

Company No.

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**ACE JERNEH INSURANCE BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

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**ACE JERNEH INSURANCE BERHAD**  
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

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**ACE JERNEH INSURANCE BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	<u>Note</u>	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
<b>ASSETS</b>			
Property and equipment		63,372	63,874
Intangible assets		1,040	1,367
Investments			
-Available-for-sale financial assets ("AFS")	10	1,070,211	969,283
Reinsurance assets	11	350,195	398,396
Insurance receivables		163,884	134,688
Other receivables		57,468	56,019
Deferred tax assets		10,284	10,097
Cash and cash equivalents		210,700	220,204
<b>Total assets</b>		<u><u>1,927,154</u></u>	<u><u>1,853,928</u></u>
<b>EQUITY AND LIABILITIES</b>			
Share capital		100,000	100,000
Retained earnings		581,957	535,777
Available-for-sale fair value reserves		(1,369)	(807)
Equity reserve		3,465	2,669
<b>Total equity</b>		<u><u>684,053</u></u>	<u><u>637,639</u></u>
Insurance contract liabilities	12	1,024,290	1,012,133
Investment contract liabilities		1,940	1,755
Insurance payables		86,848	85,035
Current tax liabilities		11,277	7,685
Other payables		118,746	109,681
<b>Total liabilities</b>		<u><u>1,243,101</u></u>	<u><u>1,216,289</u></u>
<b>Total equity and liabilities</b>		<u><u>1,927,154</u></u>	<u><u>1,853,928</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 2014

	6 month period ended <u>30.06.2014</u> RM'000	6 month period ended <u>30.06.2013</u> RM'000
Gross earned premiums	419,527	401,821
Premiums ceded to reinsurers	(126,112)	(134,838)
Net earned premiums	<u>293,415</u>	<u>266,983</u>
Investment income	21,429	18,975
Realised gains/(losses)	3,717	(223)
Fair value losses	(2,606)	-
Commission income	32,792	31,779
Other operating revenue	337	72
Net income	<u>55,669</u>	<u>50,603</u>
Total revenue	<u>349,084</u>	<u>317,586</u>
Gross claims paid	(219,037)	(148,103)
Claims ceded to reinsurers	109,618	27,754
Gross change to contract liabilities	24,403	(23,580)
Change in contract liabilities ceded to reinsurers	(48,989)	1,192
Net claims incurred	<u>(134,005)</u>	<u>(142,737)</u>
Commission expense	(62,986)	(56,901)
Management expenses	(89,688)	(81,766)
Total expenses	<u>(152,674)</u>	<u>(138,667)</u>
Profit before taxation	62,405	36,182
Taxation	(16,225)	(9,407)
Profit for the period	<u>46,180</u>	<u>26,775</u>
Earnings per share (sen)		
Basic	<u>46.18</u>	<u>26.77</u>

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ACE JERNEH INSURANCE BERHAD  
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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014

	6 month period ended <u>30.06.2014</u> RM'000	6 month period ended <u>30.06.2013</u> RM'000
Profit for the period	46,180	26,775
Other comprehensive income:		
Available-for-sale fair value reserves		
Net gain/(loss) arising during the period	3,283	(2,709)
Net realised gain transferred to income statement	(4,032)	(13)
	<u>(749)</u>	<u>(2,722)</u>
Tax effects thereon	187	680
	<u>(562)</u>	<u>(2,042)</u>
Total comprehensive income for the period	<u>45,618</u>	<u>24,733</u>

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ACE JERNEH INSURANCE BERHAD  
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UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014

	<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 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>
At 1 January 2014	100,000	2,669	(807)	535,777	637,639
Total comprehensive income for the period	-	-	(562)	46,180	45,618
Share-based long term incentive plan vested	-	796	-	-	796
Share-based long term incentive plan paid	-	-	-	-	-
	-	796	-	-	796
At 30 June 2014	<u>100,000</u>	<u>3,465</u>	<u>(1,369)</u>	<u>581,957</u>	<u>684,053</u>

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## ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2014

## 1 BASIS OF PREPARATION

The 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 in Malaysia and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2013.

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 2013, except for the adoption of the following:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

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 2014.

## 4 MATERIAL CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates in the current interim period ended 30 June 2014.

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**ACE JERNEH INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2014 (CONTINUED)**

**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 interim period ended 30 June 2014.

**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.



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ACE JERNEH INSURANCE BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2014 (CONTINUED)

10 INVESTMENTS

	<u>30.06.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
Malaysian government securities and guaranteed loans	599,317	539,775
Debt securities	470,519	429,133
Equity securities	375	375
	<u>1,070,211</u>	<u>969,283</u>
AFS	<u>1,070,211</u>	<u>969,283</u>
	<u>1,070,211</u>	<u>969,283</u>
Current	325,252	309,778
Non-current	744,959	659,505
	<u>1,070,211</u>	<u>969,283</u>

(a) AFS	<u>30.06.2014</u>	<u>31.12.2013</u>
<u>Fair Value</u>	RM'000	RM'000
Unquoted equity securities	375	375
Unquoted debt securities	470,519	429,133
Malaysian government securities and guaranteed loans	599,317	539,775
	<u>1,070,211</u>	<u>969,283</u>

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ACE JERNEH INSURANCE BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2014 (CONTINUED)

10 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

AFS

	RM'000
At 1 January 2013	914,577
Purchases	151,597
Maturities	(55,000)
Disposals	(30,441)
Fair value losses recorded in:	
Income statement	(15)
Other comprehensive income	(9,406)
Net change in interest receivables	306
Amortisation of premium	(2,335)
	<hr/>
At 31 December 2013	969,283
Purchases	195,416
Maturities	(70,000)
Disposals	(24,585)
Fair value (losses)/gains recorded in:	
Income statement	(2,606)
Other comprehensive income	3,283
Net change in interest receivables	442
Amortisation of premium	(1,022)
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At 30 June 2014	<u>1,070,211</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2014 (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>30.06.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
Valuation techniques		
- market observable inputs (Level 2)	1,070,211	969,283
	<u>1,070,211</u>	<u>969,283</u>

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

11 REINSURANCE ASSETS

	<u>30.06.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	310,104	359,092
Premium liabilities	40,091	39,304
	<u>350,195</u>	<u>398,396</u>

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ACE JERNEH INSURANCE BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2014 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES

	30.06.2014			31.12.2013		
	<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	1,024,290	(350,195)	674,095	1,012,133	(398,396)	613,737
Provision for claims reported by policyholders	501,888	(251,917)	249,971	547,933	(302,739)	245,194
Provision for incurred but not reported claims ("IBNR")	190,010	(58,187)	131,823	168,369	(56,353)	112,016
Claims liabilities	691,898	(310,104)	381,794	716,302	(359,092)	357,210
Premium liabilities	332,392	(40,091)	292,301	295,831	(39,304)	256,527
	<u>1,024,290</u>	<u>(350,195)</u>	<u>674,095</u>	<u>1,012,133</u>	<u>(398,396)</u>	<u>613,737</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2014 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) CLAIMS LIABILITIES

	30.06.2014			31.12.2013		
	<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	716,302	(359,092)	357,210	737,258	(402,775)	334,483
Increase in claims incurred/recoveries anticipated over the financial period/year	302,725	(55,010)	247,715	307,416	(76,010)	231,406
Changes in key assumptions	(108,092)	(5,620)	(113,712)	(53,532)	39,879	(13,653)
Claims paid during the financial period/year	(219,037)	109,618	(109,419)	(274,840)	79,814	(195,026)
At 30 June/31 December	<u>691,898</u>	<u>(310,104)</u>	<u>381,794</u>	<u>716,302</u>	<u>(359,092)</u>	<u>357,210</u>

(ii) PREMIUM LIABILITIES

At 1 January	295,831	(39,304)	256,527	301,107	(66,539)	234,568
Premiums written during the financial period/year	456,088	(126,899)	329,189	796,167	(247,150)	549,017
Premiums earned during the financial period/year	(419,527)	126,112	(293,415)	(801,443)	274,385	(527,058)
At 30 June/31 December	<u>332,392</u>	<u>(40,091)</u>	<u>292,301</u>	<u>295,831</u>	<u>(39,304)</u>	<u>256,527</u>

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## ACE JERNEH INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2014 (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 4 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>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
Within one year	1,112	1,255
Later than one year but not later than 4 years	504	269
	<u>1,616</u>	<u>1,524</u>

#### 14 CAPITAL STRUCTURE

The capital structure of the Company as at 30 June 2014, as prescribed under the RBC Framework is provided below:

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	100,000	100,000
Retained earnings	581,957	535,777
	<u>681,957</u>	<u>635,777</u>
<u>Tier 2 Capital</u>		
Available-for-sale fair value reserve	(1,369)	(807)
Equity reserve	3,465	2,669
Amount deducted from capital	(11,324)	(11,464)
	<u>672,729</u>	<u>626,175</u>