

Company No.

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the Financial Period from 1 January 2013 to 30 June 2013

Company No.

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the financial period from 1 January 2013 to 30 June 2013

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	<u>Note</u>	<u>30.06.2013</u> RM'000	<u>31.12.2012</u> RM'000
ASSETS			
Property and equipment		43,115	43,011
Investment property	10	-	-
Intangible assets		1,454	1,567
Investments			
Available-for-sale financial assets ("AFS")	11	958,565	914,577
Reinsurance assets	12	455,305	469,314
Insurance receivables		159,219	143,633
Other receivables		37,768	33,672
Deferred tax assets		5,866	5,502
Cash and cash equivalents		178,989	147,726
Total assets		<u><u>1,840,281</u></u>	<u><u>1,759,002</u></u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		452,472	425,697
AFS fair value reserves		4,176	6,218
Equity reserve		1,982	1,381
Total equity		<u><u>558,630</u></u>	<u><u>533,296</u></u>
Insurance contract liabilities	13	1,060,270	1,038,365
Investment contract liabilities		3,899	4,001
Insurance payables		118,202	88,784
Current tax liabilities		12,041	20,359
Other payables		87,239	74,197
Total liabilities		<u><u>1,281,651</u></u>	<u><u>1,225,706</u></u>
Total equity and liabilities		<u><u>1,840,281</u></u>	<u><u>1,759,002</u></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 MONTH PERIOD ENDED 30 JUNE 2013

	6 month period ended <u>30.06.2013</u> RM'000	6 month period ended <u>30.06.2012</u> RM'000
Gross earned premiums	401,821	367,177
Premiums ceded to reinsurers	(134,838)	(133,618)
Net earned premiums	<u>266,983</u>	<u>233,559</u>
Investment income	18,975	19,181
Realised (losses)/gains	(223)	1,629
Commission income	31,779	29,284
Other operating revenue	72	72
Net income	<u>50,603</u>	<u>50,166</u>
Gross claims paid	(148,103)	(140,017)
Claims ceded to reinsurers	27,754	56,848
Gross change to contract liabilities	(23,580)	(14,282)
Change in contract liabilities ceded to reinsurers	1,192	5,988
Net claims incurred	<u>(142,737)</u>	<u>(91,463)</u>
Commission expense	(56,901)	(50,339)
Management expenses	(81,766)	(67,819)
Other expenses	<u>(138,667)</u>	<u>(118,158)</u>
Profit before taxation	36,182	74,104
Taxation	(9,407)	(19,267)
Profit for the period	<u>26,775</u>	<u>54,837</u>
Earnings per share (sen)		
Basic	<u>26.78</u>	<u>54.84</u>

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2013

	6 month period ended <u>30.06.2013</u> RM'000	6 month period ended <u>30.06.2012</u> RM'000
Profit for the period	26,775	54,837
Other comprehensive income:		
Available-for-sale fair value reserves		
Net (losses)/gains arising during the period	(2,709)	544
Net realised gains transferred to income statement	(13)	(2,055)
	<u>(2,722)</u>	<u>(1,511)</u>
Tax effects thereon	680	378
	<u>(2,042)</u>	<u>(1,133)</u>
Total comprehensive income for the period	<u>24,733</u>	<u>53,704</u>

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2013

	<u>Share capital</u> RM'000	<u>Equity reserves</u> RM'000	<u>Non-distributable Available-for-sale reserve</u> RM'000	<u>Distributable Retained earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2012	100,000	-	6,195	294,656	400,851
Transfer from ACE INA	-	1,021	773	-	1,794
Total comprehensive income for the period	-	-	(1,133)	54,837	53,704
Share-based long term incentive plan vested	-	709	-	-	709
Share-based long term incentive plan paid	-	(529)	-	-	(529)
	-	180	-	-	180
At 30 June 2012	<u>100,000</u>	<u>1,201</u>	<u>5,835</u>	<u>349,493</u>	<u>456,529</u>
At 1 January 2013	100,000	1,381	6,218	425,697	533,296
Total comprehensive income for the period	-	-	(2,042)	26,775	24,733
Share-based long term incentive plan vested	-	864	-	-	864
Share-based long term incentive plan paid	-	(263)	-	-	(263)
	-	601	-	-	601
At 30 June 2013	<u>100,000</u>	<u>1,982</u>	<u>4,176</u>	<u>452,472</u>	<u>558,630</u>

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ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2013

1 BASIS OF PREPARATION

The interim financial statements of ACE Jerneh Insurance Berhad (“the Company”) are unaudited and have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965, the Insurance Act, 1996 (repealed on 30 June 2013) and the Financial Services Act, 2013 (effective on 30 June 2013) in Malaysia and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2012.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the Company’s audited financial statements for the financial year ended 31 December 2012, except for the adoption of the following:

MFRSs/ Amendments/ Interpretations	Effective Date
MFRS 13, Fair Value Measurement	1 January 2013
Amendment to MFRS 101, <i>Presentation of Financial Statements</i> - <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendment to MFRS 119, Employee Benefits (2011)	1 January 2013
Amendment to MFRS 7, <i>Financial Instruments: Disclosure</i>	1 January 2013

The adoption of the new accounting standards, amendments and improvements to published standards and interpretations do not have any significant impact on the financial statements of the Company

2 COMMENTS ON SEASONALITY OR CYCLICALITY

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

3 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income, or cash flow in the current interim period ended 30 June 2013.

4 MATERIAL CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2013.

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 financial period.

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2013 (CONTINUED)

6 DIVIDEND PAID

No dividend has been paid by the Company in the current interim period ended 30 June 2013.

7 EVENTS SUBSEQUENT TO THE INTERIM PERIOD

There were no material events after the interim period that has not been reflected 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 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 interim 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.

10 INVESTMENT PROPERTY

	<u>30.06.2013</u> RM'000	<u>31.12.2012</u> RM'000
Freehold land and building, at cost		
At 1 January	-	25,334
Transfer to property and equipment	-	(25,334)
At 30 June/31 December	<u>-</u>	<u>-</u>
Accumulated depreciation		
At 1 January	-	3,737
Charge for the period/year	-	-
Transfer to property and equipment	-	(3,737)
At 30 June/31 December	<u>-</u>	<u>-</u>
Net carrying value	<u>-</u>	<u>-</u>

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ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2013 (CONTINUED)

10 INVESTMENT PROPERTY (CONTINUED)

Investment property comprises commercial property leased to generate rental income.

During the previous financial year, the Company reclassified the investment property to property and equipment following the discontinuation of leases to external tenants.

Rental income from the property for the current interim period ended 30 June 2013 was NIL (2012:RM1,112,000)

Direct operating expenses arising in respect of the property for the current interim period ended 30 June 2013 was NIL (2012:RM675,000).

11 INVESTMENTS

	<u>30.06.2013</u> RM'000	<u>31.12.2012</u> RM'000
Malaysian government securities and guaranteed loans	533,022	550,268
Debt securities	425,168	363,934
Equity securities	375	375
	<u>958,565</u>	<u>914,577</u>
AFS	958,565	914,577
	<u>958,565</u>	<u>914,577</u>
Current	106,073	50,405
Non-current	852,492	864,172
	<u>958,565</u>	<u>914,577</u>
(a) AFS	<u>30.06.2013</u> RM'000	<u>31.12.2012</u> RM'000
<u>Fair Value</u>		
Unquoted equity securities	375	375
Unquoted debt securities	425,168	363,934
Malaysian government securities and guaranteed loans	533,022	550,268
	<u>958,565</u>	<u>914,577</u>

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2013 (CONTINUED)

11 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

	<u>HTM</u> RM'000	<u>AFS</u> RM'000	<u>Total</u> RM'000
At 1 January 2012	40,755	656,589	697,344
Transfer from ACE INA	-	109,239	109,239
Transfer from HTM to AFS	(40,755)	40,755	-
Purchases	-	243,810	243,810
Maturities	-	(25,000)	(25,000)
Disposals	-	(108,436)	(108,436)
Fair value losses recorded in:			
Income statement	-	(3,436)	(3,436)
Other comprehensive income	-	1,757	1,757
Reclassification to other debtors	-	(320)	(320)
Net change in interest receivables	-	1,296	1,296
Amortisation of premium	-	(1,677)	(1,677)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	-	914,577	914,577
Purchases	-	102,041	101,738
Maturities	-	(40,000)	(40,000)
Disposals	-	(15,008)	(15,008)
Fair value gains recorded in:			
Income statement	-	-	-
Other comprehensive income	-	(2,709)	(2,406)
Net change in interest receivables	-	835	835
Amortisation of premium	-	(1,171)	(1,171)
	<hr/>	<hr/>	<hr/>
At 30 June 2013	-	958,565	958,565

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ACE JERNEH INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2013 (CONTINUED)

11 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>30.06.2013</u>	<u>31.12.2012</u>
	RM'000	RM'000
Valuation techniques		
- market observable inputs (Level 2)	958,565	914,577
	<u>958,565</u>	<u>914,577</u>

There are no investments that are valued based on Level 1 and 3 categories.

12 REINSURANCE ASSETS

	<u>30.06.2013</u>	<u>31.12.2012</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	403,967	402,775
Premium liabilities	51,338	66,539
	<u>455,305</u>	<u>469,314</u>

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ACE JERNEH INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2013 (CONTINUED)

13 INSURANCE CONTRACT LIABILITIES

	30.06.2013			31.12.2012		
	<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
General insurance	<u>1,060,270</u>	<u>(455,305)</u>	<u>604,965</u>	<u>1,038,365</u>	<u>(469,314)</u>	<u>569,051</u>
Provision for claims reported by policyholders	556,284	(312,417)	243,867	513,882	(288,858)	225,024
Provision for incurred but not reported claims ("IBNR")	<u>204,554</u>	<u>(91,550)</u>	<u>113,004</u>	<u>223,376</u>	<u>(113,917)</u>	<u>109,459*</u>
Claims liabilities	<u>760,838</u>	<u>(403,967)</u>	<u>356,871</u>	<u>737,258</u>	<u>(402,775)</u>	<u>334,483</u>
Premium liabilities	<u>299,432</u>	<u>(51,338)</u>	<u>248,094</u>	<u>301,107</u>	<u>(66,539)</u>	<u>234,568</u>
	<u>1,060,270</u>	<u>(455,305)</u>	<u>604,965</u>	<u>1,038,365</u>	<u>(469,314)</u>	<u>569,051</u>

* Inclusive of RM10,800,000 owing to Malaysian Motor Insurance Pool ("MMIP") for the portfolio withdrawal of ACE INA from the pool in 2012.

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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2013 (CONTINUED)

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) CLAIMS LIABILITIES

	30.06.2013			31.12.2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	737,258	(402,775)	334,483	462,667	(197,050)	265,617
Transfer from ACE INA	-	-	-	302,303	(214,721)	87,582
Increase in claims incurred/recoveries anticipated over the financial period/year	194,302	(34,925)	159,377	388,329	(184,849)	203,480
Change in key assumptions	(22,619)	5,979	(16,640)	(58,248)	4,831	(53,417)
Claims paid during the financial period/year	(148,103)	27,754	(120,349)	(357,793)	189,014	(168,779)
At 30 June/31 December	<u>760,838</u>	<u>(403,967)</u>	<u>356,871</u>	<u>737,258</u>	<u>(402,775)</u>	<u>334,483</u>

(ii) PREMIUM LIABILITIES

At 1 January	301,107	(66,539)	234,568	209,561	(64,609)	144,952
Transfer from ACE INA	-	-	-	65,402	(3,451)	61,951
Premiums written during the financial period/year	400,146	(119,637)	280,509	762,434	(269,612)	492,822
Premiums earned during the financial period/year	(401,821)	134,838	(266,983)	(736,290)	271,133	(465,157)
At 30 June/31 December	<u>299,432</u>	<u>(51,338)</u>	<u>248,094</u>	<u>301,107</u>	<u>(66,539)</u>	<u>234,568</u>

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ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2013 (CONTINUED)

14 OPERATING LEASE COMMITMENTS

The Company as lessee

The Company leases premises from various parties under non-cancellable operating lease. The leases typically run for a period of 2 to 6 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>30.06.2013</u> RM'000	<u>31.12.2012</u> RM'000
Within one year	817	1,669
Later than one year but not later than 6 years	1,360	977
	<u>2,177</u>	<u>2,646</u>

15 CAPITAL STRUCTURE

The capital structure of the Company as at 30 June 2013, as prescribed under the RBC Framework is provided below:

	<u>30.06.2013</u> RM'000	<u>31.12.2012</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	100,000	100,000
Retained earnings	452,472	425,697
	<u>552,472</u>	<u>525,697</u>
<u>Tier 2 Capital</u>		
Available-for-sale fair value reserve	4,176	6,218
Equity reserve	1,982	1,381
Amount deducted from capital	(7,320)	(7,069)
	<u>551,310</u>	<u>526,227</u>
Total capital available	<u>551,310</u>	<u>526,227</u>