

Company No.

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015

Company No.

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	<u>Note</u>	<u>30.06.2015</u> RM'000	<u>31.12.2014</u> RM'000
ASSETS			
Property and equipment		60,654	61,999
Intangible assets		4,796	760
Investments			
-Available-for-sale financial assets ("AFS")	10	1,167,429	1,124,051
Reinsurance assets	11	278,278	320,850
Insurance receivables		200,445	157,712
Other receivables		74,114	69,926
Deferred tax assets		17,258	19,146
Cash and cash equivalents		269,522	223,864
		<u>2,072,496</u>	<u>1,978,308</u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		775,055	692,125
Available-for-sale fair value reserves		1,878	(3,787)
Equity reserve		3,503	2,715
		<u>880,436</u>	<u>791,053</u>
Insurance contract liabilities	12	931,465	948,888
Investment contract liabilities		1,478	1,391
Insurance payables		91,741	79,262
Current tax liabilities		22,041	26,049
Other payables		145,335	131,665
		<u>1,192,060</u>	<u>1,187,255</u>
Total equity and liabilities		<u>2,072,496</u>	<u>1,978,308</u>

The accompanying notes are an integral part of these interim financial statements.

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ACE JERNEH INSURANCE BERHAD
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UNAUDITED INCOME STATEMENT
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2015

	<u>30.06.2015</u> RM'000	<u>30.06.2014</u> RM'000
Gross earned premiums	438,614	419,527
Premiums ceded to reinsurers	(116,428)	(126,112)
Net earned premiums	<u>322,186</u>	<u>293,415</u>
Investment income	24,946	21,429
Realised (losses)/gains	(219)	3,717
Fair value losses	-	(2,606)
Commission income	32,955	32,792
Other operating revenue	373	337
Net income	<u>58,055</u>	<u>55,669</u>
Total revenue	<u>380,241</u>	<u>349,084</u>
Gross claims paid	(156,838)	(219,037)
Claims ceded to reinsurers	46,828	109,618
Gross change to contract liabilities	46,125	24,403
Change in contract liabilities ceded to reinsurers	(45,769)	(48,989)
Net claims incurred	<u>(109,654)</u>	<u>(134,005)</u>
Commission expense	(63,677)	(62,986)
Management expenses	(94,842)	(89,688)
Total other expenses	<u>(158,519)</u>	<u>(152,674)</u>
Profit before taxation	112,068	62,405
Taxation	(29,138)	(16,225)
Profit for the financial period	<u>82,930</u>	<u>46,180</u>
Earnings per share (sen)		
Basic	<u>82.93</u>	<u>46.18</u>

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ACE JERNEH INSURANCE BERHAD
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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2015

	<u>30.06.2015</u> RM'000	<u>30.06.2014</u> RM'000
Profit for the financial period	82,930	46,180
Other comprehensive income:		
<u>Items that may be subsequently reclassified to income statement:</u>		
Available-for-sale fair value reserves		
Net gains arising during the financial period	7,553	3,283
Net realised gains transferred to income statement	-	(4,032)
	<u>7,553</u>	<u>(749)</u>
Tax effects thereon	(1,888)	187
	<u>5,665</u>	<u>(562)</u>
Total comprehensive income for the financial period	<u><u>88,595</u></u>	<u><u>45,618</u></u>

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ACE JERNEH INSURANCE BERHAD
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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2015

	<u>Share capital</u> RM'000	<u>Equity reserve</u> RM'000	<u>Non-distributable Available-for-sale reserve</u> RM'000	<u>Distributable Retained earnings</u> RM'000	<u>Total equity</u> RM'000
At 1 January 2014	100,000	2,669	(807)	535,777	637,639
Total comprehensive income for the financial year	-	-	(2,980)	156,348	153,368
Share-based long term incentive plan vested	-	867	-	-	867
Share-based long term incentive plan paid	-	(821)	-	-	(821)
	-	46	-	-	46
At 31 December 2014	<u>100,000</u>	<u>2,715</u>	<u>(3,787)</u>	<u>692,125</u>	<u>791,053</u>
At 1 January 2015	100,000	2,715	(3,787)	692,125	791,053
Total comprehensive income for the financial period	-	-	5,665	82,930	88,595
Share-based long term incentive plan vested	-	788	-	-	788
Share-based long term incentive plan paid	-	-	-	-	-
	-	788	-	-	788
At 30 June 2015	<u>100,000</u>	<u>3,503</u>	<u>1,878</u>	<u>775,055</u>	<u>880,436</u>

ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements of ACE Jerneh Insurance Berhad (“the Company”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2014.

a) Standards, amendments to published standards and interpretations that are effective

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2015:

- (i) Annual Improvement to MFRSs 2010-2012 Cycle (Amendments to MFRS 2 Share-based Payment, MFRS 3 Business Combinations, MFRS 8 Operating Segments, MFRS 13 Fair Value Measurement, MFRS 116 Property, Plant and Equipment, MFRS 124 Related Party Disclosures & MFRS 138 Intangible Assets)
- (ii) Annual Improvements to MFRSs 2011-2013 Cycle (Amendments to MFRS 1 First Time Adoption of Financial Reporting Standards, MFRS 3 Business Combinations, MFRS 13 Fair Value Measurement & MFRS 140 Investment Property)
- (iii) Amendments to MFRS 119 Defined Benefits Plans : Employee Contributions

There were no material changes to the Company’s accounting policies other than enhanced disclosures to the financial statements.

All other standards, amendments to published standards and interpretations that are effective for the current financial year are not relevant to the Company.

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

- (i) Effective from financial year beginning on or after 1 January 2016
 - MFRS 14 Regulatory Deferral Accounts
 - Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
 - Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
 - Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture - Agriculture : Bearer Plants
 - Amendments to MFRS 10 Consolidated Financial Statements & MFRS 128 Investment in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associates/ joint ventures
 - Amendments to MFRS 127 Consolidated and Separate Financial Statements – Equity accounting in separate financial statements
 - Annual Improvements to MFRSs 2012-2014 Cycle (Amendments to MFRS 5 Non-current Assets Held for sale and Discontinued Operations, MFRS 7 Financial Instruments : Disclosures, MFRS 119 Employee Benefits, MFRS 134 Interim Financial Reporting)

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ACE JERNEH INSURANCE BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

- (ii) Effective from financial year beginning on or after 1 January 2017
 - MFRS 15 Revenue
- (iii) Effective from financial year beginning on or after 1 January 2018
 - MFRS 9 Financial Instruments

None of the standards listed above were expected to have a significant effect on the financial statements of the Company upon initial application, except for MFRS 9. The Company has yet to assess the full impact of MFRS 9 on the Company's accounting policies. The Company will also consider the impact of the remaining phases of MFRS 9 when issued by the MASB.

2 COMMENTS ON SEASONALITY OR CYCLICALITY

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

3 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income, or cash flow in the current interim financial period ended 30 June 2015.

4 MATERIAL CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates in the current interim financial period ended 30 June 2015.

5 DEBT AND EQUITY SECURITIES ISSUED BY THE COMPANY

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities during the current interim financial period ended 30 June 2015.

6 DIVIDEND

No dividend has been paid by the Company in the current interim financial period ended 30 June 2015.

The Board of Directors recommend an interim dividend of RM2.90 per share amounting to RM290 million in respect of the current interim financial period.

The above recommendation has been approved by Bank Negara Malaysia ("BNM") in July 2015. The interim financial statements for the period ended 30 June 2015 do not reflect this interim dividend, which will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2015 when the dividend payment is made.

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ACE JERNEH INSURANCE BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7 EVENTS SUBSEQUENT TO THE INTERIM PERIOD

Other than the subsequent event disclosed in note 6 to the interim financial statements, there were no material events after the interim financial period that have not been disclosed in the financial statements for the period to date.

8 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

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

9 CONTINGENT LIABILITIES

At the date of this report, there does not exist any contingent liability of the Company which has arisen since the end of the financial period under review.

For the purpose of this paragraph, contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

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ACE JERNEH INSURANCE BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10 INVESTMENTS

	<u>30.06.2015</u> RM'000	<u>31.12.2014</u> RM'000
Malaysian Government Securities and guaranteed loans	698,895	627,632
Debt securities	468,159	496,044
Equity securities	375	375
	<u>1,167,429</u>	<u>1,124,051</u>
AFS	<u>1,167,429</u>	<u>1,124,051</u>

The following instruments mature after 12 months:

Malaysian Government Securities and guaranteed loans	633,236	546,664
Debt securities	437,744	470,658
	<u>1,070,980</u>	<u>1,017,322</u>

(a) AFS	<u>30.06.2015</u> RM'000	<u>31.12.2014</u> RM'000
<u>Fair Value</u>		
Unquoted equity securities	375	375
Unquoted debt securities	468,159	496,044
Malaysian Government Securities and guaranteed loans	698,895	627,632
	<u>1,167,429</u>	<u>1,124,051</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

AFS

	RM'000
At 1 January 2014	969,283
Purchases	475,769
Maturities	(296,000)
Disposals	(24,585)
Fair value gains recorded in:	
Other comprehensive income	59
Net change in interest receivables	1,128
Amortisation of premium	(1,603)
	<hr/>
At 31 December 2014	1,124,051
Purchases	150,798
Maturities	(115,000)
Fair value gains recorded in:	
Other comprehensive income	7,553
Net change in interest receivables	72
Amortisation of premium	(45)
	<hr/>
At 30 June 2015	<u>1,167,429</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10 INVESTMENTS (CONTINUED)

(c) Estimation of fair values

Fair value hierarchy

Included in the quoted market price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily 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 1).

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 and instruments with fair values based on broker quotes (Level 2).

Financial instruments that are valued not based on observable market data are categorised as Level 3.

Fair value investments

	<u>30.06.2015</u>	<u>31.12.2014</u>
	RM'000	RM'000
Valuation techniques		
- market observable inputs (Level 2)	1,167,054	1,123,676
- unobservable inputs (Level 3)	375	375
	<u>1,167,429</u>	<u>1,124,051</u>

There are no investments that are valued based on Level 1 category.

11 REINSURANCE ASSETS

	<u>30.06.2015</u>	<u>31.12.2014</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	242,105	287,874
Premium liabilities	36,173	32,976
	<u>278,278</u>	<u>320,850</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES

	30.06.2015			31.12.2014		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General insurance	<u>931,465</u>	<u>(278,278)</u>	<u>653,187</u>	<u>948,888</u>	<u>(320,850)</u>	<u>628,038</u>
Provision for claims reported	442,413	(204,405)	238,008	464,523	(226,425)	238,098
Provision for incurred but not reported claims ("IBNR")	<u>145,740</u>	<u>(37,700)</u>	<u>108,040</u>	<u>169,755</u>	<u>(61,449)</u>	<u>108,306</u>
Claims liabilities	588,153	(242,105)	346,048	634,278	(287,874)	346,404
Premium liabilities	<u>343,312</u>	<u>(36,173)</u>	<u>307,139</u>	<u>314,610</u>	<u>(32,976)</u>	<u>281,634</u>
	<u>931,465</u>	<u>(278,278)</u>	<u>653,187</u>	<u>948,888</u>	<u>(320,850)</u>	<u>628,038</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) CLAIMS LIABILITIES

	30.06.2015			31.12.2014		
	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January	634,278	(287,874)	346,404	716,302	(359,092)	357,210
Increase in claims incurred/recoveries anticipated over the financial period/year	208,006	(57,394)	150,612	401,565	(140,245)	261,320
Changes in key assumptions	(97,293)	56,335	(40,958)	(93,690)	41,039	(52,651)
Claims paid during the financial period/year	(156,838)	46,828	(110,010)	(389,899)	170,424	(219,475)
At 30 June/31 December	<u>588,153</u>	<u>(242,105)</u>	<u>346,048</u>	<u>634,278</u>	<u>(287,874)</u>	<u>346,404</u>

(ii) PREMIUM LIABILITIES

At 1 January	314,610	(32,976)	281,634	295,831	(39,304)	256,527
Premiums written during the financial period/year	467,316	(119,625)	347,691	868,114	(240,188)	627,926
Premiums earned during the financial period/year	(438,614)	116,428	(322,186)	(849,335)	246,516	(602,819)
At 30 June/31 December	<u>343,312</u>	<u>(36,173)</u>	<u>307,139</u>	<u>314,610</u>	<u>(32,976)</u>	<u>281,634</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13 OPERATING LEASE COMMITMENTS

The Company as lessee

The Company leases premises from various parties under non-cancellable operating leases. The leases typically run for a period of 2 to 5 years with the option to renew the leases after the expiry date.

The future minimum lease payments payable under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	<u>30.06.2015</u> RM'000	<u>31.12.2014</u> RM'000
Within one year	1,425	1,424
Later than one year but not later than 5 years	1,656	1,536
	<u>3,081</u>	<u>2,960</u>

14 CAPITAL STRUCTURE

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

	<u>30.06.2015</u> RM'000	<u>31.12.2014</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	100,000	100,000
Retained earnings	775,055	692,125
	<u>875,055</u>	<u>792,125</u>
<u>Tier 2 Capital</u>		
Available-for-sale fair value reserve	1,878	(3,787)
Equity reserve	3,503	2,715
Amount deducted from capital	(22,054)	(19,906)
	<u>858,382</u>	<u>771,147</u>