

Company No.

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the Financial Period from 1 January 2012 to 30 June 2012

Company No.

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the Financial Period from 1 January 2012 to 30 June 2012

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED BALANCE SHEET AS AT 30 JUNE 2012

	<u>Note</u>	<u>30.06.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>01.01.2011</u> RM'000
ASSETS				
Property and equipment		21,413	19,081	19,314
Investment property	10	21,429	21,597	21,690
Intangible assets		1,898	220	393
Investments	11	833,827	697,344	377,173
Held-to-maturity financial assets ("HTM")		40,851	40,755	40,751
Loans and receivables ("LAR")		-	-	6,422
Available-for-sale financial assets ("AFS")		792,976	656,589	190,500
Fair value through profit or loss ("FVTPL")		-	-	139,500
Reinsurance assets	12	451,806	261,659	263,168
Insurance receivables		119,828	52,374	58,677
Other receivables		25,615	16,327	8,472
Deferred tax assets		2,463	2,086	-
Cash and cash equivalents		183,536	138,215	333,293
Total assets		<u>1,661,815</u>	<u>1,208,903</u>	<u>1,082,180</u>
EQUITY AND LIABILITIES				
Share capital		100,000	100,000	100,000
Retained earnings		349,493	294,656	250,366
Available-for-sale fair value reserves		5,835	6,195	3,675
Equity Reserve		1,201	-	-
Total equity		<u>456,529</u>	<u>400,851</u>	<u>354,041</u>
Insurance contract liabilities	13	1,029,304	672,228	614,254
Investment contract liabilities		4,397	-	-
Deferred tax liabilities		-	-	7,729
Insurance payables		90,853	65,209	64,780
Current tax liabilities		22,119	13,311	4,929
Other payables		58,613	57,304	36,447
Total liabilities		<u>1,205,286</u>	<u>808,052</u>	<u>728,139</u>
Total equity and liabilities		<u>1,661,815</u>	<u>1,208,903</u>	<u>1,082,180</u>

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

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2012

	6 months period ended <u>30.06.2012</u> RM'000	6 months period ended <u>30.06.2011</u> RM'000
Gross earned premiums	367,177	218,805
Premiums ceded to reinsurers	(133,618)	(81,321)
Net earned premiums	<u>233,559</u>	<u>137,484</u>
Investment income	20,749	13,582
Realised gains and (losses)	1,629	(711)
Fair value (losses)	-	(281)
Commission income	29,284	17,991
Other operating revenue	72	-
Net income	<u>51,734</u>	<u>30,581</u>
Gross claims paid	(140,017)	(88,343)
Claims ceded to reinsurers	56,848	30,257
Gross change to contract liabilities	(14,282)	(34,505)
Change in contract liabilities ceded to reinsurers	5,988	12,886
Net claims incurred	<u>(91,463)</u>	<u>(79,705)</u>
Commission expense	(50,339)	(30,117)
Management expenses	(69,387)	(33,489)
Other expenses	<u>(119,726)</u>	<u>(63,606)</u>
Profit before taxation	74,104	24,754
Taxation	(19,267)	(6,188)
Profit for the period	<u>54,837</u>	<u>18,566</u>
Earnings per share (sen)		
Basic	<u>54.84</u>	<u>18.57</u>

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2012

	6 months period ended <u>30.06.2012</u> RM'000	6 months period ended <u>30.06.2011</u> RM'000
Profit for the period	54,837	18,566
Other comprehensive income:		
Available-for-sale fair value reserves		
Net gain arising during the period	544	63
Net realised gain transferred to Income Statement	(2,055)	(17)
	<u>(1,511)</u>	<u>46</u>
Tax effects thereon	378	(12)
	<u>(1,133)</u>	<u>34</u>
Total comprehensive income for the period	<u><u>53,704</u></u>	<u><u>18,600</u></u>

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2012

	<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 earning</u> RM'000	<u>Total</u> RM'000
At 1 January 2011	100,000	-	3,675	250,366	354,041
Total comprehensive income for the financial period	-	-	34	18,566	18,600
At 30 June 2011	<u>100,000</u>	<u>-</u>	<u>3,709</u>	<u>268,932</u>	<u>372,641</u>
At 1 January 2012	100,000	-	6,195	294,656	400,851
Transfer from ACE Synergy Insurance Berhad (ASIB)	-	1,021	773	-	1,794
Total comprehensive income for the financial 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>

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

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ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012

1 BASIS OF PREPARATION

The interim financial statements of ACE JERNEH INSURANCE BERHAD (“the Company”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, modified by Guidelines/Circulars issued by Bank Negara Malaysia (“BNM”) and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2011.

These interim financial statements are the first set of interim financial statements prepared in accordance with MFRS, including MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*. The transition to MFRS framework does not have any material financial impact to the interim 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 financial period ended 30 June 2012.

4 MATERIAL CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2012.

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.

6 DIVIDEND PAID

No dividend has been paid by the Company in the current financial period ended 30 June 2012.

7 EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

There were no material events after the interim period that have not been reflected in the financial statements for the interim period to date.

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ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

8 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

On 4 January 2012, ACE Synergy Insurance Berhad (ASIB) transferred its general insurance business to the Company in accordance with a Scheme of Transfer made pursuant to Section 129 of the Insurance Act 1996, which was approved by Bank Negara Malaysia and confirmed by the High Court of Malaya.

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.

10 INVESTMENT PROPERTY

	<u>30.06.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>01.01.2011</u> RM'000
Freehold land and building, at cost			
At 1 January	25,334	24,912	24,912
Transfer from property and equipment	-	422	-
At 30 June/31 December	<u>25,334</u>	<u>25,334</u>	<u>24,912</u>
Accumulated depreciation			
At 1 January	3,737	3,222	2,888
Charge for the period / year	168	339	334
Transfer from property and equipment	-	176	-
At 30 June/31 December	<u>3,905</u>	<u>3,737</u>	<u>3,222</u>
Net carrying value	<u>21,429</u>	<u>21,597</u>	<u>21,690</u>

Investment property comprises commercial property leased to generate rental income.

The fair value of the investment property as at 31 December 2011 is RM36,000,000. The fair value was arrived at by reference to market evidence of transaction prices of similar properties and was performed by a registered independent valuer having an appropriate recognised professional qualification and experience in the location and category of the properties being valued.

Rental income from the property for the current period ended 30 June 2012 was RM1,112,000 (2011: RM 1,130,000)

Direct operating expenses arising in respect of the property for the current period ended 30 June 2012 was RM675,000 (2011: RM830,000).

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ACE JERNEH INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

11	INVESTMENTS			
		<u>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
		RM'000	RM'000	RM'000
	Malaysian government securities and guaranteed loans	339,846	328,600	4,895
	Debt securities	493,606	368,369	225,981
	Equity securities	375	375	125,503
	Unit and property trust funds	-	-	14,372
	Deposits with financial institutions	-	-	6,422
		<u>833,827</u>	<u>697,344</u>	<u>377,173</u>
	Held-to-maturity financial assets ("HTM")	40,851	40,755	40,751
	Loans and receivables ("LAR")	-	-	6,422
	Available-for-sale financial assets ("AFS")	792,976	656,589	190,500
	Fair value through profit or loss ("FVTPL")	-	-	139,500
		<u>833,827</u>	<u>697,344</u>	<u>377,173</u>
	Current	53,555	28,769	173,580
	Non-current	780,272	668,575	203,593
		<u>833,827</u>	<u>697,344</u>	<u>377,173</u>
(a)	HTM			
		<u>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
		RM'000	RM'000	RM'000
	<u>Carrying Value</u>			
	Corporate debt securities:			
	Unquoted in Malaysia	40,851	40,755	40,751
		<u>40,851</u>	<u>40,755</u>	<u>40,751</u>
	<u>Fair Value</u>			
	Corporate debt securities:			
	Unquoted in Malaysia	41,604	41,242	41,091
		<u>41,604</u>	<u>41,242</u>	<u>41,091</u>

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ACE JERNEH INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

11 INVESTMENTS (CONTINUED)

(b)	LAR	<u>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
		RM'000	RM'000	RM'000
	<u>Carrying Value</u>			
	Corporate debt securities:			
	Unquoted in Malaysia	-	-	6,422
		<u> </u>	<u> </u>	<u> </u>
(c)	AFS	<u>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
		RM'000	RM'000	RM'000
	<u>Fair Value</u>			
	Unquoted equity securities	375	375	375
	Unquoted debt securities	392,007	327,614	185,230
	Malaysian government securities and guaranteed loans	400,594	328,600	4,895
		<u> </u>	<u> </u>	<u> </u>
		<u>792,976</u>	<u>656,589</u>	<u>190,500</u>
(d)	FVTPL	<u>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
		RM'000	RM'000	RM'000
	<u>Fair Value</u>			
	<u>Held-for-trading</u>			
	Quoted equity securities			125,128
	Quoted unit and property trust funds	-	-	14,372
		<u> </u>	<u> </u>	<u> </u>
		<u> </u>	<u> </u>	<u>139,500</u>

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ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

11 INVESTMENTS (CONTINUED)

(e) Carrying Values of Financial Instruments

	HTM RM'000	AFS RM'000	FVTPL RM'000	LAR RM'000	Total RM'000
At 1 January 2011	40,751	190,500	139,500	6,422	377,173
Purchases	-	488,673	-	-	488,673
Maturities	-	(31,000)	-	(6,305)	(37,305)
Disposals	-	(417)	(138,283)	-	(138,700)
Fair value gains recorded in:					
Income statement	-	-	(1,217)	-	(1,217)
Other comprehensive income	-	3,372	-	-	3,372
Net change in interest receivables	1	4,576	-	(117)	4,460
Accretion of discount	3	885	-	-	888
	<u>40,755</u>	<u>656,589</u>	<u>-</u>	<u>-</u>	<u>697,344</u>
At 31 December 2011					
Transfer from ASIB	100	109,239	-	-	109,339
Purchases	-	107,164	-	-	107,164
Maturities	-	(10,000)	-	-	(10,000)
Disposals	-	(68,725)	-	-	(68,725)
Fair value gains recorded in:					
Income statement	-	142	-	-	142
Other comprehensive income	-	(1,511)	-	-	(1,511)
Net change in interest receivables	(5)	812	-	-	807
Accretion of discount / (Amortisation of premium)	1	(734)	-	-	(733)
	<u>40,851</u>	<u>792,976</u>	<u>-</u>	<u>-</u>	<u>833,827</u>
At 30 June 2012					

ACE JERNEH INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

11 INVESTMENTS (CONTINUED)

(f) 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>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Quoted market price (Level 1)	-	-	139,500
Valuation techniques			
- market observable inputs (Level 2)	833,827	697,344	237,673
	<u>833,827</u>	<u>697,344</u>	<u>377,173</u>

There are no investments that are valued based on Level 3 category.

12 REINSURANCE ASSETS

	<u>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Reinsurance of insurance contracts			
Claims liabilities	396,897	197,050	201,874
Premium liabilities	54,909	64,609	61,294
Total Reinsurance Assets	<u>451,806</u>	<u>261,659</u>	<u>263,168</u>

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ACE JERNEH INSURANCE BERHAD

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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

13 INSURANCE CONTRACT LIABILITIES

	<u>30.06.2012</u>			<u>31.12.2011</u>			<u>01.01.2011</u>		
	<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	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
Provision for claims reported by policyholders	574,475	(317,897)	256,578	384,975	(173,412)	211,563	388,182	(186,721)	201,461
Provision for incurred but not reported claims ("IBNR")	183,916	(79,000)	104,916	77,692	(23,638)	54,054	45,408	(15,153)	30,255
Claims liabilities	<u>758,391</u>	<u>(396,897)</u>	<u>361,494</u>	<u>462,667</u>	<u>(197,050)</u>	<u>265,617</u>	<u>433,590</u>	<u>(201,874)</u>	<u>231,716</u>
Premium liabilities	<u>270,913</u>	<u>(54,909)</u>	<u>216,004</u>	<u>209,561</u>	<u>(64,609)</u>	<u>144,952</u>	<u>180,664</u>	<u>(61,294)</u>	<u>119,370</u>
	<u><u>1,029,304</u></u>	<u><u>(451,806)</u></u>	<u><u>577,498</u></u>	<u><u>672,228</u></u>	<u><u>(261,659)</u></u>	<u><u>410,569</u></u>	<u><u>614,254</u></u>	<u><u>(263,168)</u></u>	<u><u>351,086</u></u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

13 (i) CLAIMS LIABILITIES

	30.06.2012			31.12.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	462,667	(197,050)	265,617	433,590	(201,874)	231,716
Transfer from ASIB	302,303	(214,721)	87,582	-	-	-
Claims incurred in the current accident year	221,685	(81,721)	139,963	263,785	(76,240)	187,545
Movement in claims incurred in prior accident	(78,374)	31,046	(47,327)	(59,203)	20,913	(38,290)
Changes in key assumptions	-	-	-	1,445	(1,431)	14
Claims payment/recoveries during the period / year	(149,890)	65,549	(84,341)	(176,950)	61,582	(115,368)
At 30 June/ 31 December	<u>758,391</u>	<u>(396,897)</u>	<u>361,494</u>	<u>462,667</u>	<u>(197,050)</u>	<u>265,617</u>

13 (ii) PREMIUM LIABILITIES

At 1 January	209,561	(64,609)	144,952	180,664	(61,294)	119,370
Transfer from ASIB	65,402	(3,451)	61,951	-	-	-
Premiums written during the financial period / year	363,127	(120,467)	242,660	485,191	(179,579)	305,612
Premiums earned during the financial period / year	(367,177)	133,618	(233,559)	(456,294)	176,264	(280,030)
At 30 June/ 31 December	<u>270,913</u>	<u>(54,909)</u>	<u>216,004</u>	<u>209,561</u>	<u>(64,609)</u>	<u>144,952</u>

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ACE JERNEH INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

14 OPERATING LEASE COMMITMENTS

(a) 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>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Within one year	1,367	249	112
Later than one year but not later than 6 years	1,415	1,057	653
	<u>2,782</u>	<u>1,306</u>	<u>765</u>

(b) The Company as lessor

The Company leases out its investment property under non-cancellable operating leases. All the leases would expire within one year.

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

	<u>30.06.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Within one year	<u>439</u>	<u>2,073</u>	<u>332</u>

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ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2012 (CONTINUED)

15 CAPITAL STRUCTURE

The capital structure of the Company as at 30 June 2012, as prescribed under the RBC Framework is provided below:

	<u>30.06.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>01.01.2011</u> RM'000
<u>Eligible Tier 1 Capital</u>			
Share capital (paid-up)	100,000	100,000	100,000
Retained earnings	349,493	294,656	250,367
	<u>449,493</u>	<u>394,656</u>	<u>350,367</u>
<u>Tier 2 Capital</u>			
Available-for-sale fair value reserve	5,835	6,195	3,675
Equity reserve	1,201	-	-
Amount deducted from capital	(4,361)	(2,306)	-
Total Capital Available	<u><u>452,168</u></u>	<u><u>398,545</u></u>	<u><u>354,042</u></u>