

**OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(102249-P)
(A Member of Great Eastern Holdings Limited)**

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INTERIM BALANCE SHEET
AS AT 30 JUNE 2014

	Note	30.06.2014 RM	31.12.2013 RM
Assets			
Property and equipment		21,870,391	20,601,403
Goodwill		18,182,598	18,182,598
Investments	9	540,881,881	545,574,445
Malaysian government securities		124,211,875	129,158,413
Debt securities		321,841,016	291,878,501
Equity securities		42,804,216	37,000,187
Unit and property trust funds		2,216,733	1,993,259
Financial instruments with embedded derivatives		19,701,275	33,384,644
Loans		21,726,766	21,619,441
Deposits with financial institutions		8,380,000	30,540,000
Reinsurance assets	10	191,398,595	177,939,895
Insurance receivables		50,889,484	46,501,888
Deferred tax assets		3,342,345	3,687,048
Other receivables		66,670,808	65,387,256
Cash and bank balances		34,475,821	34,080,114
Total assets		<u>927,711,923</u>	<u>911,954,647</u>
Equity			
Share capital		100,000,000	100,000,000
Retained earnings		194,696,979	202,315,343
Available for sale fair value reserves		4,003,375	2,638,880
Total equity		<u>298,700,354</u>	<u>304,954,223</u>
Liabilities			
Insurance contract liabilities	11	537,066,419	501,855,730
Deposits from reinsurers		859,762	2,267,153
Insurance payables		39,065,568	44,214,108
Provision for taxation		13,756,069	13,812,016
Other payables		38,263,751	44,851,417
Total liabilities		<u>629,011,569</u>	<u>607,000,424</u>
Total equity and liabilities		<u>927,711,923</u>	<u>911,954,647</u>

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INTERIM INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

	Note	6 months period ended 30.06.2014 RM	6 months period ended 30.06.2013 RM
Gross earned premiums		196,602,294	187,878,747
Premiums ceded to reinsurers		<u>(60,920,896)</u>	<u>(59,317,576)</u>
Net earned premiums		<u>135,681,398</u>	<u>128,561,171</u>
Investment income		12,737,039	12,523,247
Realised gains and losses		(149,232)	3,374,886
Fair value (losses) and gains		1,441,197	(582,871)
Fee and commission income		17,443,171	22,188,011
Other operating revenue		408,851	2,250,202
Other revenue		<u>31,881,026</u>	<u>39,753,475</u>
Gross claims paid		(78,231,562)	(88,070,163)
Claims ceded to reinsurers		14,727,932	19,976,444
Gross change to contract liabilities		(27,872,689)	(43,133,235)
Change in contract liabilities ceded to reinsurers		16,115,271	27,439,197
Net claims		<u>(75,261,048)</u>	<u>(83,787,757)</u>
Fee and commission expense		(32,378,526)	(30,936,932)
Management expenses		(30,578,720)	(30,029,123)
Other operating expenses		(8,300)	(3,637)
Other expenses		<u>(62,965,546)</u>	<u>(60,969,692)</u>
Profit before taxation		29,335,830	23,557,197
Taxation	12	<u>(6,954,194)</u>	<u>(5,619,231)</u>
Net profit for the period		<u>22,381,636</u>	<u>17,937,966</u>
Earnings per share (sen)			
Basic and diluted	13	<u>22.38</u>	<u>17.94</u>

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

**INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014**

	6 months period ended 30.06.2014 RM	6 months period ended 30.06.2013 RM
Net profit for the period	22,381,636	17,937,966
Other comprehensive income:		
Available for sale fair value reserves:		
Gain on fair value changes	2,464,323	3,907,564
Realised gain transferred to income statement	(644,995)	(3,374,706)
	1,819,328	532,858
Tax effect	(454,833)	(133,214)
	<u>1,364,495</u>	<u>399,644</u>
Total comprehensive income for the period	<u>23,746,131</u>	<u>18,337,610</u>

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

	Share capital RM	Non - Distributable Available-for -sale fair value reserves RM	Retained earnings RM	Distributable earnings RM	Total equity RM
At 1 January 2013	100,000,000	11,373,424	194,289,137		305,662,561
Total comprehensive income for the period	-	399,644	17,937,966		18,337,610
Dividend paid during the period	-	-	(45,000,000)		(45,000,000)
At 30 June 2013	<u>100,000,000</u>	<u>11,773,068</u>	<u>167,227,103</u>		<u>279,000,171</u>
At 1 January 2014	100,000,000	2,638,880	202,315,343		304,954,223
Total comprehensive income for the period	-	1,364,495	22,381,636		23,746,131
Dividend paid during the period	-	-	(30,000,000)		(30,000,000)
At 30 June 2014	<u>100,000,000</u>	<u>4,003,375</u>	<u>194,696,979</u>		<u>298,700,354</u>

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INTERIM CASH FLOW STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

		6 months ended 30.06.2014 RM	6 months ended 30.06.2013 RM
	Note		
Operating activities			
Cash generated from operating activities	14	27,798,765	47,424,854
Dividend income received		508,511	697,497
Interest income received		11,689,449	11,903,845
Rental income received		-	49,003
Income tax paid		<u>(7,120,269)</u>	<u>(6,870,643)</u>
Net cash flows generated from operating activities		<u>32,876,456</u>	<u>53,204,556</u>
Investing activities			
Proceeds from disposal of property and equipment		350	258
Purchase of property and equipment		<u>(2,481,099)</u>	<u>(1,861,585)</u>
Net cash flows used in investing activities		<u>(2,480,749)</u>	<u>(1,861,327)</u>
Financing activities			
Dividend paid		<u>(30,000,000)</u>	<u>(45,000,000)</u>
Net cash flows used in financing activities		<u>(30,000,000)</u>	<u>(45,000,000)</u>
Net increase in cash and cash equivalents		395,707	6,343,229
Cash and cash equivalents at beginning of period		<u>34,080,114</u>	<u>27,934,457</u>
Cash and cash equivalents at end of period		<u>34,475,821</u>	<u>34,277,686</u>

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

**OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)**

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014

1. BASIS OF PREPARATION

The interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting, International Accounting Standards ("IFRS") and the Companies Act 1965 in Malaysia. 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 financial year ended 31 December 2013.

The notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial statements of the company since the financial year ended 31 December 2013.

2. SEASONALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period.

3. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2014.

4. CHANGE IN ESTIMATES

There were no changes in the basis used for accounting estimates for the interim financial period.

5. DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities by the Company during the interim financial period.

6. DIVIDENDS

During the interim period ended 30 June 2014, the Company paid a final single-tier dividend of RM0.30 per ordinary shares on 100,000,000 ordinary shares, amounting to RM30,000,000 in respect of the financial year ended 31 December 2013.

7. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There is no material event subsequent to the end of the interim reporting period that has not been reported in the interim financial statements.

8. CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company during the interim financial period.

9. INVESTMENTS

	30.06.2014	31.12.2013
	RM	RM
Malaysian government securities	124,211,875	129,158,413
Debt securities	321,841,016	291,878,501
Equity securities	42,804,216	37,000,187
Unit and property trust funds	2,216,733	1,993,259
Financial instruments with embedded derivatives	19,701,275	33,384,644
Loans	21,726,766	21,619,441
Deposits with financial institutions	8,380,000	30,540,000
	<u>540,881,881</u>	<u>545,574,445</u>

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

	30.06.2014	31.12.2013
	RM	RM
LAR	30,106,766	52,159,441
AFS financial assets	491,073,840	460,030,360
FVTPL financial assets	19,701,275	33,384,644
	<u>540,881,881</u>	<u>545,574,445</u>

The following investments mature after 12 months:

	30.06.2014	31.12.2013
	RM	RM
LAR	21,735,456	21,509,537
AFS financial assets	420,957,691	403,495,614
FVTPL financial assets	19,686,975	32,870,735
	<u>462,380,122</u>	<u>457,875,886</u>

9. INVESTMENTS (CONT'D)**(a) LAR**

	30.06.2014	31.12.2013
	RM	RM
At amortised cost/cost:		
Fixed and call deposits with licensed financial institutions	8,380,000	30,540,000
Loans :	21,726,766	21,619,441
Mortgage loans	302,990	258,585
Corporate loans	20,052,735	20,055,870
Other loans	1,371,041	1,304,986
	<u>30,106,766</u>	<u>52,159,441</u>

The carrying value of the fixed and call deposits approximate their fair values due to the relatively short term maturities.

The carrying value of the mortgage loans and other loans are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) AFS financial assets

	30.06.2014	31.12.2013
	RM	RM
At fair value:		
Malaysian government securities	124,211,875	129,158,413
Debt securities:		
Unquoted in Malaysia	321,841,016	291,878,501
Equity securities:		
Quoted in Malaysia	42,804,216	37,000,187
Unit and property trust funds:		
Quoted in Malaysia	2,216,733	1,993,259
	<u>491,073,840</u>	<u>460,030,360</u>

9. INVESTMENTS (CONT'D)

(c) FVTPL

	30.06.2014	31.12.2013
	RM	RM
Held for trading		
At fair value:		
Financial instruments with embedded derivatives	19,701,275	33,384,644
	<u>19,701,275</u>	<u>33,384,644</u>

Financial instruments with embedded derivatives primarily comprise of warrants, structured deposits and convertible bonds which are held for investment purposes. In accordance with MFRS 139 Financial Instruments: Recognition and Measurement, these have been designated as at FVTPL upon initial recognition.

(d) Carrying Values of Investments

	LAR	AFS	FVTPL	Total
	RM	RM	RM	RM
At 1 January 2013	30,247,074	514,930,809	20,409,575	565,587,458
Purchases	1,838,024,999	206,708,771	15,245,383	2,059,979,153
Maturities/disposals	(1,816,105,138)	(249,717,812)	(382,263)	(2,066,205,213)
Fair value losses recorded in other comprehensive income	-	(11,606,150)	(14,799)	(11,620,949)
Fair value gains/(losses) recorded in income statement	-	75,328	(1,873,252)	(1,797,924)
Impairment losses on investments	-	(339,720)	-	(339,720)
Amortisation adjustments	(7,494)	(20,866)	-	(28,360)
At 31 December 2013	<u>52,159,441</u>	<u>460,030,360</u>	<u>33,384,644</u>	<u>545,574,445</u>
Purchases	1,003,598,249	148,025,043	-	1,151,623,292
Maturities/disposals	(1,025,647,788)	(119,233,713)	(15,124,566)	(1,160,006,067)
Fair value gains recorded in other comprehensive income	-	1,819,327	-	1,819,327
Fair value gains/(losses) recorded in income statement	-	-	1,441,197	1,441,197
Reversal of impairment on investments	-	339,720	-	339,720
(Amortisation)/Accretion adjustments	(3,135)	93,103	-	89,968
At 30 June 2014	<u>30,106,766</u>	<u>491,073,840</u>	<u>19,701,275</u>	<u>540,881,881</u>

10. REINSURANCE ASSETS

	30.06.2014	31.12.2013
	RM	RM
Reinsurance of claims liabilities (Note 11)	145,345,157	129,229,887
Reinsurance of premiums liabilities (Note 11)	46,053,438	48,710,008
	<u>191,398,595</u>	<u>177,939,895</u>

11. INSURANCE CONTRACT LIABILITIES

	30.06.2014		31.12.2013	
	Gross RM	Re- insurance RM	Net RM	Gross RM
Provision for claims reported by policyholders	319,209,587	(141,326,822)	177,882,765	298,362,602
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	48,536,208	(4,018,335)	44,517,873	41,510,504
Claim liabilities (i)	367,745,795	(145,345,157)	222,400,638	339,873,106
Premiums liabilities (ii)	169,320,624	(46,053,438)	123,267,186	161,982,624
	537,066,419	(191,398,595)	345,667,824	501,855,730
				(177,939,895)
				(48,710,008)
				210,643,219
				(127,036,124)
				171,326,478
				39,316,741
				210,643,219
				323,915,835

11. INSURANCE CONTRACT LIABILITIES (CONT'D)

(i) Claims Liabilities

	30.06.2014	31.12.2013				
	Gross RM	Re- insurance RM				
	Net RM	Gross RM				
	Net RM	Re- insurance RM				
	Net RM	Net RM				
At 1 January	339,873,106	(129,229,887)	210,643,219	283,405,466	(86,008,295)	197,397,171
Claims incurred in the current accident period (direct and facultative)	97,840,866	(25,299,358)	72,541,508	246,460,140	(99,508,736)	146,951,404
Adjustment to claims incurred in prior accident year due to changes in assumptions						
- change in link ratios used in IBNR estimation	16,241,439	(12,870,368)	3,371,071	(29,649,716)	14,221,693	(15,428,023)
- change in case reserve method						
Movement in PRAD of claims liabilities	(2,572,846)	(300,745)	(2,873,591)	(6,585,975)	2,204,949	(4,381,026)
Movement in claims handling expenses (i.e. ULAE)	(449,042)	-	(449,042)	(1,588,936)	-	(1,588,936)
Other movement in claims incurred						
in prior accident years (direct and facultative)	(16,218,172)	7,257,124	(8,961,048)	6,849,461	(4,888,144)	1,961,317
Movement in claims incurred (treaty inwards claims)	11,262,005	370,145	11,632,150	22,484,264	134,976	22,619,240
Claims paid during the period	(78,231,561)	14,727,932	(63,503,629)	(181,501,598)	44,613,670	(136,887,928)
At 31 December / 30 June	367,745,795	(145,345,157)	222,400,638	339,873,106	(129,229,887)	210,643,219

(ii) Premium Liabilities

At 1 January	161,982,624	(48,710,008)	113,272,616	161,073,582	(48,753,855)	112,319,727
Premiums written in the period	203,940,294	(58,264,326)	145,675,968	384,372,275	(119,906,108)	264,466,167
Premiums earned during the period	(196,602,294)	60,920,896	(135,681,398)	(383,463,233)	119,949,955	(263,513,278)
At 31 December / 30 June	169,320,624	(46,053,438)	123,267,186	161,982,624	(48,710,008)	113,272,616

12. TAXATION

	30.06.2014	30.06.2013
	RM	RM
Current income tax:		
Malaysian income tax	7,064,321	6,223,133
	<u>7,064,321</u>	<u>6,223,133</u>
Deferred tax:		
Relating to origination and reversal of temporary differences	(102,555)	(603,902)
Overprovision in prior year	(7,572)	-
	<u>6,954,194</u>	<u>5,619,231</u>

The income tax is based on the tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate is as follows:

	30.06.2014	30.06.2013
	RM	RM
Profit before taxation	<u>29,335,830</u>	<u>23,557,197</u>
Taxation at Malaysian statutory tax rate of 25%	7,333,958	5,889,299
Income not subject to tax	(498,135)	(230,400)
Underprovision of deferred tax in prior year	-	-
Expenses not deductible for tax purposes	228,499	564,234
Transfer (to)/from deferred tax	(102,555)	(603,902)
Overprovision in prior year	(7,572)	-
Tax expense for the year	<u>6,954,194</u>	<u>5,619,231</u>

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial period attributed to ordinary equity holders of the Company by weighted average of Ordinary Shares in issue during the financial period.

	30.06.2014	30.06.2013
	RM	RM
Profit attributable to Ordinary equity holders	22,381,636	17,937,966
Number of shares in issue ('000)	100,000	100,000
Basic earnings per share (sen)	<u>22.38</u>	<u>17.94</u>

There have been no other transactions involving Ordinary Shares between the reporting date and the date of completion of these financial statements.

14. CASH FLOWS

	30.06.2014	30.06.2013
	RM	RM
Profit before taxation	29,335,830	23,557,197
Investment income	(12,654,522)	(12,346,106)
Realised gains/(losses) on AFS and FVTPL financial assets	485,565	(2,728,706)
Realised gains on disposal of investment properties	-	(646,000)
Fair value (losses)/gain recorded in income statement	(1,441,197)	582,871
Purchases of AFS financial assets	(148,025,042)	(122,181,280)
Purchases of FVTPL financial assets	-	(10,000,000)
Proceeds from maturities/disposal of AFS financial assets	119,878,708	171,831,025
Proceeds from maturities/disposal of FVTPL financial assets	13,994,006	454,800
Proceeds from disposal of investment properties	-	5,906,000
Decrease in LAR	22,049,539	3,549,987
Non-cash items:		
Depreciation of property and equipment	1,192,662	981,851
Loss/(Gain) on disposal of property and equipment	3,388	(180)
Reversal of/(Provision for) impairment losses on insurance receivable	1,072,604	(254,541)
Bad debts written off	15,710	100,305
Reversal of provision for impairment losses on investments	(339,721)	-
Net (accretion of discounts)/amortisation of premium	(89,968)	5,890
Changes in working capital:		
Reinsurance assets	(13,458,700)	(24,720,159)
Insurance receivables	(5,460,200)	(22,904,328)
Other receivables	(826,990)	(20,731,990)
Insurance contract liabilities	35,210,690	50,916,507
Deposit from reinsurers	(1,407,391)	1,083,095
Insurance payables	(5,148,540)	396,212
Other payables	(6,587,666)	4,572,404
Cash generated from operating activities	<u>27,798,765</u>	<u>47,424,854</u>

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contract, net of the cash flows for payments of claim incurred for insurance contracts, which are respectively treated under operating activities.

15. CAPITAL COMMITMENTS

	30.06.2014	31.12.2013
	RM	RM
Capital expenditure		
Approved and contracted for:		
Property and equipment	4,130,381	10,238,788
Approved but not contracted for:		
Property and equipment	9,450,747	1,058,500
	<u>13,581,128</u>	<u>11,297,288</u>

16. OPERATING LEASE ARRANGEMENTS**The Company as lessee**

The Company has entered into a lease agreement for rental of equipment, software and services and office premises.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future minimum rental payments:

	30.06.2014	31.12.2013
	RM	RM
Rental of equipment, software and services:		
Not later than 1 year	313,402	229,894
Later than 1 year and not later than 5 years	317,103	260,561
	<u>630,505</u>	<u>490,455</u>
Rental of office premises:		
Not later than 1 year	1,941,304	1,456,366
Later than 1 year and not later than 5 years	2,882,131	842,481
	<u>4,823,435</u>	<u>2,298,847</u>

17. REGULATORY CAPITAL REQUIREMENTS

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

	30.06.2014	31.12.2013
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	194,696,979	202,315,343
	<u>294,696,979</u>	<u>302,315,343</u>
Tier 2 Capital		
Eligible Reserves	4,003,375	2,638,880
Total Capital Available	<u>298,700,354</u>	<u>304,954,223</u>