

Company No.

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| 91603 | K |
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THE PACIFIC 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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| 91603 | K |
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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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Company No.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

| | Note | As at 30.6.2015 | | As at 31.12.2014 | |
|--|------|----------------------|----------------------|--------------------|--------------------|
| | | Group RM | Company RM | Group RM | Company RM |
| ASSETS | | | | | |
| Property and equipment | | 3,191,859 | 3,191,859 | 1,654,736 | 1,654,736 |
| Investment properties | 10 | 83,417 | 83,417 | 85,167 | 85,167 |
| Intangible assets | | 185,721 | 185,721 | 166,953 | 166,953 |
| Goodwill | 11 | 42,370,445 | 42,370,445 | - | - |
| Investments | 12 | | | | |
| Available-for-sale financial assets | | 253,518,053 | 257,135,312 | 162,663,574 | 168,766,143 |
| Held-for-trading financial assets | | 31,854,829 | 31,854,829 | 20,108,789 | 20,108,789 |
| Loans and receivables | | 22,398,988 | 22,398,988 | 22,028,618 | 22,028,618 |
| Reinsurance assets | 13 | 295,258,000 | 295,258,000 | 132,685,000 | 132,685,000 |
| Insurance and other receivables | | 201,742,682 | 200,742,682 | 109,043,992 | 107,793,992 |
| Loans | | 1,995,701 | 1,995,701 | 1,753,843 | 1,753,843 |
| Deferred tax assets | | 4,005,049 | 4,005,049 | 3,413,850 | 3,413,850 |
| Tax recoverable | | 4,553,435 | 4,553,435 | 7,840,755 | 7,840,755 |
| Cash and bank balances | | 289,926,158 | 286,969,576 | 125,791,002 | 120,612,303 |
| TOTAL ASSETS | | 1,151,084,337 | 1,150,745,014 | 587,236,279 | 586,910,149 |
| EQUITY AND LIABILITIES | | | | | |
| Share capital | | 219,875,000 | 219,875,000 | 100,000,000 | 100,000,000 |
| Fair value reserves | | 2,873,478 | 2,882,485 | 829,100 | 829,100 |
| Retained profits | | 85,150,375 | 85,140,031 | 71,997,139 | 71,997,139 |
| | | 307,898,853 | 307,897,516 | 172,826,239 | 172,826,239 |
| Non-controlling interest | | 282,998 | - | 273,801 | - |
| Total equity | | 308,181,851 | 307,897,516 | 173,100,040 | 172,826,239 |
| Insurance contract liabilities | 14 | 722,037,000 | 722,037,000 | 361,911,000 | 361,911,000 |
| Insurance and other payables | | 96,527,986 | 96,472,998 | 52,225,239 | 52,172,910 |
| Subordinated loan from holding company | | 24,337,500 | 24,337,500 | - | - |
| Total liabilities | | 842,902,486 | 842,847,498 | 414,136,239 | 414,083,910 |
| TOTAL EQUITY AND LIABILITIES | | 1,151,084,337 | 1,150,745,014 | 587,236,279 | 586,910,149 |

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

Company No.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

| | Share capital | Available-for- sale reserves | Retained earnings | Total attributable to owners of the Company | Non- controlling interest | Total equity |
|---|--------------------|---------------------------------|----------------------|--|---------------------------------|--------------------|
| | RM | RM | RM | RM | RM | RM |
| <u>Group</u> | | | | | | |
| At 1 January 2014 | 100,000,000 | 597,228 | 69,315,420 | 169,912,648 | 261,623 | 170,174,271 |
| Total comprehensive income for the period | - | (526,942) | (585,284) | (1,112,226) | 4,281 | (1,107,945) |
| At 30 June 2014 | <u>100,000,000</u> | <u>70,286</u> | <u>68,730,136</u> | <u>168,800,422</u> | <u>265,904</u> | <u>169,066,326</u> |
| | | | | | | |
| At 1 January 2015 | 100,000,000 | 829,100 | 71,997,139 | 172,826,239 | 273,801 | 173,100,040 |
| Addition | 119,875,000 | - | - | 119,875,000 | - | 119,875,000 |
| Total comprehensive income for the period | - | 2,044,378 | 13,153,236 | 15,197,614 | 9,197 | 15,206,811 |
| At 30 June 2015 | <u>219,875,000</u> | <u>2,873,478</u> | <u>85,150,375</u> | <u>307,898,853</u> | <u>282,998</u> | <u>308,181,851</u> |

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

Company No.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

| <u>Company</u> | Share capital RM | Available- for-sale reserves RM | Retained earnings RM | Total RM |
|--|------------------------|--|----------------------------|--------------------|
| At 1 January 2014 | 100,000,000 | 597,228 | 69,315,420 | 169,912,648 |
| Total comprehensive income for the period | - | (526,942) | (585,284) | (1,112,226) |
| At 30 June 2014 | <u>100,000,000</u> | <u>70,286</u> | <u>68,730,136</u> | <u>168,800,422</u> |
| At 1 January 2015 | 100,000,000 | 829,100 | 71,997,139 | 172,826,239 |
| Addition | 119,875,000 | - | - | 119,875,000 |
| Total comprehensive income for the period | - | 2,053,385 | 13,142,892 | 15,196,277 |
| At 30 June 2015 | <u>219,875,000</u> | <u>2,882,485</u> | <u>85,140,031</u> | <u>307,897,516</u> |

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

Company No.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

CONDENSED INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

| | Group 6 months period ended 30.6.15 RM | Company 6 months period ended 30.6.15 RM | Group 6 months period ended 30.6.14 RM | Company 6 months period ended 30.6.14 RM |
|---|--|--|--|--|
| Gross earned premiums | 181,145,589 | 181,145,589 | 111,287,518 | 111,287,518 |
| Premiums ceded to reinsurers | (68,240,828) | (68,240,828) | (40,642,199) | (40,642,199) |
| Net earned premiums | <u>112,904,761</u> | <u>112,904,761</u> | <u>70,645,319</u> | <u>70,645,319</u> |
| Investment income | 8,998,010 | 7,825,435 | 7,407,247 | 5,503,842 |
| Realised gains and losses | (975,606) | (439,981) | 2,216,895 | 2,122,439 |
| Fair value gains and losses | 928,061 | 928,061 | (2,546,351) | (2,546,351) |
| Fee and commission income | 15,323,998 | 15,323,998 | 6,849,960 | 6,849,960 |
| Other operating income | 379,683 | 629,683 | 313,900 | 706,728 |
| Other revenue | <u>24,654,146</u> | <u>24,267,196</u> | <u>14,241,651</u> | <u>12,636,618</u> |
| Total revenue | <u>137,558,907</u> | <u>137,171,957</u> | <u>84,886,970</u> | <u>83,281,937</u> |
| Gross benefits and claims paid | (68,520,734) | (68,520,734) | (43,506,214) | (43,506,214) |
| Claims ceded to reinsurers | 10,915,943 | 10,915,943 | 7,393,226 | 7,393,226 |
| Gross change in contract liabilities | (40,311,847) | (40,311,847) | (25,401,000) | (25,401,000) |
| Change in contract liabilities ceded to reinsurers | <u>25,212,788</u> | <u>25,212,788</u> | <u>9,872,000</u> | <u>9,872,000</u> |
| Net claims | <u>(72,703,850)</u> | <u>(72,703,850)</u> | <u>(51,641,988)</u> | <u>(51,641,988)</u> |
| Fee and commission expense | (22,467,909) | (22,467,909) | (15,422,376) | (15,422,376) |
| Management expenses | (25,072,255) | (24,695,649) | (18,494,309) | (16,898,562) |
| Other expenses | <u>(47,540,164)</u> | <u>(47,163,558)</u> | <u>(33,916,685)</u> | <u>(32,320,938)</u> |
| Profit/(loss) before taxation | 17,314,893 | 17,304,549 | (671,703) | (680,989) |
| Taxation | (4,161,657) | (4,161,657) | 95,705 | 95,705 |
| Net profit for the period | <u>13,153,236</u> | <u>13,142,892</u> | <u>(575,998)</u> | <u>(585,284)</u> |
| Net profit/(loss) attributable to: | | | | |
| Owners of the Company | 13,142,892 | 13,142,892 | (585,284) | (585,284) |
| Non-controlling interest | 10,344 | - | 9,286 | - |
| | <u>13,153,236</u> | <u>13,142,892</u> | <u>(575,998)</u> | <u>(585,284)</u> |
| Earnings per share attributable to owner of the Company (sen) | | | | |
| Basic | <u>0.1</u> | <u>0.1</u> | <u>(0.6)</u> | <u>(0.6)</u> |

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

Company No.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

| | Group 6 months period ended 30.6.15 RM | Company 6 months period ended 30.6.15 RM | Group 6 months period ended 30.6.14 RM | Company 6 months period ended 30.6.14 RM |
|---|--|--|--|--|
| Net profit/(loss) for the period | 13,153,236 | 13,142,892 | (575,998) | (585,284) |
| Other comprehensive income / (loss): Items that may be subsequently reclassified to the income statement: | | | | |
| Available-for-sale fair value reserves | | | | |
| Net gain/(loss) arising during the period | <u>2,725,837</u> | <u>2,737,847</u> | <u>(702,589)</u> | <u>(702,589)</u> |
| | 2,725,837 | 2,737,847 | (702,589) | (702,589) |
| Tax effect thereon | <u>(681,459)</u> | <u>(684,462)</u> | <u>175,647</u> | <u>175,647</u> |
| | 2,044,378 | 2,053,385 | (526,942) | (526,942) |
| Total comprehensive income for the period | <u>15,197,614</u> | <u>15,196,277</u> | <u>(1,102,940)</u> | <u>(1,112,226)</u> |
| Total comprehensive income attributable to: | | | | |
| Owner of the Company | 15,188,417 | 15,196,277 | (1,107,221) | (1,112,226) |
| Non-controlling interest | 9,197 | - | 4,281 | - |
| | <u>15,197,614</u> | <u>15,196,277</u> | <u>(1,102,940)</u> | <u>(1,112,226)</u> |

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

Company No.

91603 K

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

| | Group 6 months period ended 30.6.15 | Company 6 months period ended 30.6.15 | Group 6 months period ended 30.6.14 | Company 6 months period ended 30.6.14 |
|--|--|--|--|--|
| | RM | RM | RM | RM |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Profit/(loss) before taxation | 17,314,893 | 17,304,549 | (671,703) | (680,989) |
| Adjustment for: | | | | |
| Depreciation of property and equipment | 12,963,283 | 12,963,283 | 230,640 | 230,640 |
| Gain on disposal of property and equipment | (199) | (199) | (1,200) | (1,200) |
| Intangible written-off | - | - | 315 | 315 |
| Property and equipment written-off | - | - | 23,493 | 23,493 |
| Change in fair value of FVTPL investments | 2,728,840 | 2,737,847 | 2,546,351 | 2,546,351 |
| Depreciation of investment properties | 1,750 | 1,750 | 1,750 | 1,750 |
| Amortisation of intangible assets | 26,185 | 26,185 | 25,111 | 25,111 |
| Net accretion of discounts of premiums of investments | (138,643) | (138,643) | - | - |
| Net gain on disposal of: | | | | |
| FVTPL securities | (3,742,070) | (3,665,908) | (2,125,023) | (2,125,023) |
| AFS investments | 505,371 | 497,521 | (114,480) | (20,024) |
| Investment income | (8,611,117) | (7,688,542) | (7,407,247) | (5,503,842) |
| Other interest income | (18,066) | (18,066) | (18,733) | (18,733) |
| Bad debts written-off | 96,430 | 96,430 | 397 | 397 |
| Provision/(write-back) of allowance for impairment losses: | | | | |
| Insurance receivables | 1,821,206 | 1,821,206 | (8,046) | (8,046) |
| Reinsurance assets | 131,943 | 131,943 | - | - |
| AFS investments | (250,000) | - | 1,250,000 | - |
| Profit/(loss) from operations before changes in operating assets and liabilities | 22,829,806 | 24,069,356 | (6,268,375) | (5,529,800) |
| Purchase of investments | (202,768,635) | (189,838,044) | (10,476,539) | (14,483,313) |
| Proceeds from disposal/maturity of investments | 104,084,666 | 93,396,868 | 38,894,983 | 38,800,527 |
| Increase in loans and receivables | (241,858) | (241,858) | (288,631) | (288,631) |
| Increase in reinsurance assets | (162,704,943) | (162,704,943) | (3,280,000) | (3,280,000) |
| Increase in insurance and other receivables | (94,616,326) | (94,866,326) | (10,780,733) | (9,530,733) |
| Increase in insurance contract liabilities | 360,126,000 | 360,126,000 | 24,616,000 | 24,616,000 |
| Increase/(decrease) in insurance and other payables | 44,302,747 | 44,300,088 | (4,491,925) | (4,484,739) |
| Cash generated from operations | 71,011,457 | 74,241,141 | 27,924,780 | 25,819,311 |
| Investment income received | 7,949,539 | 6,951,169 | 7,420,233 | 5,378,924 |
| Other interest income received | 18,066 | 18,066 | 18,733 | 18,733 |
| Income tax paid | (2,149,998) | (2,149,998) | (1,875,000) | (1,875,000) |
| Net cash generated from operating activities | <u>76,829,064</u> | <u>79,060,378</u> | <u>33,488,746</u> | <u>29,341,968</u> |

Company No.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

| | Group 6 months period ended 30.6.15 RM | Company 6 months period ended 30.6.15 RM | Group 6 months period ended 30.6.14 RM | Company 6 months period ended 30.6.14 RM |
|--|--|--|--|--|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property and equipment | (14,526,188) | (14,526,188) | (80,511) | (80,511) |
| Purchase of intangible assets | (20,149) | (20,149) | (5,220) | (5,220) |
| Purchases of MCIS general business | (42,370,445) | (42,370,445) | - | - |
| Proceed from disposal of property and equipment | 1,177 | 1,177 | 1,200 | 1,200 |
| Distribution to non-controlling interest | 9,197 | - | (5,005) | - |
| Net cash used in investing activities | <u>(56,906,408)</u> | <u>(56,915,605)</u> | <u>(89,536)</u> | <u>(84,531)</u> |
| CASH FLOWS FROM FINANCE ACTIVITIES | | | | |
| Proceeds from issuance of sub loan | 24,337,500 | 24,337,500 | - | - |
| Issue of ordinary share capital | 119,875,000 | 119,875,000 | - | - |
| | <u>144,212,500</u> | <u>144,212,500</u> | <u>-</u> | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENT | 164,135,156 | 166,357,273 | 33,399,210 | 29,257,437 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 125,791,002 | 120,612,303 | 76,696,349 | 76,298,923 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 289,926,158 | 286,969,576 | 110,095,559 | 105,556,360 |
| Cash and cash equivalents comprise: | | | | |
| Fixed and call deposits with licensed financial institutions | 255,545,632 | 252,604,812 | 106,421,356 | 101,897,788 |
| Cash and bank balance | 34,380,526 | 34,364,764 | 3,674,203 | 3,658,572 |
| | <u>289,926,158</u> | <u>286,969,576</u> | <u>110,095,559</u> | <u>105,556,360</u> |

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

Company No.

91603 K

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group and Company's audited financial statements for the financial year ended 31 December 2014, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS").

The accounting policies and presentations adopted by the Group and Company for the interim financial statements are consistent with those adopted in the Group and Company's audited financial statements for the financial year ended 31 December 2014 and in accordance with the MFRS.

The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to gain an understanding of the changes in the financial position and performance of the Group and Company since the financial year ended 31 December 2014.

2 SEASONAL OR CYCLICAL FACTORS

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

3 SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

On 7 November 2014, Bank Negara Malaysia approved the joint application made on the proposed business transfer scheme of the general insurance business of MCIS Insurance Berhad ("MCIS") to The Pacific Insurance Berhad ("PIB").

PIB and MCIS have executed the business transfer scheme, in which PIB will assume responsibility of assets and liabilities of the general insurance business of MCIS on completion date. The business transfer scheme was confirmed by the High Court of Malaysia on 27 January 2015 and is effective from 1 March 2015.

4 CHANGES IN ESTIMATES

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

5 ISSUANCE, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

On 25 Feb 2015 and 19 Jun 2015, the Company increased its issued and paid up ordinary share capital by RM104,500,000 and RM15,375,000 respectively by way of issuance of new ordinary shares.

On 16 Mar 2015 and 19 Jun 2015, the Company obtained a subordinated loans of RM22,800,000 and RM1,537,000 respectively from its shareholder, Fairfax Asia Limited.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

6 DIVIDENDS PAID

No interim dividend was paid during the current financial period ended 30 June 2015.

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 2015.

8 EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP AND COMPANY

There were no changes in the composition of the Group and Company during the current financial period ended 30 June 2015 except as noted under note 3.

9 CONTINGENT LIABILITIES

There were no contingent liabilities as at the date of this report since the last financial year ended 31 December 2014.

10 INVESTMENT PROPERTIES

| | 30.6.2015 RM | 31.12.2014 RM |
|---------------------------------|-----------------|------------------|
| <u>Group/Company</u> | | |
| Cost | | |
| At 1 January | <u>175,000</u> | <u>175,000</u> |
| At 30 June/31 December | <u>175,000</u> | <u>175,000</u> |
| <u>Accumulated depreciation</u> | | |
| At 1 January | 89,833 | 86,333 |
| Charge for the financial year | <u>1,750</u> | <u>3,500</u> |
| At 30 June/31 December | <u>91,583</u> | <u>89,833</u> |
| Net book value | <u>83,417</u> | <u>85,167</u> |
| Fair value | <u>450,000</u> | <u>450,000</u> |

The fair value of investment property is based on the market value of the property as assessed by an independent professional valuer.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

10 INVESTMENT PROPERTIES (CONTINUED)

As at 30 June 2015, the only commercial investment property held by the Company is leased to a third party.

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

| | 30.6.2015 RM | 30.6.2014 RM |
|---------------------------|-----------------|-----------------|
| <u>Group/Company</u> | | |
| Rental income | 18,000 | 18,000 |
| Direct operating expenses | 7,334 | 10,446 |

11 GOODWILL

| | 30.6.2015 RM | 30.6.2014 RM |
|--|-------------------|-----------------|
| <u>Group/Company</u> | | |
| Cost/Net book value | | |
| At 1 January | - | - |
| Arising from acquisition of business (note 18) | 42,370,445 | - |
| At 30 June | <u>42,370,445</u> | <u>-</u> |

On 1 March 2015, the Company completed the acquisition of general insurance business of MCIS Insurance Berhad with a total purchase consideration of RM48,620,286.

12 INVESTMENTS

| | As at 30.6.2015 | | As at 31.12.2014 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Group RM | Company RM | Group RM | Company RM |
| Malaysian government securities | 30,427,988 | 30,427,988 | 16,318,558 | 15,298,047 |
| Government investment issues | 10,136,741 | 10,136,741 | - | - |
| Corporate bonds | 173,296,991 | 82,866,092 | 107,707,583 | 23,841,907 |
| Unit trust investments | 39,656,333 | 133,704,491 | 38,637,433 | 129,626,189 |
| Equity securities | 28,983,629 | 28,983,629 | 17,334,589 | 17,334,589 |
| Real Estate Investment Trusts ("REITs") | 2,871,200 | 2,871,200 | 2,774,200 | 2,774,200 |
| Deposits with licensed financial institutions | 22,398,988 | 22,398,988 | 22,028,618 | 22,028,618 |
| | <u>307,771,870</u> | <u>311,389,129</u> | <u>204,800,981</u> | <u>210,903,550</u> |
| AFS financial assets | 253,518,053 | 257,135,312 | 162,663,574 | 168,766,143 |
| FVTPL financial assets | 31,854,829 | 31,854,829 | 20,108,789 | 20,108,789 |
| LAR | 22,398,988 | 22,398,988 | 22,028,618 | 22,028,618 |
| | <u>307,771,870</u> | <u>311,389,129</u> | <u>204,800,981</u> | <u>210,903,550</u> |

The following investments will mature after 12 months:

| | | | | |
|----------------------|--------------------|--------------------|--------------------|-------------------|
| AFS financial assets | <u>201,693,994</u> | <u>112,276,368</u> | <u>106,851,847</u> | <u>28,016,520</u> |
|----------------------|--------------------|--------------------|--------------------|-------------------|

Company No.

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

12 INVESTMENTS (CONTINUED)

| | As at 30.6.2015 | | As at 31.12.2014 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Group RM | Company RM | Group RM | Company RM |
| (a) AFS financial assets | | | | |
| <u>Fair value</u> | | | | |
| Malaysian Government Securities | 30,427,988 | 30,427,988 | 16,318,558 | 15,298,047 |
| Government investment issues | 10,136,741 | 10,136,741 | - | - |
| Quoted in Malaysia: | | | | |
| Unit trust investments | 39,656,333 | 39,656,333 | 38,637,433 | 38,637,433 |
| Unquoted in Malaysia: | | | | |
| Unit trust investments (Wholesale Fund) | - | 94,048,158 | - | 90,988,756 |
| Corporate bonds | 173,296,991 | 82,866,092 | 107,707,583 | 23,841,907 |
| | <u>253,518,053</u> | <u>257,135,312</u> | <u>162,663,574</u> | <u>168,766,143</u> |
| (b) FVTPL financial assets | | | | |
| <u>Fair value</u> | | | | |
| Equity securities | 28,983,629 | 28,983,629 | 17,334,589 | 17,334,589 |
| REITs | 2,871,200 | 2,871,200 | 2,774,200 | 2,774,200 |
| | <u>31,854,829</u> | <u>31,854,829</u> | <u>20,108,789</u> | <u>20,108,789</u> |
| (c) LAR | | | | |
| <u>Amortisation cost</u> | | | | |
| Deposits with commercial banks | <u>22,398,988</u> | <u>22,398,988</u> | <u>22,028,618</u> | <u>22,028,618</u> |
| (d) Carrying values of financial instruments | | | | |
| | AFS RM | FVTPL RM | LAR RM | Total RM |
| <u>GROUP</u> | | | | |
| <u>30.6.2015</u> | | | | |
| At 1 January 2015 | 162,663,574 | 20,108,789 | 22,028,618 | 204,800,981 |
| Purchases | 190,791,850 | 10,851,000 | 11,125,785 | 212,768,635 |
| Maturities | (10,000,000) | - | (10,769,571) | (20,769,571) |
| Disposals | (93,693,597) | (33,021) | - | (93,726,618) |
| Fair value gains/(losses) recorded in: | | | | |
| Income statement | - | 928,061 | - | 928,061 |
| Other comprehensive income | 3,319,380 | - | - | 3,319,380 |
| Fair value gains transferred to | | | | |
| Income statement | (505,371) | - | - | (505,371) |
| Movement in accrued interest | 803,574 | - | 14,156 | 817,730 |
| Amortisation of premiums | 138,643 | - | - | 138,643 |
| At 30 June 2015 | <u>253,518,053</u> | <u>31,854,829</u> | <u>22,398,988</u> | <u>307,771,870</u> |

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

12 INVESTMENTS (CONTINUED)

(d) Carrying values of financial instruments (continued)

| | AFS RM | FVTPL RM | LAR RM | Total RM |
|--|--------------------|-------------------|-------------------|--------------------|
| <u>31.12.2014</u> | | | | |
| At 1 January 2014 | 179,097,872 | 18,413,447 | 38,031,275 | 235,542,594 |
| Purchases | 19,261,993 | 11,319,727 | 21,649,925 | 52,231,645 |
| Maturities | (20,000,000) | - | (37,597,576) | (57,597,576) |
| Disposals | (15,169,583) | (1,057,944) | - | (16,227,527) |
| Fair value (losses)/gains recorded in: | | | | |
| Income statement | - | (8,566,441) | - | (8,566,441) |
| Other comprehensive income | 36,368 | - | - | 36,368 |
| Fair value losses transferred to | | | | |
| Income statement | (20,024) | - | - | (20,024) |
| Movement in accrued interest | (267,662) | - | (55,006) | (322,668) |
| Amortisation of premiums | (275,390) | - | - | (275,390) |
| At 31 December 2014 | <u>162,663,574</u> | <u>20,108,789</u> | <u>22,028,618</u> | <u>204,800,981</u> |

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30.6.2015

| | | | | |
|----------------------------------|--------------------|-------------------|-------------------|--------------------|
| At 1 January 2015 | 168,766,143 | 20,108,789 | 22,028,618 | 210,903,550 |
| Purchases | 177,861,259 | 10,851,000 | 11,125,785 | 199,838,044 |
| Maturities | (10,000,000) | - | (10,769,571) | (20,769,571) |
| Disposals | (83,091,796) | (33,021) | - | (83,124,817) |
| Fair value gains recorded in: | | | | |
| Income statement | - | 928,061 | - | 928,061 |
| Other comprehensive income | 3,235,368 | - | - | 3,235,368 |
| Fair value losses transferred to | | | | |
| Income statement | (497,521) | - | - | (497,521) |
| Movement in accrued interest | 723,216 | - | 14,156 | 737,372 |
| Amortisation of premiums | 138,643 | - | - | 138,643 |
| At 30 June 2015 | <u>257,135,312</u> | <u>31,854,829</u> | <u>22,398,988</u> | <u>311,389,129</u> |

31.12.2014

| | | | | |
|--|--------------------|-------------------|-------------------|--------------------|
| At 1 January 2014 | 184,865,574 | 18,413,447 | 38,031,275 | 241,310,296 |
| Purchases | 19,482,136 | 11,319,727 | 21,649,925 | 52,451,788 |
| Maturities | (20,000,000) | - | (37,597,576) | (57,597,576) |
| Disposals | (15,169,583) | (1,057,944) | - | (16,227,527) |
| Fair value (losses)/gains recorded in: | | | | |
| Income statement | - | (8,566,441) | - | (8,566,441) |
| Other comprehensive income | 36,368 | - | - | 36,368 |
| Fair value losses transferred to | | | | |
| Income statement | (20,024) | - | - | (20,024) |
| Movement in accrued interest | (152,938) | - | (55,006) | (207,944) |
| Amortisation of premiums | (275,390) | - | - | (275,390) |
| At 31 December 2014 | <u>168,766,143</u> | <u>20,108,789</u> | <u>22,028,618</u> | <u>210,903,550</u> |

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THE PACIFIC INSURANCE BERHAD
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12 INVESTMENTS (CONTINUED)

(e) Fair values of financial investments

The following table show financial investments recorded at fair value analysed by the different basis of fair values and valuation methods as follows:

| <u>Group</u> | Level 1 RM | Level 2 RM |
|--|-------------------|--------------------|
| <u>30.6.2015</u> | | |
| AFS | | |
| - Malaysian Government Securities | - | 30,427,988 |
| - Government investment issues | - | 10,136,741 |
| - Corporate bonds | - | 173,296,991 |
| - Unit trust investments | <u>39,656,333</u> | - |
| | 39,656,333 | <u>213,861,720</u> |
| FVTPL | | |
| - Equity securities | 28,983,629 | - |
| - Real Estate Investment Trust ("REITs") | <u>2,871,200</u> | - |
| | <u>71,511,162</u> | <u>213,861,720</u> |
| <u>31.12.2014</u> | | |
| AFS | | |
| - Malaysian Government Securities | - | 16,318,558 |
| - Corporate bonds | - | 107,707,583 |
| - Unit trust investments | 38,637,433 | - |
| FVTPL | | |
| - Equity securities | 17,334,589 | - |
| - Real Estate Investment Trust ("REITs") | <u>2,774,200</u> | - |
| | <u>58,746,222</u> | <u>124,026,141</u> |
| <u>Company</u> | | |
| <u>30.6.2015</u> | | |
| AFS | | |
| - Malaysian Government Securities | - | 30,427,988 |
| - Government investment issues | - | 10,136,741 |
| - Corporate bonds | - | 82,866,092 |
| - Unit trust investments | 39,656,333 | 94,048,158 |
| FVTPL | | |
| - Equity securities | 28,983,629 | - |
| - Real Estate Investment Trust ("REITs") | <u>2,871,200</u> | - |
| | <u>71,511,162</u> | <u>217,478,979</u> |

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

12 INVESTMENTS (CONTINUED)

(e) Fair values of financial investments (continued)

| | Level 1 RM | Level 2 RM |
|--|-------------------|--------------------|
| <u>31.12.2014</u> | | |
| AFS | | |
| - Malaysian Government Securities | - | 15,298,047 |
| - Corporate bonds | - | 23,841,907 |
| - Unit trust investments | 38,637,433 | 90,988,756 |
| FVTPL | | |
| - Equity securities | 17,334,589 | - |
| - Real Estate Investment Trust ("REITs") | 2,774,200 | - |
| | <u>58,746,222</u> | <u>130,128,710</u> |

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 and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency, and those prices represent actual and regular 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. There are no financial instruments categorised as Level 3.

13 REINSURANCE ASSETS

| | 30.6.2015 RM | 31.12.2014 RM |
|--|--------------------|--------------------|
| <u>Group and Company</u> | | |
| Reinsurance of insurance contracts (Note 14) | <u>295,258,000</u> | <u>132,685,000</u> |

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

14 INSURANCE CONTRACT LIABILITIES

| <u>Group/Company</u> | 30.6.2015 | | | 31.12.2014 | | |
|--|--------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
| | Gross RM | Reinsurance RM | Net RM | Gross RM | Reinsurance RM | Net RM |
| Provision for claims reported by policyholders | 357,377,385 | (178,935,678) | 178,441,707 | 155,122,807 | (66,637,524) | 88,485,283 |
| Provision for incurred but not reported ("IBNR") | 180,954,615 | (53,468,322) | 127,486,293 | 78,241,193 | (18,200,476) | 60,040,717 |
| Claim liabilities (i) | 538,332,000 | (232,404,000) | 305,928,000 | 233,364,000 | (84,838,000) | 148,526,000 |
| Premium liabilities (ii) | 183,705,000 | (62,854,000) | 120,851,000 | 128,547,000 | (47,847,000) | 80,700,000 |
| | <u>722,037,000</u> | <u>(295,258,000)</u> | <u>426,779,000</u> | <u>361,911,000</u> | <u>(132,685,000)</u> | <u>229,226,000</u> |

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THE PACIFIC INSURANCE BERHAD
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

| | 30.6.2015 | | | 31.12.2014 | | |
|---|--------------------|----------------------|--------------------|--------------------|---------------------|--------------------|
| | Gross RM | Re-insurance RM | Net RM | Gross RM | Re-insurance RM | Net RM |
| <u>Group/Company</u> | | | | | | |
| (i) Claim liabilities | | | | | | |
| At 1 January | 233,364,000 | (84,838,000) | 148,526,000 | 193,351,000 | (69,558,000) | 123,793,000 |
| Claims incurred in the current accident year | 354,702,557 | (157,097,572) | 197,604,985 | 123,760,118 | (40,852,305) | 82,907,813 |
| Claims incurred in prior accident year | 16,389,595 | (4,696,175) | 11,693,420 | 957,197 | 10,220,507 | 11,177,704 |
| Movement in PRAD of claim liabilities at 75% confidence level | (2,788,133) | 3,311,804 | 523,671 | 7,373,093 | (4,696,417) | 2,676,676 |
| Movement in claims handling expenses | 5,184,715 | - | 5,184,715 | 834,517 | - | 834,517 |
| Claims paid during the financial year | (68,520,734) | 10,915,943 | (57,604,791) | (92,911,925) | 20,048,215 | (72,863,710) |
| At 30 June/ At 31 December | <u>538,332,000</u> | <u>(232,404,000)</u> | <u>305,928,000</u> | <u>233,364,000</u> | <u>(84,838,000)</u> | <u>148,526,000</u> |
| (ii) Premiums liabilities | | | | | | |
| At 1 January | 128,547,000 | (47,847,000) | 80,700,000 | 115,007,000 | (43,365,000) | 71,642,000 |
| Premiums written in the financial year | 169,205,888 | (61,920,604) | 107,285,284 | 245,345,512 | (91,895,087) | 153,450,425 |
| Premiums earned during the financial year | (114,047,888) | 46,913,604 | (67,134,284) | (231,805,512) | 87,413,087 | (144,392,425) |
| At 30 June/ At 31 December | <u>183,705,000</u> | <u>(62,854,000)</u> | <u>120,851,000</u> | <u>128,547,000</u> | <u>(47,847,000)</u> | <u>80,700,000</u> |

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THE PACIFIC INSURANCE BERHAD
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

15 OPERATING LEASE ARRANGEMENTS

The Group and 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 five 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:

| | 30.6.2015 RM | 31.12.2014 RM |
|---|------------------|------------------|
| Future minimum rental payment: | | |
| Not later than 1 year | 1,914,770 | 306,960 |
| Later than 1 year and not later than 5 year | 664,612 | 566,040 |
| | <u>2,579,382</u> | <u>873,000</u> |

16 CAPITAL COMMITMENTS

| | 30.6.2015 RM | 31.12.2014 RM |
|-----------------------------|-------------------|-------------------|
| <u>Group/Company</u> | | |
| Approved and contracted for | | |
| Office suites | 58,815,070 | 52,866,000 |
| Computers | 3,772,889 | 560,452 |
| Renovations | 10,958 | 286,010 |
| Office equipment | 15,964 | 15,629 |
| Furniture and fittings | 153,825 | 26,320 |
| | <u>62,768,706</u> | <u>53,754,411</u> |

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

17 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2015, as prescribed under the Risk-Based Capital Framework is provided below:

| | 30.6.2015 RM | 31.12.2014 RM |
|---------------------------------------|--------------------|--------------------|
| <u>Eligible Tier 1 Capital</u> | | |
| Share capital (paid-up) | 219,875,000 | 100,000,000 |
| Reserves, including retained earnings | 85,140,031 | 71,997,139 |
| | <u>305,015,031</u> | <u>171,997,139</u> |
| <u>Tier 2 Capital</u> | | |
| Available-for-sale-reserves | 2,882,485 | 829,100 |
| Subordinated term debts | 24,337,500 | - |
| Goodwill | (42,370,445) | - |
| Other intangible assets | (185,721) | (166,593) |
| Deferred tax assets | (4,005,049) | (3,414,210) |
| | <u>285,673,801</u> | <u>169,245,436</u> |

18 BUSINESS COMBINATION

On 1 March 2015, the Company completed the acquisition of certain assets and liabilities of the general insurance business of MCIS Insurance Berhad for a cash consideration of RM48,620,286.

| | RM |
|------------------------------------|--------------------|
| <u>Assets</u> | |
| Cash and cash equivalents | 54,221,068 |
| Property, plant and equipment | 698,793 |
| Intangible assets | 17,750 |
| Loans | 561,520 |
| Malaysian Government Securities | 75,045,835 |
| Government Islamic Issue | 12,911,600 |
| Bond - Low Risk | 26,848,800 |
| Bond - Unsecured Credit Facilities | 30,483,675 |
| Insurance receivables | 27,107,927 |
| Other receivables | 3,437,049 |
| Reinsurance assets | 142,043,877 |
| | <u>373,377,893</u> |

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

18 BUSINESS COMBINATION (CONTINUED)

| | RM |
|---|-----------------------------|
| <u>Liabilities</u> | |
| Insurance contract liabilities | 331,753,894 |
| Insurance payables | 34,406,414 |
| Other payables | 967,743 |
| | <u>367,128,052</u> |
| Net assets acquired | <u><u>6,249,841</u></u> |
| The goodwill of RM42,370,445 is computed as follow: | |
| Total purchase consideration | 48,620,286 |
| Less : Fair value of net assets acquired | <u>(6,249,841)</u> |
| Goodwill on acquisition (Note 11) | <u><u>42,370,445</u></u> |