FVTPL)	<u>(408,245)</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>-</u></u>
Financial assets at Fair value through profit or loss financial assets (FVTPL)	
Closing balance under MFRS 139 as at 30 June 2018	33,211
-redesignation from financial assets at available-for-sale financial assets (AFS)	<u>408,245</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>441,456</u></u>
Loans and receivables	
Closing balance under MFRS 139 as at 30 June 2018	6,305
-redesignation to financial assets at amortised cost	<u>(6,305)</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>-</u></u>
Financial assets at Amortised Cost ("AC")	
Closing balance under MFRS 139 as at 30 June 2018	-
-redesignation from loans and receivables	<u>6,305</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>6,305</u></u>
AFS Fair value reserves	
Closing balance under MFRS 139 as at 30 June 2018	1,856
-transfer to accumulated losses	<u>(1,856)</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>-</u></u>
Accumulated losses	
Closing balance under MFRS 139 as at 30 June 2018	(13,335)
-transfer from AFS fair value reserves	<u>1,856</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>(11,479)</u></u>
Takaful Contract liabilities (AFS fair value reserves)	
Closing balance under MFRS 139 as at 30 June 2018	2,986
-transfer to unallocated surplus	<u>(2,986)</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>-</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**13. FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

The following table analyses the impact of transition on the Statements of Financial Position of the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

Impact of adopting MFRS 9 as at 1 July 2018 (continued)

	Company RM'000
Takaful Contract liabilities (Unallocated Surplus)	
Closing balance under MFRS 139 as at 30 June 2018	10,248
-transfer from AFS fair value reserve	2,986
- recognition of expected credit losses under MFRS 9	<u>(754)</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>12,480</u></u>
Takaful receivables	
Closing balance under MFRS 139 as at 30 June 2018	10,842
- recognition of expected credit losses under MFRS 9	<u>(754)</u>
Closing balance under MFRS 9 as at 1 July 2018	<u><u>10,088</u></u>