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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

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

Interim Condensed Financial Statements for Six Months Period Ended 30 June 2017

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

CONDENSED BALANCE SHEET
AS AT 30 JUNE 2017

	Note	30.06.2017 RM	31.12.2016 RM
Assets			
Goodwill		18,182,598	18,182,598
Property and equipment		29,389,481	26,358,847
Investments	9	635,248,272	630,365,643
Reinsurance assets	10	271,645,005	250,552,702
Insurance receivables		96,941,402	82,019,972
Other receivables		78,399,832	74,810,046
Cash and bank balances		15,282,088	18,422,448
Total assets		1,145,088,678	1,100,712,256
Equity			
Share capital		100,000,000	100,000,000
Retained earnings		283,276,726	297,402,439
Available for sale fair value reserves		8,890,404	5,150,587
Total equity		392,167,130	402,553,026
Liabilities			
Insurance contract liabilities	11	631,773,024	586,384,133
Deferred tax liabilities		2,454,658	1,803,904
Deposits from reinsurers		2,203,122	1,189,897
Insurance payables		69,176,277	59,174,022
Provision for taxation		6,256,039	9,708,006
Other payables		41,058,428	39,899,268
Total liabilities		752,921,548	698,159,230
Total equity and liabilities		1,145,088,678	1,100,712,256

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

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

CONDENSED INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

	Note	6 months period ended 30.06.2017 RM	6 months period ended 30.06.2016 RM
Gross earned premiums		226,273,171	231,695,077
Premiums ceded to reinsurers		(81,177,121)	(81,922,066)
Net earned premiums		145,096,050	149,773,011
Investment income		14,410,145	14,276,034
Realised gains		5,111,740	2,247,003
Fair value gains		1,057,966	184,146
Fee and commission income		18,695,467	17,818,853
Other operating revenue		2,166,094	2,747,121
Other revenue		41,441,412	37,273,157
Gross claims paid		(107,424,536)	(99,105,781)
Claims ceded to reinsurers		33,266,344	24,259,950
Gross change to contract liabilities		(32,606,016)	(7,279,370)
Change in contract liabilities ceded to reinsurers		17,188,152	11,950,579
Net claims		(89,576,056)	(70,174,622)
Fee and commission expense		(34,196,827)	(35,397,069)
Management expenses		(42,571,717)	(39,714,276)
Other expenses		(76,768,544)	(75,111,345)
Profit before taxation		20,192,862	41,760,201
Taxation	12	(4,318,578)	(10,113,553)
Net profit for the period		15,874,284	31,646,648
Earnings per share (sen)			
Basic and diluted	13	15.87	31.65

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

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

	6 months period ended 30.06.2017 RM	6 months period ended 30.06.2016 RM
Net profit for the period	15,874,284	31,646,648
Other comprehensive income:		
Items that may be reclassified to income statement in subsequent periods:		
Available-for-sale fair value reserves:		
Gain on fair value changes	10,032,552	10,494,372
Realised gain transferred to income statement	(5,111,740)	(2,246,094)
	4,920,812	8,248,278
Tax effect	(1,180,995)	(1,979,586)
	3,739,817	6,268,692
Total comprehensive income for the period	19,614,101	37,915,340

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

	Non-Distributable		Distributable	
	Share capital RM	Available-for-sale fair value reserves RM	Retained earnings RM	Total equity RM
At 1 January 2016	100,000,000	3,577,553	253,776,961	357,354,514
Total comprehensive income for the period	-	6,268,692	31,646,648	37,915,340
Dividend paid during the period	-	-	(11,000,000)	(11,000,000)
At 30 June 2016	100,000,000	9,846,245	274,423,609	384,269,854
At 1 January 2017	100,000,000	5,150,587	297,402,442	402,553,029
Total comprehensive income for the period	-	3,739,817	15,874,284	19,614,101
Dividend paid during the period	-	-	(30,000,000)	(30,000,000)
At 30 June 2017	100,000,000	8,890,404	283,276,726	392,167,130

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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CONDENSED CASH FLOW STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

	Note	6 months ended 30.06.2017 RM	6 months ended 30.06.2016 RM
Operating activities			
Cash generated from operating activities	14	11,082,109	27,596,164
Dividend income received		782,454	634,721
Interest income received		13,581,895	13,084,983
Income tax paid		(8,300,789)	(9,041,033)
Net cash flows generated from operating activities		17,145,669	32,274,835
Investing activities			
Purchase of property and equipment		(5,216,029)	(2,016,548)
Proceeds from disposal of property and equipment		-	1,450
Net cash flows used in investing activities		(5,216,029)	(2,015,098)
Financing activity			
Dividend paid		(30,000,000)	(11,000,000)
Net cash flows used in financing activity		(30,000,000)	(11,000,000)
Net (decrease)/increase in cash and cash equivalents		(18,070,360)	19,259,737
Cash and cash equivalents at beginning of period		45,372,448	39,327,010
Cash and cash equivalents at end of period		27,302,088	58,586,747
Cash and cash equivalents comprise:			
Cash and bank balances		15,282,088	22,736,747
Deposits with financial institutions	9(a)	12,020,000	35,850,000
		27,302,088	58,586,747

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The interim condensed financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting, and International Accounting Standards ("IAS") 34 - Interim Financial Reporting. The interim condensed 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 2016.

The notes attached to the interim condensed 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 2016.

1.2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards and interpretations

The significant accounting policies in these interim condensed financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2016, except for the adoption of the following MFRS, Amendments and Improvements to MFRSs:

Effective for the financial periods beginning on or after 1 January 2017
Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 107 Disclosures Initiatives
Amendments to MFRS 112 Recognition of Deferred Tax for Unrealised Losses

The adoption of the above did not have any significant effects on the interim condensed financial statements upon their initial application.

(b) Standards issued but not yet effective

The following are MFRSs and Amendments to MFRSs issued by MASB that will be effective for the Company in future years. The Company intends to adopt the following relevant standards when they become effective.

Effective for the financial periods beginning on or after 1 January 2018
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014-2016
Amendments to MFRS 140 Transfers of Investment property
MFRS 9 Financial Instruments

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(b) Standards issued but not yet effective (cont'd.)

Effective for the financial periods beginning on or after 1 January 2018 (cont'd.)
MFRS 15 Revenue from Contracts with Customers
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for the financial periods beginning on or after 1 January 2019
MFRS 16 Leases

Deferred
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors expect that the adoption of the above Standards, and Amendments to standards have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

In July 2014, the MASB issued the final version of MFRS 9 Financial Instruments that replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 to the Company are summarized below:

(a) Classification and measurement

The Company expects to have mixed business model. The Company intends to hold its loans and receivable debts securities to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. Based on business model, the Company intends to hold debt securities either to collect contractual cash flows and sell or to hold for trading, and this is accordingly measured either at fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) respectively. The Company may make an election to measure its debt securities currently measured as AFS at FVTPL if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. The Company is currently assessing the impact arising from these changes.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(b) Standards issued but not yet effective (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(a) Classification and measurement (cont'd.)

For equity securities, the Company will continue to measure its currently held for trading equity securities at FVTPL. The Company may make an election to measure its AFS equity securities that is not held for trading at FVOCI. In addition, the Company currently measures its investments in unquoted securities whose fair value cannot be reliably measured at cost less impairment losses. Under MFRS 9, the Company will be required to measure investment at fair value. Any difference between the previous carrying amount under MFRS 139 and fair value would be recognised in the opening retained earnings when the Company applies MFRS 9. The Company is currently assessing the impact arising from these changes.

(b) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model (“ECL”) that replaces the incurred loss model under the current accounting standard. The Company is required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, trade receivables, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments, held by the Company.

The Company expects to apply the simplified approach and record lifetime ECL on all trade receivables. A more detailed analysis considering all reasonable and supportable information, including forward looking elements is required to determine the extent of the impact.

(c) Transition

The Company plans to adopt the new standard on the required effective date without restating prior year’s information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Company is in the process of assessing the impact of MFRS 9 and is not yet able to reasonably estimate the impact on its financial statements.

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(b) Standards issued but not yet effective (cont'd.)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e, when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of MFRS 15 and plan to adopt the new standard on the required effective date.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 *Leases,* IC Interpretation 4 *Determining whether an Arrangement contains a Lease,* IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company is currently assessing the impact of MFRS 16 and plan to adopt the new standard on the required effective date.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(b) Standards issued but not yet effective (cont'd.)

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if:

(i) it has not previously applied any version of IFRS 9 before; and
(ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

However, the Company intends to adopt MFRS 9 on the required effective date without applying any of the alternative options.

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 2017.

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.

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6. DIVIDENDS

During the interim period ended 30 June 2017, 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 2016 on 25 April 2017.

7. EVENT 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 condensed 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

	30.06.2017 RM	31.12.2016 RM
Malaysian government securities	86,123,480	37,891,520
Debt securities	486,881,065	502,407,177
Equity securities	27,996,883	40,158,339
Unit and property trust funds	662,550	1,497,768
Loans	21,564,294	21,460,839
Deposits with financial institutions	12,020,000	26,950,000
	635,248,272	630,365,643

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

	30.06.2017 RM	31.12.2016 RM
LAR	33,584,294	48,410,839
AFS financial assets	575,534,421	556,888,598
FVTPL financial assets	26,129,557	25,066,206
	635,248,272	630,365,643

The following investments mature after 12 months:

	30.06.2017 RM	31.12.2016 RM
LAR	21,419,411	21,341,831
AFS financial assets	529,315,676	493,775,223
FVTPL financial assets	26,129,557	25,066,206
	576,864,643	540,183,260

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9. INVESTMENTS (CONT'D.)

(a) LAR

	30.06.2017 RM	31.12.2016 RM
At amortised cost/cost:		
Fixed and call deposits with licensed financial institutions	12,020,000	26,950,000
Loans :	21,564,294	21,460,839
Mortgage loans	149,926	155,018
Corporate loans	20,026,999	20,031,355
Other loans	1,387,369	1,274,466
	33,584,294	48,410,839

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

	30.06.2017 RM	31.12.2016 RM
At fair value:		
Malaysian government securities	86,123,480	37,891,520
Debt securities:		
Unquoted in Malaysia	460,915,096	477,446,821
Equity securities:		
Quoted in Malaysia	27,833,295	40,052,489
Quoted unit and property trust funds in Malaysia	662,550	1,497,768
	575,534,421	556,888,598

(c) FVTPL

	30.06.2017 RM	31.12.2016 RM
At fair value:		
Debt securities:		
Unquoted in Malaysia	25,965,969	24,960,356
Equity securities:		
Quoted in Malaysia	163,588	105,850
	26,129,557	25,066,206

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9. INVESTMENTS (CONT'D.)

(d) Carrying Values of Investments

	LAR RM	AFS RM	FVTPL RM	TOTAL RM
At 1 January 2016	42,342,607	497,558,221	19,484,120	559,384,948
Purchases	2,091,141,400	481,812,795	29,507,771	2,602,461,966
Maturities/disposals	(2,085,064,614)	(424,308,872)	(23,000,000)	(2,532,373,486)
Fair value gains recorded in other comprehensive income	-	2,069,780	-	2,069,780
Fair value gains recorded in income statement	-	-	(925,685)	(925,685)
Impairment losses on investments	-	(807,773)	-	(807,773)
(Amortisation)/Accretion adjustments	(8,554)	564,447	-	555,893
At 31 December 2016 / 1 January 2017	48,410,839	556,888,598	25,066,206	630,365,643
Purchases	1,374,274,000	300,364,100	-	1,674,638,100
Maturities/disposals	(1,389,096,185)	(287,007,981)	-	(1,676,104,166)
Fair value gains recorded in other comprehensive income	-	5,214,760	-	5,214,760
Fair value gains recorded in income statement	-	-	1,063,350	1,063,350
Impairment losses on investments	-	(5,384)	-	(5,384)
(Amortisation)/Accretion adjustments	(4,358)	80,328	-	75,970
At 30 June 2017	33,584,295	575,534,420	26,129,555	635,248,272

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10. REINSURANCE ASSETS

	30.06.2017 RM	31.12.2016 RM
Reinsurers' share of claims liabilities (Note 11)	208,271,001	191,082,848
Reinsurers' share of premiums liabilities (Note 11)	63,374,004	59,469,854
	271,645,005	250,552,702

Movement of accumulated impairment losses account:

	Individually Impaired	
	30.06.2017 RM	31.12.2016 RM
At beginning of year	698,334	1,413,846
Reversal of impairment losses	(33,889)	(715,512)
At end of period/year	664,445	698,334

During the year, the Company made reversal of impairment losses of RM33,889 in respect of reinsurance asset arising from a reinsurer with balances that had been fully impaired in the previous year due to deteriorating financial performance and credit rating. Current year reversal of impairment losses on reinsurance assets is due to claims settlements and closing of time-barred losses resulting in reversal of reserves provided earlier.

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11. INSURANCE CONTRACT LIABILITIES

	30.06.2017 Gross RM	30.06.2017 Reinsurance RM	30.06.2017 Net RM	31.12.2016 Gross RM	31.12.2016 Reinsurance RM	31.12.2016 Net RM
Provision for claims reported by policyholders	390,261,467	(203,872,184)	186,389,283	358,638,571	(186,161,399)	172,477,172
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	39,834,915	(4,398,817)	35,436,098	38,851,795	(4,921,449)	33,930,346
Claim liabilities (i)	430,096,382	(208,271,001)	221,825,381	397,490,366	(191,082,848)	206,407,518
Premiums liabilities (ii)	201,676,642	(63,374,004)	138,302,638	188,893,767	(59,469,854)	129,423,913
	631,773,024	(271,645,005)	360,128,019	586,384,133	(250,552,702)	335,831,431

(i) Claims Liabilities

	30.06.2017 Gross RM	30.06.2017 Reinsurance RM	30.06.2017 Net RM	31.12.2016 Gross RM	31.12.2016 Reinsurance RM	31.12.2016 Net RM
At beginning of period/year	397,490,366	(191,082,848)	206,407,518	404,584,557	(184,379,617)	220,204,940
Claims incurred in the current accident period (direct and facultative)	140,175,254	(50,016,886)	90,158,368	247,769,547	(85,698,225)	162,071,322
Adjustment to claims incurred in prior accident year due to changes in assumption						
- change in link ratios used in IBNR estimation	10,912,995	(6,832,662)	4,080,333	(7,963,339)	2,293,958	(5,669,381)
Movement in PRAD of claims liabilities	(5,022,081)	895,548	(4,126,533)	(13,046,527)	4,977,204	(8,069,323)
Movement in claims handling expenses (i.e. ULAE)	(595,130)	-	(595,130)	(1,177,611)	-	(1,177,611)
Other movement in claims incurred in prior accident years (direct and facultative)	(9,284,789)	5,499,502	(3,785,287)	(613,584)	193,230	(420,354)
Movement in claims incurred (treaty inwards claims)	3,844,303	-	3,844,303	(6,806,748)	-	(6,806,748)
Claims paid during the period	(107,424,535)	33,266,345	(74,158,190)	(225,255,929)	71,530,602	(153,725,327)
At end of period/year	430,096,383	(208,271,001)	221,825,382	397,490,366	(191,082,848)	206,407,518

(ii) Premium Liabilities

	30.06.2017 Gross RM	30.06.2017 Reinsurance RM	30.06.2017 Net RM	31.12.2016 Gross RM	31.12.2016 Reinsurance RM	31.12.2016 Net RM
At beginning of period/year	188,893,767	(59,469,854)	129,423,913	202,213,777	(74,223,826)	127,989,951
Premiums written in the period	239,056,047	(85,081,272)	153,974,775	430,212,703	(134,537,169)	295,675,534
Premiums earned during the period	(226,273,172)	81,177,122	(145,096,050)	(443,532,713)	149,291,141	(294,241,572)
At end of period/year	201,676,642	(63,374,004)	138,302,638	188,893,767	(59,469,854)	129,423,913

As at 30 June 2017, the insurance contract liabilities above includes the Company’s share of MMIP's claims and premium liabilities amounting to RM47,986,633 (2016: RM50,199,451) and RM2,892,697 (2016: RM4,104,864).

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12. TAXATION

	30.06.2017 RM	30.06.2016 RM
Current income tax:		
Malaysian income tax	4,848,822	9,924,741
	4,848,822	9,924,741
Deferred tax:		
Relating to origination and reversal of temporary differences	(530,240)	188,812
	(530,240)	188,812
	4,318,582	10,113,553

The income tax is based on the tax rate of 24% 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:

	30.06.2017 RM	30.06.2016 RM
Profit before taxation	20,192,862	41,760,201
Taxation at Malaysian statutory tax rate of 24%	4,846,288	10,022,448
Income not subject to tax	(275,818)	(254,052)
Expenses not deductible for tax purposes	(251,888)	345,157
Tax expense for the year	4,318,582	10,113,553

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13. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the financial period attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial period.

	30.06.2017 RM	30.06.2016 RM
Profit attributable to ordinary equity holders	15,874,284	31,646,648
Number of ordinary shares in issue during the period	100,000,000	100,000,000
Basic earnings per share (sen)	15.87	31.65

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of the financial statements.

14. CASH GENERATED FROM OPERATING ACTIVITIES

	30.06.2017 RM	30.06.2016 RM
Profit before taxation	20,192,862	41,760,201
Investment income	(15,039,204)	(13,575,681)
Realised gains on AFS and FVTPL financial assets	(5,111,740)	(2,246,094)
Fair value gains recorded in income statement	(1,057,966)	(184,146)
Purchases of AFS financial assets	(300,364,100)	(264,044,512)
Purchases of FVTPL financial assets	-	(3,007,770)
Proceeds from maturities/disposal of AFS financial assets	291,825,773	237,852,999
Proceeds from maturities/disposal of FVTPL financial assets	-	19,000,000
(Increase)/Decrease in LAR	(107,812)	219,130
Non-cash items:		
Depreciation of property and equipment	2,185,254	2,042,577
Gain on disposal of property and equipment	-	(909)
Provision for impairment losses on insurance receivable	470,328	148,359
(Provision for bad debts)/Bad debts written off	(37,694)	11,344
Property and equipment written off	141	99
Net accretion of discounts	(75,972)	(393,264)

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14. CASH GENERATED FROM OPERATING ACTIVITIES (CONT'D.)

	30.06.2017 RM	30.06.2016 RM
Changes in working capital:		
Reinsurance assets	(21,092,303)	4,327,725
Insurance receivables	(15,354,064)	9,157,869
Other receivables	(2,914,931)	3,440,608
Insurance contract liabilities	45,388,891	(1,352,421)
Deposit from reinsurers	1,013,225	135,027
Insurance payables	10,002,255	37,410
Other payables	1,159,166	(5,732,387)
Cash generated from operating activities	11,082,109	27,596,164

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 contracts, net of the cash flows for payments of claims incurred for insurance contracts, which are classified under operating activities.

15. CAPITAL COMMITMENTS

	30.06.2017 RM	30.06.2016 RM
Capital expenditure		
Approved and contracted for:		
Property and equipment	10,308,697	4,461,177
Approved but not contracted for:		
Property and equipment	2,511,420	255,749
	12,820,117	4,716,926

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:

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16. OPERATING LEASE ARRANGEMENTS (CONT'D.)

The Company as lessee (cont'd.)

Future minimum rental payments:

	30.06.2017 RM	30.06.2016 RM
Rental of equipment, software and services:		
Not later than 1 year	275,954	379,968
Later than 1 year and not later than 5 years	233,868	505,200
	509,822	885,168
Rental of office premises:		
Not later than 1 year	3,365,564	1,916,306
Later than 1 year and not later than 5 years	5,091,536	695,822
	8,457,100	2,612,128

17. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2017, as prescribed under the Risk Based Capital Framework is provided below:

	30.06.2017 RM	30.06.2016 RM
Eligible Tier 1 Capital		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	235,658,864	231,774,581
	335,658,864	331,774,581
Tier 2 Capital		
Eligible Reserves	7,849,251	8,853,992
Deductions	(18,182,598)	(18,182,598)
Total Capital Available	325,325,517	322,445,975

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18. CONTINGENT LIABILITIES

Arbitration

On 18 August 2010, the Company entered into a Sale and Purchase Agreement ("SPA" or the "Agreement") with Tahan Insurance Malaysia Berhad (now known as Tahan Malaysia Berhad) ("Tahan") to acquire certain assets and liabilities of general insurance business of Tahan.

On 1 January 2011, the Company completed the acquisition of certain assets and liabilities of the general insurance business of Tahan for a cash consideration of RM15 million, subject to adjustments to be made to the value of the acquired assets and liabilities upon finalisation of the acquisition.

In order to ascertain the adequacy of the claim liabilities of Tahan, especially the IBNR claims reserve as at 31 December 2010, the Company and Tahan had each appointed independent professional actuaries to provide an estimate of the total claim liabilities. Different views arose on the value to be ascribed to the IBNR component of total claim liabilities. The Company's independent professional actuary estimated the value of the IBNR claims of Tahan as at 31 December 2010 to be approximately RM46.5 million, which was higher than the value estimated by Tahan's independent professional actuary and used as the basis for determining the value of the IBNR claim liabilities as at the acquisition date.

On 29 December 2011, Tahan, via an appointed legal counsel, served an originating summons in the High Court of Malaya in Kuala Lumpur, making a claim against the Company for an amount of approximately RM21.8 million plus interest of 8% per annum.

On 22 February 2012, the High Court of Malaya in Kuala Lumpur approved the Company's application for a stay of proceedings and the Company commenced action through arbitration. Both parties had agreed to leave the appointment of the arbitrator to the Kuala Lumpur Regional Centre for Arbitration ("KLRCA").

The appointment of the arbitrator was made by Kuala Lumpur Regional Centre for Arbitration ("KLRCA") on 7 January 2013. Since the appointment of the arbitrator, hearings were held between the Company, Tahan and the arbitrator.

The Directors of the Company are of the view that any possible obligation that may arise in respect of the disagreement between Tahan and the Company will be confirmed only by the outcome of the arbitration. The amount of the obligation, if any, cannot be measured with sufficient reliability as it is dependent on the assessment to be made by the independent actuary to be appointed by KLRCA.

The final outcome of the Terms of Settlement may have an impact on the purchase considerations and income statements of the Company should the IBNR claims reserve estimated by the Company on the date of acquisition differs materially from the assessment of the independent actuary appointed by KLRCA.

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18. CONTINGENT LIABILITIES (CONT'D.)

Malaysian Competition Commission ("MyCC")

On 22 February 2017, the Malaysian Competition Commission ("MyCC") issued its Proposed Decision on an alleged infringement by the General Insurance Association of Malaysia ("PIAM") and its 22 members under the Section 4(2)(a) of the Competition Act 2010 ("the Act"). MyCC's Proposed Decision is with respect to the agreement reached between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") in respect to the trade discount rates for parts of certain vehicle makes and labour rates for workshops under the PIAM Approved Repairers Scheme.

As a result, the MyCC has proposed various remedies on the general insurers, including financial penalties amounting to a total of RM213.45 million. The proposed financial penalty on the Company is RM2.95 million.

The Company's written representation has been submitted to the MyCC on 25 April 2017. The oral representation has been fixed by the MyCC on 16 and 17 October 2017. The MyCC will make its final decision after having considered all representations and available information and evidence.