

The Pacific Insurance Berhad

(Company No. 91603-K)
(Incorporated in Malaysia)

**Unaudited Interim Financial Statements
For the Financial Period From
1 January 2011 to 30 June 2011**

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	As at 30.06.2011 RM	As at 31.12.2010 RM
ASSETS			
Property and equipment		884,286	901,788
Investment properties	10	641,738	652,298
Intangible assets		23,461	29,851
Investments	11		
Malaysian government securities		39,444,122	40,657,543
Government investment issues		5,003,500	5,046,823
Corporate bonds		9,933,951	9,757,457
Unit trust investments		93,505,253	90,656,194
Equity securities		791,861	1,091,303
Real estate investment funds		244,280	405,700
Deposits with financial institutions		102,565,302	92,747,175
Reinsurance assets	12	101,380,000	68,853,000
Insurance and other receivables		30,742,077	28,764,054
Loans		1,788,055	2,052,045
Deferred tax assets		159,733	524,572
Tax recoverable		5,973,505	4,117,354
Cash and bank balances		5,162,130	4,178,578
TOTAL ASSETS		<u>398,243,254</u>	<u>350,435,735</u>
EQUITY AND LIABILITIES			
Share capital		100,000,000	100,000,000
Fair value reserves		3,143,418	1,494,611
Retained profits		37,480,087	33,901,373
Total equity		<u>140,623,505</u>	<u>135,395,984</u>
Insurance contract liabilities	13	233,478,000	189,291,000
Deferred tax liabilities		-	-
Insurance and other payables		24,141,749	25,748,751
Total liabilities		<u>257,619,749</u>	<u>215,039,751</u>
TOTAL EQUITY AND LIABILITIES		<u>398,243,254</u>	<u>350,435,735</u>

The accompanying notes form an integral part of the financial statements.

THE PACIFIC INSURANCE BERHAD
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UNAUDITED INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2011

	6 months period ended 30.06.2011 RM	6 months period ended 30.06.2010 RM
Operating revenue	<u>90,509,082</u>	<u>78,965,843</u>
Gross earned premiums	86,202,783	75,115,875
Premiums ceded to reinsurers	<u>(27,980,496)</u>	<u>(23,996,639)</u>
Net earned premiums	<u>58,222,287</u>	<u>51,119,236</u>
Investment income	4,306,299	3,849,968
Realised gains and losses	130,984	263,402
Fair value gains and losses	28,079	(49,765)
Fee and commission income	6,380,095	4,051,487
Other operating income	200,850	550,269
Other revenue	<u>11,046,307</u>	<u>8,665,361</u>
Gross benefits and claims paid	(44,732,677)	(38,420,182)
Claims ceded to reinsurers	11,443,432	4,803,962
Gross change in contract liabilities	(34,681,000)	(10,402,000)
Change in contract liabilities ceded to reinsurers	<u>29,034,000</u>	<u>9,782,000</u>
Net claims	<u>(38,936,245)</u>	<u>(34,236,220)</u>
Fee and commission expense	(12,900,272)	(10,721,199)
Management expenses	(13,130,587)	(12,536,196)
Other operating expenses	(936)	(1,494)
Other expenses	<u>(26,031,795)</u>	<u>(23,258,889)</u>
Profit before taxation	4,300,554	2,289,488
Taxation	(721,840)	2,568,614
Net profit for the period	<u>3,578,714</u>	<u>4,858,102</u>
Earnings per share (sen)		
Basic	<u>3.6</u>	<u>4.9</u>

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2011

	6 months period ended 30.06.2011 RM	6 months period ended 30.06.2010 RM
Net profit for the period	3,578,714	4,858,102
Other comprehensive income:		
Available-for-sale fair value reserves		
Net gain arising during the period	1,311,317	1,431,538
Net realised gain transferred to Income Statement	-	(78,755)
	<u>1,311,317</u>	<u>1,352,783</u>
Tax effects thereon	337,490	(338,196)
	<u>1,648,807</u>	<u>1,014,587</u>
Total comprehensive income for the period	<u>5,227,521</u>	<u>5,872,689</u>

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2011

	Share capital RM	Fair value reserves RM	Distributable retained profits RM	Total RM
At 1 January 2010	100,000,000	(318,471)	26,763,560	126,445,089
Total comprehensive income for the period	-	1,014,587	4,858,102	5,872,689
At 30 June 2010	<u>100,000,000</u>	<u>696,116</u>	<u>31,621,662</u>	<u>132,317,778</u>
At 1 January 2011	100,000,000	1,494,611	33,901,373	135,395,984
Total comprehensive income for the period	-	1,648,807	3,578,714	5,227,521
At 30 June 2011	<u>100,000,000</u>	<u>3,143,418</u>	<u>37,480,087</u>	<u>140,623,505</u>

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UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2011

	6 months period ended 30.06.2011 RM	6 months period ended 30.06.2010 RM
Cash flows from operating activities		
Profit before taxation	4,300,554	2,289,488
Adjustment for:		
Depreciation of property and equipment	171,159	217,801
Gain on disposal of property and equipment	(868)	(4,219)
Gain on disposal of investment property	-	(317,970)
Property and equipment written-off	936	1,494
Change in fair value of trading securities	(28,079)	49,765
Depreciation of investment properties	10,560	11,944
Amortisation of intangible assets	6,390	9,410
Net gain on disposal of:		
-Trading securities	(130,984)	(184,647)
-AFS securities	-	(78,755)
Investment income	(4,306,299)	(3,849,968)
Other interest income	(25,701)	(34,982)
Bad debts written-off, net of recovery	3,719	(5,726)
Write-back in allowance for impairment losses	(9,569)	(181,796)
Profit from operations before changes in operating assets and liabilities	(8,182)	(2,078,161)
Purchase of investments	(1,690,768)	(22,402,545)
Proceeds from disposal/maturity of investments	1,739,926	13,338,679
Decrease in loans	263,990	549,490
Increase in reinsurance assets	(32,527,000)	(7,042,000)
Increase in insurance and other receivables	(1,677,140)	(4,222,893)
Increase in insurance contract liabilities	44,187,000	9,995,000
(Decrease)/increase in insurance and other payables	(1,607,002)	2,699,043
Cash used in operations	8,680,824	(9,163,387)
Investment income received	4,120,524	4,207,378
Other interest income received	25,701	34,982
Income tax paid	(1,871,645)	(1,434,996)
Net cash generated from operating activities	<u>10,955,404</u>	<u>(6,356,023)</u>

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2011 (CONT'D)**

	6 months period ended 30.06.2011 RM	6 months period ended 30.06.2010 RM
Cash flows from investing activities		
Purchase of property and equipment	(154,925)	(94,800)
Proceeds from disposal of property and equipment	1,200	5,600
Net cash used in investing activities	<u>(153,725)</u>	<u>(89,200)</u>
Net increase/(decrease) in cash and cash equivalents	10,801,679	(6,445,223)
Cash and cash equivalents at beginning of year	<u>96,925,753</u>	<u>88,092,123</u>
Cash and cash equivalents at end of period	<u>107,727,432</u>	<u>81,646,900</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions	102,565,302	78,158,355
Cash and bank balances	5,162,130	3,488,545
	<u>107,727,432</u>	<u>81,646,900</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The interim financial statements of the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), the Companies Act, 1965, the Insurance Act and Regulations, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2010.

(b) Changes in accounting policies

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2010 except for the adoption of the following new and revised FRSs, Amendments to FRS, Issues Committee ("IC") Interpretations and Amendments to IC Interpretation issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the financial period beginning 1 January 2011:

Revised FRSs, Amendments to FRSs, IC Interpretations and Amendments to IC Interpretation

FRS 1	First Time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRSs	Improvements to FRSs
Amendments to FRS 1	Limited Exemption from Comparatives
Amendments to FRS 1	FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Shared-based payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions

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Revised FRSs, Amendments to FRSs, IC Interpretations and Amendments to IC Interpretation

Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation (relating to classification of Rights Issues)
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives (revised in 2010)

Amendments to FRS 7 require enhanced disclosures on fair value measurements and liquidity risk of the Company. Improvements to FRSs (2010) will impact the disclosures in the Company's financial statements. The revised FRS 1, other amendments to FRSs, the IC Interpretations and Amendments to IC Interpretation 9 are not expected to have any significant impact on the financial statements of the Company.

The following new/revised FRSs, amendments to FRSs and IC interpretations have been issued by MASB but are not effective yet and have not been adopted by the Company:

FRSs, Amendments to FRSs and IC Interpretations		Effective for financial periods beginning on or after
FRS 124	Related Party Disclosures	1 January 2012
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

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FRSs, Amendments to FRSs and IC Interpretations		Effective for financial periods beginning on or after
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011

The revised FRS 124, IC Interpretations and Amendments to IC Interpretation 14 are not expected to have any significant impact on the financial statements of the Company.

2. Seasonal or cyclical factors

The principal business operations of the Company were not significantly affected by seasonal or cyclical factors.

3. Unusual item affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows of the Company for the current financial period ended 30 June 2011.

4. Changes in estimates

There were no changes in the basis used for accounting estimates for the current financial period ended 30 June 2011.

5. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities by the Company during the current financial period ended 30 June 2011.

6. Dividends paid

No interim dividend was paid during the current financial period ended 30 June 2011.

7. Material subsequent events

There was no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial period ended 30 June 2011.

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8. Effect of changes in the composition of the Company

There were no changes in the composition of the Company during the current financial period ended 30 June 2011.

9. Contingent liabilities

There are no contingent liabilities as at the date of this report since the last financial year ended 31 December 2010.

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10. INVESTMENT PROPERTIES

	30.06.2011	31.12.2010
	RM	RM
Cost		
At 1 January	886,700	1,006,700
Disposals	-	(120,000)
At 30 June/31 December	<u>886,700</u>	<u>886,700</u>
Accumulated Depreciation		
At 1 January	234,402	239,869
Charge for the period	10,560	22,503
Disposals	-	(27,970)
At 30 June/31 December	<u>244,962</u>	<u>234,402</u>
Net Carrying Amount	<u>641,738</u>	<u>652,298</u>
Fair Value	<u>1,158,000</u>	<u>1,158,000</u>

The fair values of investment properties are based on the market values of the properties as assessed by an independent professional valuer.

As at 30 June 2011, investment properties comprise 1 residential and 3 commercial properties, out of which 2 are leased to third parties.

The following are recognised in the income statement in respect of investment properties:

	30.06.2011	31.12.2010
	RM	RM
Rental income	13,200	62,750
Direct operating expenses	17,320	39,177

11. INVESTMENTS

	As at 30.06.2011 RM	As at 31.12.2010 RM
Malaysian government securities	39,444,122	40,657,543
Government investment issues	5,003,500	5,046,823
Corporate bonds	9,933,951	9,757,457
Unit trust investments	93,505,253	90,656,194
Equity securities	791,861	1,091,303
Real estate investment trusts ("REITs")	244,280	405,700
Deposits with financial institutions	102,565,302	92,747,175
	<u>251,488,269</u>	<u>240,362,195</u>

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

Loans and receivables ("LAR")	102,565,302	92,747,175
Available-for-sale financial assets ("AFS")	147,886,826	146,118,017
Held-for-trading ("HFT")	1,036,141	1,497,003
	<u>251,488,269</u>	<u>240,362,195</u>

The following investments mature after 12 months:

AFS	<u>45,821,951</u>	<u>49,291,582</u>
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(a) LAR

	As at 30.06.2011 RM	As at 31.12.2010 RM
Amortised cost		
Deposits with licensed financial institutions:		
Commercial banks	40,041,356	49,212,591
Other financial institutions	62,523,946	43,534,584
	<u>102,565,302</u>	<u>92,747,175</u>

11. INVESTMENTS (CONT'D.)

(b) AFS

	As at 30.06.2011 RM	As at 31.12.2010 RM
Fair value		
Malaysian government securities	39,444,122	40,657,543
Government investment issues	5,003,500	5,046,823
Quoted in Malaysia:		
Unit trust investments	93,505,253	90,656,194
Unquoted in Malaysia:		
Corporate bonds	9,933,951	9,757,457
	<u>147,886,826</u>	<u>146,118,017</u>

(c) FVTPL

	As at 30.06.2011 RM	As at 31.12.2010 RM
Fair value		
Held-for-Trading		
Equity securities	791,861	1,091,303
REITs	244,280	405,700
	<u>1,036,141</u>	<u>1,497,003</u>

(d) Carrying values of financial instruments

	LAR RM	AFS RM	HFT RM	Total RM
At 1 January 2011	92,747,175	146,118,017	1,497,003	240,362,195
Purchases	201,066,549	1,690,767	-	202,757,316
Maturities	(191,248,422)	(1,120,000)	-	(192,368,422)
Disposals	-	-	(488,941)	(488,941)
Fair value gains recorded in:				
Profit or loss	-		28,079	28,079
Other comprehensive income	-	1,311,317	-	1,311,317
Amortisation adjustment	-	(113,275)	-	(113,275)
At 30 June 2011	<u>102,565,302</u>	<u>147,886,826</u>	<u>1,036,141</u>	<u>251,488,269</u>

11. INVESTMENTS (CONT'D.)

	LAR RM	AFS RM	HFT RM	Total RM
At 1 January 2010	85,620,790	136,957,091	-	222,577,881
Purchases	558,753,694	18,189,174	12,638,778	589,581,646
Maturities	(551,627,309)	-	-	(551,627,309)
Disposals	-	(11,226,992)	(11,365,411)	(22,592,403)
Fair value gains recorded in:				
Profit or loss	-	-	223,636	223,636
Other comprehensive income	-	2,417,443	-	2,417,443
Amortisation adjustment	-	(218,699)	-	(218,699)
At 31 December 2010	<u>92,747,175</u>	<u>146,118,017</u>	<u>1,497,003</u>	<u>240,362,195</u>

(e) Fair values of financial investments

The following tables show financial investments recorded at fair value analysed by the different basis of fair values as follows:

	AFS RM	HFT RM	Total RM
30 June 2011			
Quoted market price	93,505,253	1,036,141	94,541,394
Valuation techniques - market observable inputs	54,381,573	-	54,381,573
	<u>147,886,826</u>	<u>1,036,141</u>	<u>148,922,967</u>
31 December 2010			
Quoted market price	90,656,194	1,497,003	92,153,197
Valuation techniques - market observable inputs	55,461,823	-	55,461,823
	<u>146,118,017</u>	<u>1,497,003</u>	<u>147,615,020</u>

Included in the quoted 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 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.

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

12. REINSURANCE ASSETS

	30.06.2011	31.12.2010
	RM	RM
Reinsurance of insurance contracts (Note 13)	<u>101,380,000</u>	<u>68,853,000</u>

13. INSURANCE CONTRACT LIABILITIES

	30.06.2011			31.12.2010		
	Gross	Re-	Net	Gross	Re-	Net
	RM	insurance	RM	RM	insurance	RM
		RM			RM	
Provision for claims reported by policyholders	88,508,328	(38,975,137)	49,533,191	90,174,364	(37,899,250)	52,275,114
Provision for incurred but not reported claims ("IBNR")	56,530,672	(29,723,863)	26,806,809	20,183,636	(1,765,750)	18,417,886
Claim liabilities (i)	145,039,000	(68,699,000)	76,340,000	110,358,000	(39,665,000)	70,693,000
Premium liabilities (ii)	88,439,000	(32,681,000)	55,758,000	78,933,000	(29,188,000)	49,745,000
	<u>233,478,000</u>	<u>(101,380,000)</u>	<u>132,098,000</u>	<u>189,291,000</u>	<u>(68,853,000)</u>	<u>120,438,000</u>

(i) Claim liabilities

	30.06.2011			31.12.2010		
	Gross	Re-	Net	Gross	Re-	Net
	RM	insurance	RM	RM	insurance	RM
		RM			RM	
At 1 January	110,358,000	(39,665,000)	70,693,000	101,875,000	(35,856,000)	66,019,000
Claims incurred in the current accident year	64,640,226	(28,756,593)	35,883,633	80,623,250	(15,462,286)	65,160,964
Claims incurred in prior accident years	11,033,415	(8,756,726)	2,276,689	(1,427,664)	2,408,163	980,499
Movement in PRAD of claim liabilities at 75% confidence level	3,334,000	(2,964,113)	369,887	1,374,000	6,907	1,380,907
Movement in claims handling expenses	406,036	-	406,036	668,385	-	668,385
Claims paid during the period	(44,732,677)	11,443,432	(33,289,245)	(72,754,971)	9,238,216	(63,516,755)
At 30 June/At 31 December	<u>145,039,000</u>	<u>(68,699,000)</u>	<u>76,340,000</u>	<u>110,358,000</u>	<u>(39,665,000)</u>	<u>70,693,000</u>

(ii) Premium liabilities

At 1 January	78,933,000	(29,188,000)	49,745,000	64,815,000	(21,182,000)	43,633,000
Premiums written during the period	95,708,783	(31,473,496)	64,235,287	161,015,626	(51,542,196)	109,473,430
Premiums earned during the period	(86,202,783)	27,980,496	(58,222,287)	(146,897,626)	43,536,196	(103,361,430)
At 30 June/At 31 December	<u>88,439,000</u>	<u>(32,681,000)</u>	<u>55,758,000</u>	<u>78,933,000</u>	<u>(29,188,000)</u>	<u>49,745,000</u>

14. OPERATING LEASE ARRANGEMENTS

The Company has entered into non-cancellable operating lease agreements for the use of several of its photocopiers and printing system. The lease agreements have fixed rentals for a period of 5 years.

The future aggregate minimum lease payment under non-cancellable operating leases contracted for as at the end of the reporting period but not recognised as liabilities are as follows:

	30.06.2011	31.12.2010
	RM	RM
Future minimum rental payments:		
Not later than 1 year	191,716	180,697
Later than 1 year and not later than 5 years	210,325	164,815
	<u>402,041</u>	<u>345,512</u>

15. CAPITAL COMMITMENTS

	30.06.2011	31.12.2010
	RM	RM
Approved and contracted for:		
Computers	-	22,080
	<u>-</u>	<u>22,080</u>

16. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2011, as prescribed under the Risk-Based Capital Framework is provided below:

	30.06.2011	31.12.2010
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000,000	100,000,000
Reserves, including retained earnings	37,480,087	33,901,373
	<u>137,480,087</u>	<u>133,901,373</u>
Tier 2 Capital		
Available-for-sale reserves	3,143,418	1,494,611
Amounts deducted from Capital	(183,194)	-
Total Capital Available	<u>140,440,311</u>	<u>135,395,984</u>