

**MUI CONTINENTAL INSURANCE BERHAD**

(Company No. 29123-D)  
(Incorporated in Malaysia)

**Unaudited Interim Financial Statements  
For the Financial Period From  
1 January 2011 to 30 June 2011  
(In Ringgit Malaysia)**

Company No:  
29123 - D

## **MUI Continental Insurance Berhad**

(Company No. 29123-D)  
(Incorporated in Malaysia)

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## MUI Continental Insurance Berhad

(Incorporated in Malaysia)

### Unaudited statements of financial position as at 30 June 2011

	Note	Group 30.06.2011 RM	Company 30.06.2011 RM
<b>Assets</b>			
Property, plant and equipment		1,877,471	1,877,471
Investment in a subsidiary		-	1,810,000
Goodwill		145,887	-
Investment properties	9	24,417,092	24,417,092
Investments:			
- Financial assets at fair value through profit or loss	10 (a)	57,899,080	57,899,080
- Held-to-maturity	10 (b)	35,158,475	35,158,475
- Loans and receivables	10 (c)	238,938,690	238,938,690
		331,996,245	331,996,245
Reinsurance assets	11	200,109,863	200,109,863
Insurance receivables		43,425,836	43,425,836
Other receivables		4,595,213	4,566,001
Cash and cash equivalents		52,104,291	50,348,274
<b>Total assets</b>		<b>658,671,898</b>	<b>658,550,782</b>
<b>Liabilities</b>			
Insurance contract liabilities	12	402,786,561	402,786,561
Insurance payables		58,527,682	58,527,682
Other financial liabilities		19,970,220	19,970,220
Other payables		6,380,001	6,376,853
Staff retirement gratuity		651,233	651,233
Deferred tax liability		1,773,498	1,773,498
Tax payable		4,196,769	4,148,259
<b>Total liabilities</b>		<b>494,285,964</b>	<b>494,234,306</b>
<b>Shareholders' equity:</b>			
Share capital		100,023,500	100,023,500
Reserves		64,362,434	64,292,978
		164,385,934	164,316,478
<b>Total liabilities and shareholders' equity</b>		<b>658,671,898</b>	<b>658,550,782</b>

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

**MUI Continental Insurance Berhad**  
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**Unaudited income statements  
for the 6 months period ended 30 June 2011**

	<b>Group 6 months period ended 30.06.2011 RM</b>	<b>Company 6 months period ended 30.06.2011 RM</b>
<b>Operating revenue</b>	<u>143,628,740</u>	<u>143,608,330</u>
Gross earned premiums	123,378,194	123,378,194
Premium ceded to reinsurers	<u>(54,680,640)</u>	<u>(54,680,640)</u>
<b>Net earned premiums</b>	<u>68,697,554</u>	<u>68,697,554</u>
Investment income	5,784,046	5,763,636
Realised gains and losses	483,504	483,504
Fair value gains and losses	<u>(394,009)</u>	<u>(394,009)</u>
<b>Other revenue</b>	<u>5,873,541</u>	<u>5,853,131</u>
Commission expense	<u>(18,365,260)</u>	<u>(18,365,260)</u>
Less : Reinsurance commission income	<u>12,730,801</u>	<u>12,730,801</u>
Net commission	(5,634,459)	(5,634,459)
Management expenses	<u>(10,142,339)</u>	<u>(10,141,239)</u>
<b>Other expenses</b>	<u>(15,776,798)</u>	<u>(15,775,698)</u>
Gross claims paid	(75,738,091)	(75,738,091)
Claims ceded to reinsurers	34,201,860	34,201,860
Gross change to insurance contract liabilities	(6,900,599)	(6,900,599)
Change in insurance contract liabilities ceded to reinsurers	<u>4,743,902</u>	<u>4,743,902</u>
<b>Net claims incurred</b>	<u>(43,692,929)</u>	<u>(43,692,929)</u>
<b>Profit before tax</b>	15,101,369	15,082,059
Tax expense	<u>(3,603,243)</u>	<u>(3,598,415)</u>
<b>Profit for the period</b>	<u>11,498,126</u>	<u>11,483,644</u>
<b>Earnings per share (sen)</b>		
Basic and fully diluted	11.5	11.5

**MUI Continental Insurance Berhad**  
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**Unaudited statements of comprehensive income  
for the 6 months period ended 30 June 2011**

	<b>Group 6 months period ended 30.06.2011 RM</b>	<b>Company 6 months period ended 30.06.2011 RM</b>
<b>Profit for the period</b>	11,498,126	11,483,644
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>11,498,126</u>	<u>11,483,644</u>

## MUI Continental Insurance Berhad

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### Unaudited statements of changes in equity for the period ended 30 June 2011

Group	Share Capital RM	Non	Distributable	Total RM
		<u>distributable</u> Share premium RM	<u>Retained</u> earnings RM	
Balance as at 1 January 2010	100,023,500	980,000	43,987,006	144,990,506
Total comprehensive income for the year	-	-	22,900,826	22,900,826
<b>Transaction with owners</b>				
Dividend paid	-	-	(7,501,762)	(7,501,762)
Balance as at 31 December 2010	100,023,500	980,000	59,386,070	160,389,570
Total comprehensive income for the period	-	-	11,498,126	11,498,126
<b>Transaction with owners</b>				
Dividend paid (Note 6)	-	-	(7,501,762)	(7,501,762)
Balance as at 30 June 2011	100,023,500	980,000	63,382,434	164,385,934

Company	Share Capital RM	Non	Distributable	Total RM
		<u>distributable</u> Share premium RM	<u>Retained</u> earnings RM	
Balance as at 1 January 2010	100,023,500	980,000	43,970,168	144,973,668
Total comprehensive income for the year	-	-	22,862,690	22,862,690
<b>Transaction with owners</b>				
Dividend paid	-	-	(7,501,762)	(7,501,762)
Balance as at 31 December 2010	100,023,500	980,000	59,331,096	160,334,596
Total comprehensive income for the period	-	-	11,483,644	11,483,644
<b>Transaction with owners</b>				
Dividend paid (Note 6)	-	-	(7,501,762)	(7,501,762)
Balance as at 30 June 2011	100,023,500	980,000	63,312,978	164,316,478

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

**MUI Continental Insurance Berhad**  
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**Unaudited statements of cash flows  
for the 6 months period ended 30 June 2011**

	<b>Group 6 months period ended 30.06.2011 RM</b>	<b>Company 6 months period ended 30.06.2011 RM</b>
<b>Cash flows from operating activities</b>		
Profit before tax	15,101,369	15,082,059
Adjustments for:		
Impairment of receivables	241,446	241,446
Depreciation of property, plant and equipment	220,503	220,503
Realised gain on disposal of investments	(483,504)	(483,504)
Investment income	(5,784,046)	(5,763,636)
Provision for retirement gratuity	10,069	10,069
Fair value loss on financial assets at fair value through profit or loss	394,009	394,009
Profit from operations before changes in operating assets and liabilities	9,699,846	9,700,946
Increase in receivables	(2,737,634)	(2,717,224)
Increase in insurance liabilities	20,188,184	20,188,184
Decrease in payables	(4,365,350)	(4,366,400)
Staff retirement benefits paid	(72,874)	(72,874)
Cash generated from operations	22,712,172	22,732,632
Tax paid	(2,817,709)	(2,808,225)
Net cash from operating activities	19,894,463	19,924,407

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### Unaudited statements of cash flows for the 6 months period ended 30 June 2011 (continued)

	<b>Group 6 months period ended 30.06.2011 RM</b>	<b>Company 6 months period ended 30.06.2011 RM</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(14,073,405)	(14,073,405)
Proceeds from redemption and disposal of investments	6,265,984	6,265,984
Increase in fixed deposits	(14,285,425)	(14,285,425)
Proceeds from maturity of investments in Malaysian Government Securities	5,000,000	5,000,000
Investment income received:-		
- Dividend	947,028	947,028
- Interest	5,103,186	5,082,776
- Rental income, net of rates and maintenance	(92,197)	(92,197)
Purchase of property, plant and equipment	(279,041)	(279,041)
Net cash used in investing activities	<u>(11,413,870)</u>	<u>(11,434,280)</u>
<b>Cash flow from financing activity</b>		
Dividends paid	(7,501,762)	(7,501,762)
Net cash used in financing activity	<u>(7,501,762)</u>	<u>(7,501,762)</u>
Net increase in cash and cash equivalents	978,831	988,365
Cash and cash equivalents at beginning of year	<u>51,125,460</u>	<u>49,359,909</u>
Cash and cash equivalents at end of the period	<u><u>52,104,291</u></u>	<u><u>50,348,274</u></u>

# MUI Continental Insurance Berhad

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## Notes to the unaudited financial statements

### 1. Basis of preparation

#### Statement of compliance

The Group's and Company's interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (FRSs) as modified by Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and should be read in conjunction with the Group's and Company's audited financial statements for the financial year ended 31 December 2010.

The accounting policies and presentation adopted by the Group and Company for the interim financial statements are consistent with those adopted in the Group's and Company's audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following:

<b>FRSs/ Interpretations</b>	<b>Effective date</b>
Amendments to FRS 132, <i>Financial Instruments: Presentation – Classification of Right Issues</i>	1 March 2010
Amendments to FRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 138, <i>Intangible Assets</i>	1 July 2010
IC Interpretation 16, <i>FRS 2 – Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17, <i>Distribution of Non-cash Assets to Owners</i>	1 July 2010
Amendments to IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 July 2010
Amendments to FRS 7, <i>Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments</i>	1 January 2011
IC Interpretation 4, <i>Determining whether an Arrangement contains a Lease</i>	1 January 2011
Improvements to FRSs (2010)	1 January 2011

The initial application of the aforesaid applicable standards, amendments or interpretations, which will be applied prospectively, are not expected to have any significant financial impact to the current and prior period's financial statements upon their first adoption.

### 2. Comments on seasonality or cyclicity

The business operations of the Group and Company were not significantly affected by seasonality or cyclical factors for the period under review.

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

There were no items affecting assets, liabilities, equity, net income, or cash flows of both the Group and Company which are unusual because of their nature, size, or incidence in the current interim period ended 30 June 2011.

### **4. Material changes in estimates**

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2011 in respect of the Group and Company.

### **5. Issues, repurchases and repayments of debt and equity securities**

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities by the Company.

### **6. Dividend paid**

The Company paid a final dividend of 10% less tax totaling RM7,501,762 in respect of the financial year ended 31 December 2010 on 13 May 2011.

### **7. Events after the interim period**

On 16 August 2011, the Company entered into a sale and purchase agreement to dispose the Company's investment properties at a consideration of RM25.0 million to Natloyal (M) Sdn Bhd, a wholly-owned subsidiary of the ultimate holding company, Malayan United Industries Berhad. The said disposal is expected to be completed by the fourth quarter of 2011.

### **8. Effect of changes in the composition of the Company**

There were no changes in the composition of the Company during the period under review.

## 9. Investment properties

Group and Company	Balance as at 1.1.2011 RM	Additions RM	Disposals RM	Depreciation charge for the current period RM	Balance as at 30.06.2011 RM
<b>Carrying amount</b>					
Freehold land	15,117,092	-	-	-	15,117,092
Building	9,400,000	-	-	(100,000)	9,300,000
	24,517,092	-	-	(200,000)	24,417,092

Group and Company	[----- At 30.06.2011 -----]		
	Cost RM	Accumulated depreciation and impairment RM	Carrying amount RM
Freehold land	15,117,092	-	15,117,092
Building	10,000,000	(700,000)	9,300,000
	25,117,092	(700,000)	24,417,092

The fair value of investment properties at 30 June 2011 amounted to approximately RM24,417,000 (2010: RM24,517,000).

Direct operating expenses arising from investment properties generating rental income during the 6 months period are as follows:

	RM
Quit rent and assessment	16,709
Maintenance	30,692
Utilities	8,013
Depreciation on building	100,000
Service charges	48,000
Others	12,383
	<u>215,797</u>

## 10. Investments

<b>Group and Company</b>	<b>At 30.06.2011 RM</b>
Malaysian Government Securities	10,034,062
Debt securities	25,124,413
Equity securities	54,712,830
Unit and property trust funds	3,186,250
Deposits with financial institutions	<u>238,938,690</u>
	<u><u>331,996,245</u></u>

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

Financial assets at fair value through profit or loss ("FVTPL")	57,899,080
Held-to-maturity ("HTM")	35,158,475
Loan and receivables ("LAR")	<u>238,938,690</u>
	<u><u>331,996,245</u></u>

### (a) Financial assets at fair value through profit or loss

<b>Fair value</b>	<b>At 30.06.2011 RM</b>
Quoted in Malaysia:	
Shares	30,731,043
Warrants	410,000
Real Estate Investment Trusts ("REITs")	<u>3,186,250</u>
	34,327,293
Quoted outside Malaysia:	
Shares	<u>23,571,787</u>
	<u><u>57,899,080</u></u>

### (b) Held-to-maturity

<b>Amortised cost</b>	<b>At 30.06.2011 RM</b>
Malaysian Government Securities	10,034,062
Cagamas bonds	5,024,633
Corporate bonds	<u>20,099,780</u>
	<u><u>35,158,475</u></u>
<b>Fair value</b>	
Malaysian Government Securities	10,170,000
Cagamas bonds	5,113,500
Corporate bonds	<u>20,622,500</u>
	<u><u>35,906,000</u></u>

## 10. Investments (continued)

### (c) Loans and receivables

	<b>At 30.06.2011</b>
	<b>RM</b>
Fixed deposits with licensed banks in Malaysia	<u>238,938,690</u>

### (d) Carrying values of financial instruments

Group and Company	HTM RM	FVTPL RM	LAR RM	Total RM
<b>At 1 January 2010</b>	45,024,172	59,569,469	193,866,197	298,459,838
Purchases	-	18,549,033	322,963,118	341,512,151
Maturities	(4,963,500)	-	(292,176,050)	(297,139,550)
Disposals	-	(27,826,333)	-	(27,826,333)
Fair value losses	-	(290,006)	-	(290,006)
Amortisation adjustment	73,274	-	-	73,274
<b>At 31 December 2010</b>	40,133,946	50,002,163	224,653,265	314,789,374
Purchases	-	14,073,406	135,940,052	155,813,458
Maturities	(4,967,000)	-	(121,654,627)	(132,421,627)
Disposals	-	(5,782,480)	-	(5,782,480)
Fair value losses	-	(394,009)	-	(394,009)
Amortisation adjustment	(8,471)	-	-	(8,471)
<b>At 30 June 2011</b>	<u>35,158,475</u>	<u>57,899,080</u>	<u>238,938,690</u>	<u>331,996,245</u>

## 11. Reinsurance assets

### (a) Carrying amounts

	<b>At 30.06.2011</b>
	<b>RM</b>
Provision for outstanding claims	122,901,404
Provision for claims incurred but not reported ("IBNR")	<u>28,205,994</u>
	151,107,398
Unearned premium reserves	<u>49,002,465</u>
Total	<u><u>200,109,863</u></u>

Reinsurance assets are valued net of an allowance for their recoverability.

### (b) Movements

The following movements have occurred in the reinsurance asset during the period.

#### (i) Reinsurers' share of outstanding claims provisions and IBNR

	<b>RM</b>
Carrying amount at 1 January 2011	146,363,496
Reinsurers' share of claim losses and expenses	
Incurred in the current period	<span style="border: 1px solid black;">7,442,926</span>
Incurred in prior years	<span style="border: 1px solid black;">31,502,836</span>
	38,945,762
Less: Reinsurance recoveries received on claims	
Incurred in the current period	<span style="border: 1px solid black;">(1,618,862)</span>
Incurred in prior years	<span style="border: 1px solid black;">(32,582,998)</span>
	<u>(34,201,860)</u>
Carrying amount at 30 June 2011	<u><u>151,107,398</u></u>

#### (ii) Reinsurers' share of unearned premium reserves

	<b>RM</b>
Carrying amount at 1 January 2011	38,094,166
Premium ceded to reinsurers in the current period	<span style="border: 1px solid black;">66,767,856</span>
Less: Reinsurers' share of premium earned during the period	<span style="border: 1px solid black;">(55,859,557)</span>
	<u>10,908,299</u>
Carrying amount at 30 June 2011	<u><u>49,002,465</u></u>

## 12. Insurance contract liabilities

Group and Company	At 30.06.2011		
	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	207,255,851	(122,901,404)	84,354,447
Provision for incurred but not reported claims ("IBNR")	78,045,702	(28,205,994)	49,839,708
Provision for outstanding claims (i)	285,301,553	(151,107,398)	134,194,155
Unearned premium reserves (ii)	117,485,008	(49,002,465)	68,482,543
	<u>402,786,561</u>	<u>(200,109,863)</u>	<u>202,676,698</u>

(i) Provision for outstanding claims/claims liabilities

Group and Company	Gross RM	Reinsurance RM	Net RM
At 1 January 2011	278,400,954	(146,363,496)	132,037,458
Claims incurred in the current accident period	28,346,227	(7,442,926)	20,903,301
Movement of provision for incurred but not reported claims ("IBNR")	(7,246,003)	11,282,578	4,036,575
Other movements in claims incurred in prior accident years	61,538,466	(42,785,414)	18,753,052
Claims paid during the period	(75,738,091)	34,201,860	(41,536,231)
At 30 June 2011	<u>285,301,553</u>	<u>(151,107,398)</u>	<u>134,194,155</u>

(ii) Unearned premium reserves/premium liabilities

Group and Company	Gross RM	Reinsurance RM	Net RM
At 1 January 2011	104,197,423	(38,094,166)	66,103,257
Premium written in the period	137,844,694	(66,767,854)	71,076,840
Premium earned during the period	(124,557,109)	55,859,555	(68,697,554)
At 30 June 2011	<u>117,485,008</u>	<u>(49,002,465)</u>	<u>68,482,543</u>

Insurance contract liabilities of the Group and the Company as at the end of the reporting period are denominated in Ringgit Malaysia.

### 13. Regulatory capital requirements

<b>Group and Company</b>	<b>At 30.06.2011</b>
	<b>RM</b>
<b>Eligible Tier 1 Capital</b>	
Share capital (paid-up)	100,023,500
Reserves, including retained earnings	<u>64,292,978</u>
	<u>164,316,478</u>
<b>Tier 2 Capital</b>	
Eligible reserves	-
Amounts deducted from capital	<u>(1,810,000)</u>
<b>Total Capital Available</b>	<u><u>162,506,478</u></u>