

Company No.

731996	H
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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENT

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

Company No.

731996

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		2019			2018		
	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
ASSETS							
Property and equipment		4,265	-	4,265	4,881	-	4,881
Intangible assets		1,125	-	1,125	991	-	991
Right-of-use assets	3	5,675	-	5,675	-	-	-
Investments:							
Available-for-sale	12(a)	106,003	136,722	242,725	135,953	106,385	242,338
Fair value through profit or loss	12(b)	3,040	412,131	412,131	2,840	364,901	364,901
Takaful receivables		-	9,360	9,360	-	3,370	3,370
Qardhul Hassan receivable	13	14,587	-	-	6,291	-	-
Retakaful assets	14	-	20,137	20,137	-	19,144	19,144
Other receivables		26,746	1,532	7,391	28,706	10,461	7,810
Current tax assets		1,113	1,741	2,854	-	1,434	1,434
Deferred tax assets		1,527	790	2,317	-	1,534	1,534
Cash and bank balances		14,479	68,833	83,312	30,602	84,329	114,931
TOTAL ASSETS		178,560	651,246	791,292	210,264	591,558	761,334

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying notes attached to the unaudited interim financial statements.

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019 (CONTINUED)

	<u>Note</u>	2019			2018		
		Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES							
Takaful contract liabilities	15	-	614,171	611,131	-	551,491	548,651
Takaful payables		-	29	29	-	1,172	1,172
Qardhul Hassan payable		-	32,238	-	-	23,942	-
Other payables		28,116	34,554	41,783	33,960	37,936	40,539
Lease liabilities	3	5,652	-	5,652			
Expense liabilities		14,942	-	14,942	12,848	-	12,848
Current tax liabilities		-	963	963	1,424	959	2,383
Deferred tax liabilities		3,770	1,529	5,299	1,695	-	1,695
TOTAL LIABILITIES		52,480	683,484	679,799	49,927	615,500	607,288
SHAREHOLDERS' EQUITY							
Share capital		100,000	-	100,000	190,000	-	190,000
Retained earnings/ (accumulated losses)		25,229	(32,238)	10,642	(29,831)	(23,942)	(36,122)
Available-for-sale reserve		851	-	851	168	-	168
		126,080	(32,238)	111,493	160,337	(23,942)	154,046
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY		178,560	651,246	791,292	210,264	591,558	761,334

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying notes attached to the unaudited interim financial statements.

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	2019			2018		
	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing Operations						
Gross earned contributions	-	199,054	199,054	-	167,562	167,562
Contribution ceded to retakaful operators	-	(14,154)	(14,154)	-	(11,093)	(11,093)
Net earned contributions	-	184,900	184,900	-	156,469	156,469
Wakalah fee income	70,304	-	-	54,889	-	-
Surplus sharing from Family Takaful Fund	6,827	-	-	6,847	-	-
Investment income	2,656	8,604	11,260	3,420	9,738	13,158
Realised gains/(losses)	140	175	315	(16)	(2,064)	(2,080)
Fair value gains/(losses)	200	21,764	21,964	(115)	(27,344)	(27,459)
Other operating income – net	190	1,482	1,672	120	1,802	1,922
Other income	80,317	32,025	35,211	65,145	(17,868)	(14,459)
Total revenue	80,317	216,925	220,111	65,145	138,601	142,010
Gross benefits and claims paid	-	(91,881)	(91,881)	-	(78,677)	(78,677)
Claims ceded to retakaful operators	-	16,941	16,941	-	11,334	11,334
Gross change to contract liabilities	-	(72,362)	(72,362)	-	(13,755)	(13,755)
Change in contract liabilities ceded to retakaful operators	-	11	11	-	-	-
Net claims	-	(147,291)	(147,291)	-	(81,098)	(81,098)

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying notes attached to the unaudited interim financial statements.

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)**

	2019			2018		
	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Surplus sharing with Takaful Operator	-	(6,827)	-	-	(6,847)	-
Wakalah fee expenses	-	(70,304)	-	-	(54,889)	-
Fee and commission expenses	(39,130)	-	(39,130)	(38,835)	-	(38,835)
Management expenses	(32,507)	-	(32,507)	(23,135)	-	(23,135)
Other operating expenses	(550)	2	(548)	(15)	(1,262)	(1,277)
Expense liabilities	(2,094)	-	(2,094)	(1,288)	-	(1,288)
Other expenses	(74,281)	(77,129)	(74,279)	(63,273)	(62,998)	(64,535)
Operating profit/(loss)	6,036	(7,495)	(1,459)	1,872	(5,495)	(3,623)
Finance cost	(168)	-	(168)	-	-	-
Zakat	-	-	-	-	-	-
Profit/(loss) before taxation	5,868	(7,495)	(1,627)	1,872	(5,495)	(3,623)
Tax (expense)/income attributable to participants	-	(801)	(801)	-	1,540	1,540
Profit/(loss) before taxation attributable to Takaful Operator	5,868	(8,296)	(2,428)	1,872	(3,955)	(2,083)
Taxation	(808)	(801)	(1,609)	(2,727)	1,540	(1,187)
Tax expense attributable to participants	-	801	801	-	(1,540)	(1,540)
Tax expense attributable to Takaful Operator	(808)	-	(808)	(2,727)	-	(2,727)
Net profit/(loss) for the financial year from continuing operations	5,060	(8,296)	(3,236)	(855)	(3,955)	(4,810)
Net profit/(loss) for the financial year from discontinued operation :						
- Takaful Operator	-	-	-	2,437	-	2,437
- General Takaful Fund	-	-	-	-	-	-
Net profit/(loss) for the financial year	5,060	(8,296)	(3,236)	1,582	(3,955)	(2,373)

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying notes attached to the unaudited interim financial statements.

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)**

	30.6.2019			31.12.2018		
	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial year	5,060	(8,296)	(3,236)	1,582	(3,955)	(2,373)
Other comprehensive (loss)/income:						
<u>Items that may be subsequently reclassified to profit or loss:</u>						
Fair value changes on available-for-sale investment that may be reclassified to profit or loss:						
- Gross fair value changes	879	4,170	5,049	(324)	1,670	1,346
- Deferred tax	(196)	(333)	(529)	74	-	74
- Net fair value changes	683	3,837	4,520	(250)	1,670	1,420
Changes in Takaful contract liabilities arising from unrealised net fair value changes	-	(3,837)	(3,837)	-	(1,670)	(1,670)
Other comprehensive income/(loss) for the financial year, net of tax	683	-	683	(250)	-	(250)
Total comprehensive income/(loss) for the financial year	5,743	(8,296)	(2,553)	1,332	(3,955)	(2,623)

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying notes attached to the unaudited interim financial statements.

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ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	Share capital	Non- distributable Available- for- sale reserve	Distributable Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	190,000	168	(36,122)	154,046
Reduction of capital	(90,000)	-	50,000	(40,000)
Net loss for the financial period	-	-	(3,236)	(3,236)
Other comprehensive income for the financial period	-	683	-	683
At 30 June 2019	100,000	851	10,642	111,493
 At 1 January 2018	 190,000	 (47)	 (27,160)	 162,793
Net loss for the financial period	-	-	(2,373)	(2,373)
Other comprehensive loss for the financial period	-	(250)	-	(250)
At 30 June 2018	190,000	(297)	(29,533)	160,170

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying notes attached to the unaudited interim financial statements.

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Note	6 months ended 30.6.2019 RM'000	6 months ended 30.6.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated in operating activities	16	343	6,934
Distribution income received		3,681	5,302
Profit income received		7,871	11,757
Interest expenses on lease liabilities		(168)	-
Income tax paid		(2,160)	(5,681)
Net cash flows used in from operating activities		9,567	18,312
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(23)	-
Purchase of intangible assets		(379)	-
Net cash flows used in investing activities		(402)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(784)	-
Reduction of capital		(90,000)	-
Utilisation of capital reduction against accumulated losses		50,000	-
Net cash flows generated from financing activities		(40,784)	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(31,619)	18,312
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		114,931	94,288
Reduction in net liabilities from disposal of General business		-	(12,525)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		83,312	100,075
Cash and cash equivalents consist of:			
Cash and bank balances		83,312	100,075

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2018, which were prepared in accordance with the MFRS and IFRS.

The explanatory notes attached to the unaudited 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 31 December 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following with effective date 1 January 2019.

<u>Description</u>	<u>Effective Date</u>
MFRS 16 "Leases" supersedes MFRS 117 "Lease" and the related interpretations	1 January 2019
Amendments to MFRS 119 Employee Benefits – Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

MFRS 9 "Financial Instruments" is effective from annual periods beginning 1 January 2018. However, the Amendments to MFRS 4 Insurance Contracts included certain provisions to allow the deferral of MFRS 9 to 2021 (i.e. to be adopted at the same time for entities which are predominantly operating as an insurance business).

The Company's business activity is predominantly insurance and hence, qualifies for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

The adoption of the above mentioned standards, amendments and interpretations issued by Malaysian Accounting Standard Board ("MASB") in the current financial year did not have any material impact to the unaudited condensed interim financial statements of the Company except for adoption of MFRS16 which the details and financial effects of the adoption of MFRS16 are disclosed in Note 3 Changes in Accounting Policies.

3 CHANGES IN ACCOUNTING POLICIES

MFRS 16, Leases

MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company adopted MFRS 16 with effect from 1 January 2019 using the modified retrospective approach, and measured the right-of-use asset and corresponding discounted lease liability, under which no restatement of comparative numbers is required. The Company recognised right-of-use assets and lease liabilities for those lease previously classified as operating leases, except for short-term leases and leases of low-value assets.

The Company has applied judgement to determine the lease term for lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such option impacts the lease term, which can significantly affect the amount of lease liabilities and right-of-use assets recognised.

Impact of adoption of MFRS 16

On transition to MFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarized below:

	<u>01.01.2019</u>
	RM'000
Right-of-use assets	6,436
Lease liabilities	<u>6,436</u>

Additional disclosure on adoption of MFRS 16

	<u>01.01.2019</u>
	RM'000
Operating lease commitment at 31 December 2018 as per previous financial statement prepared under MFRS 117	<u>7,303</u>
Present value of operating lease commitment	7,116
Recognition exemption for leases of low-value assets	(170)
Sub leases not subject to MFRS 16	<u>(510)</u>
Lease liabilities recognized at 1 January 2019	<u>6,436</u>

Impacts for the period

As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised RM5,675,000 of right-of-use assets and RM5,652,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under MFRS 16, the Company has recognised depreciation and interest expenses, instead of operating lease expense. During the six months ended 30 June 2019, the Company recognised RM761,000 of depreciation expenses and RM168,000 of interest expenses from these leases.

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4 AUDITORS REPORT ON PRECEDING FINANCIAL STATEMENTS

The auditors report on the unaudited financial statements of the preceding year does not contain any qualification.

5 SEASONAL OR CYCLICAL FACTORS

The Company's business operations are not significantly affected by any unusual seasonal or cyclical factors.

6 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period under review.

7 CHANGE IN ACCOUNTING ESTIMATES

There were no material changes in basis used for accounting estimates for the current financial period to date other than the impact of adoption of MFRS 16 as disclosed in Note 3.

8 DIVIDEND PAYMENT

There was no dividend payment made during the current financial period under review.

9 SIGNIFICANT EVENT FOR THE FINANCIAL PERIOD

A special resolution was passed by the shareholder of the Company at an Extraordinary General Meeting held on 14 January 2019 approving the proposed reduction in the paid-up share capital of the Company in the following manner:

- (i) Reduction of paid-up share capital of the Company from RM190,000,000 to RM100,000,000;
- (ii) A capital repayment of RM40,000,000 in cash to the immediate holding company, Zurich Holding Malaysia Berhad on such a date to be determined by the Directors; and
- (iii) The balance of RM50,000,000 shall be utilised against the accumulated losses of the Company.

The Registrar of Companies has confirmed that the Company has complied with all the requirement according to Section 119(4) Companies Act 2016, as such the Capital Reduction has been completed on 13 March 2019.

10 CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in composition of the Company during the current financial period under review.

11 CONTINGENT LIABILITIES

There are no contingent liabilities as at the date of this report since the date of the last annual statement of financial position.

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ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
<u>At 30 June 2019</u>			
Malaysian Government Securities /			
Government Investment Issues	-	-	-
Islamic debt securities, unquoted	106,003	193,127	299,130
Shariah-approved quoted equities	-	114,937	114,937
Investment-linked units	3,040	-	-
Unit trusts	-	240,789	240,789
	<u>109,043</u>	<u>548,853</u>	<u>654,856</u>

At 31 December 2018

Malaysian Government Securities /			
Government Investment Issues	8,121	-	8,121
Islamic debt securities, unquoted	127,832	154,007	281,839
Shariah-approved quoted equities	-	94,026	94,026
Investment-linked units	2,840	-	-
Unit trusts	-	223,253	223,253
	<u>138,793</u>	<u>471,286</u>	<u>607,239</u>

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

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
<u>At 30 June 2019</u>			
Available-for-sale ("AFS")	106,003	136,722	242,725
Fair value through profit or loss ("FVTPL")	3,040	412,131	412,131
	<u>109,043</u>	<u>548,853</u>	<u>654,856</u>

The following investments mature after 12 months:

AFS	93,834	136,722	230,556
FVTPL	-	47,981	47,981
	<u>93,834</u>	<u>184,703</u>	<u>278,537</u>

At 31 December 2018

Available-for-sale ("AFS")	135,953	106,385	242,338
Fair value through profit or loss ("FVTPL")	2,840	364,901	364,901
	<u>138,793</u>	<u>471,286</u>	<u>607,239</u>

The following investments mature after 12 months:

AFS	112,035	106,385	218,420
FVTPL	-	44,294	44,294
	<u>112,035</u>	<u>150,679</u>	<u>262,714</u>

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ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
<u>At 30 June 2019</u>			
(a) AFS investments			
<u>At 30 June 2019</u>			
Fair value:			
Malaysian Government Securities	-	-	-
Government Investment Issue	106,003	136,722	242,725
Islamic debt-securities, unquoted	106,003	136,722	242,725
(b) FVTPL investments			
Fair value at designation:			
Shariah-approved quoted equities	-	114,938	114,938
Islamic debt securities, unquoted	-	56,404	56,404
Investment-linked units	3,040	-	-
Unit trusts	-	240,789	240,789
	3,040	412,131	412,131
<u>At 31 December 2018</u>			
(a) AFS investments			
Malaysian Government Securities			
Government Investment Issue	8,121	-	8,121
Islamic debt-securities, unquoted	127,832	106,385	234,217
	135,953	106,385	242,338
(b) FVTPL investments			
Fair value at designation:			
Shariah-approved quoted equities	-	94,026	94,026
Islamic debt securities, unquoted	-	47,622	47,622
Investment-linked units	2,840	-	-
Unit trusts	-	223,253	223,253
	2,840	364,901	364,901

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

(c) Fair values of investments

Fair value measurements are classified using a fair value hierarchy based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 inputs are market based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets; (iii) inputs other than quoted prices that are observable and (iv) inputs derived from, or corroborated by, observable market data.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes and discounted cash flow and investment in structured products with fair values obtained via investment bankers and/or fund managers are considered as Level 2 valuation basis.

- Level 3 inputs are unobservable inputs which reflect the Company's own assumptions about market pricing using the best internal and external information available. Fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. There are no level 3 valued financial investments held by the Company during the current financial year.

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(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

(c) Fair values of investments

Recurring fair value measurements:

The following tables show the analysis of the different hierarchy of fair values for financial instruments recorded at fair value and financial instruments not measured at fair value but fair values are disclosed:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>At 30 June 2019</u>				
(i) Takaful Operator				
(a) FVTPL investments				
Investment-linked units	-	3,040	-	3,040
(b) AFS investments				
Malaysian Government Securities	-	-	-	-
Islamic debt securities, unquoted	-	106,003	-	106,003
	-	106,003	-	106,003
(ii) Family Takaful fund				
(a) FVTPL investments				
Islamic debt securities, unquoted	-	56,404	-	56,404
Shariah-approved quoted equities	114,938	-	-	114,938
Unit trusts	2,657	238,132	-	240,789
	117,595	294,536	-	412,131
(b) AFS investments				
Islamic debt securities, unquoted	-	136,722	-	136,722
(iii) Company				
(a) FVTPL investments				
Islamic debt securities, unquoted	-	56,404	-	56,404
Shariah-approved quoted equities	114,938	-	-	114,938
Unit trusts	2,657	238,132	-	240,789
	117,595	294,536	-	412,131
(b) AFS investments				
Malaysian Government Securities	-	-	-	-
Islamic debt securities, unquoted	-	242,725	-	242,725
	-	242,725	-	242,725

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**12****INVESTMENTS (CONTINUED)**(c) Fair values of investments (continued)Recurring fair value measurements: (continued)At 31 December 2018

(i) Takaful Operator

(a) FVTPL investments
Investment-linked units

Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2,840	-	-	2,840

(b) AFS investments
Malaysian Government Securities
Islamic debt securities, unquoted

-	8,121	-	8,121
-	127,832	-	127,832
-	135,953	-	135,953

(ii) Family Takaful fund

(a) FVTPL investments
Islamic debt securities, unquoted
Shariah-approved quoted equities
Unit trusts

-	47,622	-	47,622
94,026	-	-	94,026
223,253	-	-	223,253
317,279	47,622	-	364,901

(b) AFS investments
Islamic debt securities, unquoted

-	106,385	-	106,385
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(iii) Company

(a) FVTPL investments
Islamic debt securities, unquoted
Shariah-approved quoted equities
Unit trusts

-	47,622	-	47,622
94,026	-	-	94,026
223,253	-	-	223,253
317,279	47,622	-	364,901

(b) AFS investments
Malaysian Government Securities
Islamic debt securities, unquoted

-	8,121	-	8,121
-	234,217	-	234,217
-	242,338	-	242,338

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13 QARDHUL HASSAN RECEIVABLE

	Takaful Operator	
	30.6.2019	31.12.2018
	RM'000	RM'000
Qardhul Hassan receivable	32,238	23,942
Less : Allowance for impairment loss	(17,651)	(17,651)
	<u>14,587</u>	<u>6,291</u>

Allowance for impairment loss represents the difference between the carrying amount of Qardhul Hassan receivable and its projected recoverable amount. As of 31 December 2017, the Company has made full allowance for impairment loss of RM17,651,000 on the balance of Qardhul Hassan recoverable from Family Takaful Fund. As at 31 December 2018, the Company has made an assessment of the Qardhul Hassan recoverable based on the projection of surplus or deficit of the Ordinary Family Takaful risk fund for the next 5 years, taking into consideration of the risk fund balance less the best estimates of net liabilities for certificates. Based on the projection, the Company has not made further impairment to the balance of Qardhul Hassan receivable in the Takaful Operator Fund.

14 RETAKAFUL ASSETS

	30.6.2019	31.12.2018
	RM'000	RM'000
Retakaful of Takaful contracts (Note 15)		
- Family Takaful Fund	<u>20,137</u>	<u>19,144</u>

The carrying amount disclosed above in respect of retakaful of takaful contracts approximate fair values at the date of the statement of financial position.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
15 TAKAFUL CONTRACT LIABILITIES

	30.6.2019			31.12.2018		
	Gross	Retakafu	Net	Gross	Retakafu	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful (Note 14(a))	614,171	(20,137)	594,034	551,491	(19,144)	532,347
Total	614,171	(20,137)	594,034	551,491	(19,144)	532,347
Less: Net asset value of investment-linked units held by Takaful Operator	3,040	-	3,040	2,840	-	2,840
	611,131	(20,317)	590,994	548,651	(19,144)	529,507

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

	30.6.2019			31.12.2018		
	Gross	Retakafu	Net	Gross	Retakafu	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Certificateholders' liabilities	142,677	(15,313)	127,364	116,632	(14,332)	102,300
Net asset value attributable to unitholders	431,706	-	431,706	388,758	-	388,758
Actuarial liabilities	574,383	(15,313)	559,070	505,390	(14,332)	491,058
Unallocated surplus attributable to unitholders	9,235	-	9,235	19,496	-	19,496
Accumulated deficits of non-investment-linked funds	(32,115)	-	(32,115)	(23,919)	-	(23,919)
Qardhul Hassan	32,238	-	32,238	23,942	-	23,942
Claims liabilities	25,897	(4,824)	21,073	25,886	(4,812)	21,074
Available-for-sale fair value adjustment	4,533	-	4,533	696	-	696
	614,171	(20,137)	594,034	551,491	(19,144)	532,347

	Gross	Retakafu	Net
	RM'000	RM'000	RM'000
At 1 January 2018	561,560	(15,535)	546,025
Contributions received	354,523	(21,735)	332,788
Liabilities paid for death, maturities, surrenders, benefits and claims	(194,630)	22,556	(172,074)
Movement in claims liabilities	(8,063)	2,844	(5,219)
Experience variance on inforce Takaful certificates	5,134	(1,331)	3,803
Reserve on new policies	(28,589)	2,097	(26,492)
Miscellaneous	(11,159)	(8,040)	(19,199)
Fees deducted	(105,201)	-	(105,201)
Surplus distributed to Takaful Operator	(14,500)	-	(14,500)
Qardhul Hassan	6,291	-	6,291
Prior year surplus distributed to participant fund	(13,500)	-	(13,500)
Movement in AFS fair value adjustments			
- gross fair value changes	(315)	-	(315)
- deferred tax	(60)	-	(60)
Movement in AFS fair value adjustments	(375)	-	(375)
At 31 December 2018	551,491	(19,144)	532,347

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

	Gross	Re-Takaful	Net
	RM'000	RM'000	RM'000
At 1 January 2019	551,491	(19,144)	532,347
Contributions received	199,054	(14,154)	184,900
Liabilities paid for death, maturities, surrenders, benefits and claims	(91,881)	16,941	(74,940)
Movement in claims liabilities	(11)	12	1
Experience variance on inforce Takaful certificates	(2,088)	376	(1,712)
Reserve on new policies	(19,335)	606	(18,729)
Miscellaneous	46,525	(4,774)	41,751
Fees deducted	(60,390)	-	(60,390)
Surplus distributed to Takaful Operator	(6,827)	-	(6,827)
Qardhul Hassan	8,296	-	8,296
Prior year surplus distributed to participant fund	(14,500)	-	(14,500)
Movement in AFS fair value adjustments			
- gross fair value changes	4,170	-	4,170
- deferred tax	(333)	-	(333)
Movement in AFS fair value adjustments	3,837	-	3,837
At 30 June 2019	614,171	(20,137)	594,034

16 CASH FLOWS

	30.06.2019	30.6.2018
	RM'000	RM'000
Net loss for the financial period	(3,236)	(2,373)
Adjustment for:		
Investment income	(11,260)	(13,158)
Realised (gains)/losses from disposal of FVTPL and AFS investments	(315)	2,080
Fair value (gains)/losses	(21,964)	27,459
Depreciation of property and equipment	639	649
Loss on disposal of property and equipment	-	16
Amortisation of intangible assets	246	590
Depreciation of right-of-use assets	761	-
Interest expenses on lease liabilities	168	-
Tax expense attributable to Takaful Operator	808	2,727
Tax expense/(income) attributable to participants	801	(1,540)
Changes in working capital:		
Decrease in financial assets at fair value through profit or loss	(25,479)	(11,307)
Increase in available-for-sale financial assets	4,700	2,816
Increase in retakaful assets	(993)	(1,663)
Increase in Takaful receivables	(5,990)	(658)
Decrease/(Increase) in other receivables	419	(1,836)
Increase in Takaful contract liabilities	58,843	5,944
(Decrease)/increase in Takaful payables	(1,143)	517
Increase/(decrease) in other payables	1,244	(4,617)
Increase in expense liabilities	2,094	1,288
Cash generated in operating activities	343	6,934

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

17 RISK MANAGEMENT FRAMEWORK

Capital Management

	30.6.2019	31.12.2018
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Paid-up capital	100,000	190,000
Reserves, including retained earnings	6,370	(32,652)
	<u>106,370</u>	<u>157,348</u>
<u>Tier 2 Capital</u>		
Available-for-sale reserve	4,137	621
Total Capital Available	<u>110,507</u>	<u>157,969</u>

18 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES

The Company has applied the temporary exemption from the adoption of MFRS 9 "Financial Instruments" from 1 January 2018 to no later than 1 January 2021 (see Note 2.1).

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI").

- (a) The following table shows the carrying amount under MFRS 139 for financial assets with SPPI cash flow analysed by credit quality:

	AAA to AA	Not rated	Total
	RM'000	RM'000	RM'000
30 June 2019			
AFS investments:			
Islamic debt securities, unquoted	232,493	10,232	242,725

- (b) Fair value / carrying amount:

	Financial assets with SPPI cash flows	Other financial assets	Total
	RM'000	RM'000	RM'000
Fair value at 30 June 2019	242,725	532,330	775,055
Fair value changes during the financial period	5,049	21,964	27,013
Financial assets that do not have low credit risk:			
- Fair value/carrying amount at 31 December 2018 under MFRS 139	-	NA	NA

N/A – not applicable