

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 JUNE 2013

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 30 June 2013 - unaudited**

	30 June 2013 RM'000	31 December 2012 RM'000
Assets		
Property, plant and equipment	112,968	111,727
Intangible assets	331,302	288,037
Investment properties	4,962	4,962
Deferred tax assets	8,338	6,255
Reinsurance assets	1,124,720	1,170,471
Investments	7,524,703	6,826,218
Deferred acquisitions costs	70,646	59,315
Insurance receivables	190,288	144,569
Other receivables, deposits and prepayments	127,346	116,373
Current tax assets	3,430	4,242
Cash and cash equivalents	433,833	458,317
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Total assets	9,932,536	9,190,486
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The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 30 June 2013 - unaudited (continued)**

	30 June 2013 RM'000	31 December 2012 RM'000
Equity		
Share capital	159,461	158,636
Irredeemable Convertible Preference Shares ("ICPS")	186,745	187,570
Reserves	1,579,884	1,494,580
Total equity attributable to owners of the Company	1,926,090	1,840,786
Liabilities		
Insurance contract liabilities	7,087,562	6,562,995
Other financial liabilities	17,256	3,853
Insurance payables	299,725	328,933
Other payables and accruals	359,896	242,555
Benefits and claims liabilities	98,097	84,813
Deferred tax liabilities	122,881	115,147
Current tax liabilities	21,029	11,404
Total liabilities	8,006,446	7,349,700
Total equity and liabilities	9,932,536	9,190,486
Net asset per ordinary share (RM)	12.08	11.60
Diluted net asset per ordinary share (RM)	5.56	5.32

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss
for the period ended 30 June 2013 - unaudited**

	Note	Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		893,145	771,757	1,755,222	1,511,251
Gross earned premiums		814,357	705,676	1,604,596	1,381,704
Premiums ceded to reinsurers		(145,550)	(125,930)	(300,339)	(258,317)
Net earned premiums		668,807	579,746	1,304,257	1,123,387
Investment income	4	78,788	66,081	150,626	129,547
Realised gains and losses	5	25,469	6,393	41,816	28,860
Fair value gains and losses	6	2,452	25,587	(646)	19,092
Fee and commission income		24,225	25,458	48,769	50,239
Other operating income		2,426	1,588	4,994	3,149
Other revenue		133,360	125,107	245,559	230,887
Gross benefits and claim paid		(326,958)	(284,366)	(612,034)	(571,530)
Claims ceded to reinsurers		70,636	51,315	127,302	141,269
Gross change to contract liabilities		(173,138)	(166,099)	(386,018)	(340,611)
Change in contract liabilities ceded to reinsurers		(49,077)	(21,734)	(51,598)	(32,543)
Net benefits and claims		(478,537)	(420,884)	(922,348)	(803,415)
Fee and commission expense		(125,107)	(115,316)	(248,826)	(225,103)
Management expenses		(97,314)	(83,383)	(194,140)	(158,156)
Other operating expenditure		(8,076)	(1,036)	(12,627)	(6,674)
Other expenses		(230,497)	(199,735)	(455,593)	(389,933)
Profit before taxation	7	93,133	84,234	171,875	160,926
Tax expense	8	(30,958)	(26,851)	(55,980)	(50,499)
Profit for the period		62,175	57,383	115,895	110,427

* Operating revenue consists of gross earned premiums and investment income.

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of profit or loss and other comprehensive income
for the period ended 30 June 2013 - unaudited**

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company	62,175	57,383	115,895	110,427
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment	-	18,657	-	19,459
Tax effects thereon	-	(4,663)	-	(4,864)
	-	13,994	-	14,595
Items that may be reclassified subsequently to profit or loss				
Fair value of available-for-sale ("AFS") financial assets	(10,002)	4,024	(11,011)	(55)
Tax effects thereon	2,507	(1,025)	2,760	(4)
	(7,495)	2,999	(8,251)	(59)
Total other comprehensive (loss)/income for the period, net of tax	(7,495)	16,993	(8,251)	14,536
Total comprehensive income for the period	54,680	74,376	107,644	124,963
Profit attributable to: Owners of the Company	62,175	57,383	115,895	110,427
Total comprehensive income for the period attributable to: Owners of the Company	54,680	74,376	107,644	124,963
Basic earnings per ordinary share (sen)	39.09	36.67	72.92	70.57
Diluted earnings per ordinary share (sen)	16.24	15.25	30.29	29.34

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flow
for the period ended 30 June 2013 - unaudited**

	Period ended 30 June 2013 RM'000	Period ended 30 June 2012 RM'000
Cash flows from operating activities		
Profit before taxation	171,875	160,926
Investment income	(150,626)	(129,547)
Realised gains recorded in profit or loss	(41,816)	(28,835)
Fair value gains on investments recorded in profit or loss	646	(19,092)
Purchases of financial investments	(1,482,923)	(1,049,820)
Maturity of financial investments	413,009	155,710
Proceeds from sale of financial investments	426,528	519,990
Change in loans and receivables	(5,421)	(146)
Non-cash items:		
Change in fair value of AFS financial assets	(21,330)	(11,190)
Unrealised foreign exchange loss/(gain)	2,474	(84)
Depreciation of property, plant and equipment	5,668	5,689
Amortisation of intangible assets	7,405	5,700
Gain on disposal of property, plant and equipment	-	(25)
Interest expense	2,812	1,348
Property, plant and equipment written off	4	90
Insurance and other receivables:		
- Impairment loss written back	-	(68)
- Allowance for impairment loss	1,258	2,175
- Impairment loss recovered	(110)	(152)
Operating loss before changes in working capital	(670,547)	(387,331)
Changes in working capital:		
Change in reinsurance assets	45,751	(25,850)
Change in insurance receivables	(47,101)	(94,377)
Change in other receivables, deposits and prepayments	(11,894)	18,063
Change in insurance contract liabilities	524,567	444,613
Change in deferred acquisition costs	(11,331)	(4,254)
Change in other financial liabilities	13,403	5,752
Change in insurance payables	(29,208)	82,334
Change in other payables	37,193	(22,751)
Change in benefits and claims liabilities	13,284	19,627
Cash (used in)/generated from operating activities	(135,883)	35,826

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flow
for the period ended 30 June 2013 - unaudited**

	Period ended 30 June 2013 RM'000	Period ended 30 June 2012 RM'000
Cash flows from operating activities (continued)		
Tax paid	(38,982)	(33,885)
Coupon interest received	141,723	122,079
Dividend received	11,965	9,013
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(21,177)	133,033
	<hr/>	<hr/>
Cash flow from investing activities		
Acquisition of intangible assets	(50,670)	(254)
Acquisition of property, plant and equipment	(7,163)	(9,239)
Proceeds from disposal of property, plant and equipment	250	698
	<hr/>	<hr/>
Net cash used in investing activities	(57,583)	(8,795)
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Cash flow from financing activities		
Proceeds from holding company	54,300	-
Repayment of finance lease liabilities	(24)	(68)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	54,276	(68)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(24,484)	124,170
Cash and cash equivalents at 1 January	458,317	511,892
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	433,833	636,062
	<hr/>	<hr/>
Cash and cash equivalents comprise:-		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	147,916	530,083
Cash and bank balances	285,917	105,979
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	433,833	636,062
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The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

Part A: Explanatory notes to the condensed consolidated interim financial statements**1. Basis of preparation**

These condensed consolidated quarterly financial statements ("Report") of Allianz Malaysia Berhad ("AMB" or "Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the period ended 30 June 2013 have been prepared in accordance with:

- (a) The requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and with IAS 34: Interim Financial Reporting; and
- (b) Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Report does not include all of the information required for disclosure in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

2. Changes in accounting policies

The accounting policies and presentation adopted by the Group for the Report are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2012, except for the adoption of the following:

MFRS and Amendments to MFRS	Effective date	
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (2011)	1 January 2013
MFRS 127	Separate Financial Statements (2011)	1 January 2013
Amendments to MFRS 7	Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10	Consolidated Financial Statements - Transition Guidance	1 January 2013
Amendments to MFRS 12	Disclosures of Interests in Other Entities - Transition Guidance	1 January 2013
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013

2. Changes in accounting policies (continued)

Material impacts of initial application of a standard or an amendment are as below:

MFRS 10, Consolidated Financial Statements

MFRS 10, Consolidated Financial Statements introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements and IC Interpretation 112, Consolidation – Special Purpose Entities*. There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

MFRS 13, Fair Value Measurement

MFRS 13, Fair Value Measurement establishes the principles for fair value measurement and replaces the existing guidance in different MFRS.

The initial application of the aforesaid applicable standards, amendments are not expected to have any material financial impacts to the current and prior periods' financial statements upon their first adoption.

Standards issued but not yet effective

MFRS and Amendments to MFRS		Effective date
Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities	1 January 2014
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities	1 January 2014
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments (2009)	1 January 2015
MFRS 9	Financial Instruments (2010)	1 January 2015
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Effective Dates of MFRS 9 and Transition Disclosures	1 January 2015

The Company will adopt the above standards or amendments when they become effective in the respective financial periods. These standards or amendments are not expected to have any material effect to the financial statements of the Company upon their initial application.

3. Items of an unusual nature

The results of the Group for the financial period under review were not substantially affected by any item, transaction or event of a material and unusual nature.

4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the financial period ended 30 June 2013.

5. Seasonal or cyclical factors

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

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses if any. There were no changes in the valuation of property, plant and equipment that were brought forward from the Group's audited financial statements for the year ended 31 December 2012.

7. Changes in group composition

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

8. Capital commitments

As at 30 June 2013

	Group RM'000
Property, plant and equipment:	
Approved but not contracted for	29,293
Contracted but not provided for	7,665
	17,628

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Six months ended	
	30 June	
	2013	2012
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(137,457)	(144,827)
	(137,457)	(144,827)

* Related companies are companies within the Allianz SE Group.

10. Changes in contingent liabilities

There were no contingent liabilities as at the date of the Report.

11. Debt and equity securities

There were no issuance and repayment of debts and equity securities, shares buy backs, shares cancellations, shares held as treasury shares and resale of treasury shares by the Group during the financial period under review.

12. Subsequent events

There were no material events subsequent to the end of the financial period under review that have not been reported in the Report.

13. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer of the Company reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable segments

Investment holding
General business
Life business

Principal activities

Investment holding
Underwriting of all classes of general insurance business
Underwriting of all life insurance and investment-linked business

Information about reportable segments for the period ended 30 June 2013 - unaudited

	Investment holding		General business		Life business		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating revenue	5,400	4,921	946,620	804,829	803,202	701,501	1,755,222	1,511,251
Inter-segment revenue	(42,654)	(2,725)	-	-	-	-	(42,654)	(2,725)
Segment (loss)/profit	(697)	5,384	143,267	116,838	29,305	38,704	171,875	160,926
Segment assets	391,913	342,686	4,527,466	4,096,587	5,013,157	4,167,697	9,932,536	8,606,970
Segment liabilities	88,315	31,953	3,199,862	2,934,499	4,718,269	3,895,658	8,006,446	6,862,110

14. Dividend paid

There was no dividend paid by the Company during the quarter under review (2012: Nil).

For the financial year ended 31 December 2012, a first and final dividend of 6.50 sen per ordinary share less 25% tax (2011: 5.25 sen less 25% tax) and a preference share dividend of 7.80 sen per ICPS under single tier system (2011: 6.30sen) were paid on 6 August 2013 to the entitled ordinary shareholders and ICPS holders of the Company, whose names appeared on the Register of Members and/or Record of Depositors on 15 July 2013.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results

1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD Second Quarter 2013 versus YTD Second Quarter 2012)

Operating revenue

The Group recorded an operating revenue of RM1.76 billion for the financial period ended 30 June 2013, an increase of 16.1% or RM243.9 million as compared to the preceding financial period ended 30 June 2012 of RM1.51 billion due to higher gross earned premiums and investment income by RM222.9 million and RM21.0 million respectively.

The general insurance operations recorded an operating revenue of RM946.6 million for the financial period ended 30 June 2013, an increase of 17.6% or RM141.8 million as compared to the preceding financial period ended 30 June 2012 of RM804.8 million due to the increase in gross earned premiums and investment income by RM135.4 million and RM6.4 million respectively.

The increase in gross earned premiums of the general insurance operations was due mainly to higher premium contribution from agency sales. The higher investment income derived from bigger investment base.

The life insurance operations recorded an operating revenue of RM803.2 million for the financial period ended 30 June 2013, an increase of 14.5% or RM101.7 million as compared to the preceding financial period ended 30 June 2012 of RM701.5 million due to the increase in gross earned premiums and investment income by RM87.5 million and RM14.2 million respectively.

The increase in gross earned premiums of the life insurance operations was mainly attributable to higher premiums contribution from agency and employee benefits channels. The higher investment income was due mainly to a bigger investment base.

Profit before tax

The Group recorded a profit before tax of RM171.9 million for the financial period ended 30 June 2013, an increase of 6.8% or RM11.0 million as compared to the preceding financial period ended 30 June 2012 of RM160.9 million.

The profit was mainly contributed by general insurance operations which recorded a profit before tax of RM143.3 million for the financial period ended 30 June 2013; an increase of 22.7% or RM26.5 million as compared to the preceding financial period ended 30 June 2012 of RM116.8 million. The higher profit was due mainly to higher net earned premiums and thus lower claims ratio for the financial period under review which generated an underwriting profit of RM94.5 million as compared to the preceding financial period ended 30 June 2012 of RM74.0 million.

1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD Second Quarter 2013 versus YTD Second Quarter 2012)

Profit before tax (continued)

The general insurance operations continued to sustain its underwriting margins through prudent risk selection; enhanced operational efficiencies to achieve cost competitiveness; and strengthening distribution capabilities.

The life insurance operations recorded a lower profit before tax of RM29.3 million for the financial period ended 30 June 2013; a decrease of 24.3% or RM9.4 million as compared to the preceding financial period ended 30 June 2012 of RM38.7 million due mainly to higher expenses for investment in expanding distribution capabilities and higher claims incurred for medical products for financial period under review. The Group has implemented measures to re-price medical products.

The investment holding segment registered a loss before tax of RM0.7 million as compared to a profit before tax of RM5.4 million in the preceding period due mainly to higher cost incurred and lower realised investment gains for the financial period under review.

1.2 Results of the current quarter against the preceding quarter (Second Quarter 2013 versus First Quarter 2013)

Operating revenue

The Group recorded an operating revenue of RM893.1 million for the quarter under review, an increase of 3.6% or RM31.0 million as compared to the preceding quarter ended 31 March 2013 of RM862.1 million due mainly to increase in gross earned premiums by RM24.2 million from the insurance operations.

The general insurance operations recorded an operating revenue of RM478.5 million for the quarter under review, an increase of 2.2% or RM10.4 million as compared to the preceding quarter of RM468.1 million due mainly to higher gross earned premiums.

The life insurance operations registered an operating revenue of RM411.9 million for the quarter under review, an increase of 5.3% or RM20.6 million as compared to the preceding quarter of RM391.3 million due mainly to higher gross earned premiums.

Profit before tax

The Group recorded a profit before tax of RM93.1 million for the quarter under review, an increase of 18.3% or RM14.4 million as compared to the preceding quarter ended 31 March 2013 of RM78.7 million due mainly to higher profit from life insurance operations.

The profit before tax of general insurance operations for the quarter under review was marginally lower by 1.5% or RM1.1 million as compared to the preceding quarter of RM72.2 million due mainly to better claims result in the preceding quarter.

The profit before tax of life insurance operations for the quarter under review increased by 212.7 % or RM15.1 million as compared to the preceding quarter of RM7.1 million due mainly to improvement in claims results and higher realised gains for the quarter under review.

1.2 Results of the current quarter against the preceding quarter (Second Quarter 2013 versus First Quarter 2013)

Profit before tax (continued)

The investment holding segment registered a loss before tax of RM0.2 million as compared to loss before tax of RM0.6 million in the preceding quarter due mainly to lower cost incurred in the quarter under review.

2. Current year prospect

The global economy is expected to record a moderate growth of 3.3% in 2013. On the domestic front, the Malaysian economy expanded 4.1% in the first quarter of 2013 driven by domestic economic activities and is expected to sustain its growth momentum into the second half of the year. The Group will continue to face many challenges in particular the slower economic growth, persistent low interest rate environment as well as the changes in the financial regulations.

The Group will put in place necessary measures to remain competitive in the challenging environment. It will continue to build a diversified business portfolio and to leverage on the competitive strengths of providing both general and life insurance solutions for further growth.

The Group will continue to execute its growth strategies in the remaining half of the year through expanding its agency force and bancassurance business. It will also maintain discipline in pricing and underwriting practices to grow profitably and sustainably. This will allow the Group to support competitively priced products that offer attractive value proposition to customers. The Group has also embarked on various operational efficiency measures to drive down distribution cost and to improve customer service capabilities.

The Board is optimistic that the Group's strategies in focusing on long term profitability will continue to contribute to earnings growth for our shareholders and other stakeholders.

3. Profit forecast

The Group did not issue any profit forecast or profit guarantee as at the date of the Report.

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	71,037	61,231	139,057	120,376
Dividend income	7,711	4,675	11,965	9,013
Accretion of discounts	943	1,241	1,774	2,380
Rental income	38	38	76	76
Other income	1,457	1,362	2,860	2,586
Amortisation of premiums	(2,398)	(2,466)	(5,106)	(4,884)
	78,788	66,081	150,626	129,547

ALLIANZ MALAYSIA BERHAD (12428-W)

5. Realised gains and losses

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Realised gains on disposal of investments in debt and equity securities:				
Malaysian government securities	3,821	3,823	3,821	4,861
Quoted equity securities of corporations in Malaysia	20,299	2,165	32,787	15,006
Quoted unit trusts in Malaysia	2,124	460	6,903	1,320
Quoted unit trusts outside Malaysia	-	502	-	-
Unquoted bonds of corporations in Malaysia	28	5,640	1,745	7,412
Unquoted debts securities in Malaysia	-	-	-	975
Realised losses on disposal of investments in debt and equity securities:				
Quoted equity securities of corporations outside Malaysia	(576)	-	(1,566)	-
Unquoted unit trusts outside Malaysia	(226)	(739)	(722)	(739)
Quoted bonds of corporations in Malaysia	-	(5,457)	-	-
Structured deposits	(1)	-	(2)	-
Put option	-	-	(1,150)	-
Realised (losses)/gains on disposal of plant and equipment	-	(1)	-	25
	25,469	6,393	41,816	28,860

6. Fair value gains or losses

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fair value gains or losses:				
Financial assets at Fair Value Through Profit or Loss:				
- held for trading	17,174	2,132	20,938	5,935
- designated upon initial recognition	(7,582)	13,233	(12,070)	5,026
Derivative financial assets - Held for trading	(7,140)	10,222	(8,743)	8,305
Impairment loss on AFS financial assets	-	-	(771)	(174)
	2,452	25,587	(646)	19,092

7. Profit before taxation

Profit before taxation for the financial period under review is arrived at after charging/(crediting):

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	3,706	2,858	7,405	5,700
Depreciation on property, plant and equipment	2,920	3,213	5,668	5,689
Insurance and other receivables:				
- Impairment loss written back	-	-	-	(68)
- Write (off)/back of allowance for impairment loss	(1,939)	456	1,258	2,175
- Impairment loss recovered	(33)	(85)	(110)	(152)
Interest expense	2,148	1,150	2,812	1,348
Property, plant and equipment written off	4	88	4	90
Unrealised foreign exchange loss/(gain)	2,467	123	2,474	(84)

Other than as disclosed in Note 6 and 7, there are no exceptional items for the financial period ended 30 June 2013.

8. Taxation

	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	93,133	84,234	171,875	160,926
Tax expense				
Income tax	21,951	17,143	49,419	39,632
Deferred tax	9,007	9,708	6,561	10,867
Total tax expense	30,958	26,851	55,980	50,499
Effective tax rate	33%	32%	33%	31%

The Group's consolidated effective tax rate for the financial year under review is higher than the statutory tax rate of 25% (2012: 25%) due mainly to the following:

- In addition to the 25% income tax on the assessable income of the Shareholders' Fund, there is also an 8% income tax on the assessable investment income net of allowable deductions of the Life Fund; and
- Effects of certain non-deductible expenses.

9. Status of corporate proposal announced/implemented

As at the date of the Report, there are no corporate proposals announced but not completed.

10. Borrowings and debts securities

Save as disclosed below, the Group has no other outstanding borrowings and debts securities for the financial year under review.

As at 30 June 2013

	Group RM'000
Finance lease liability (interest bearing)	41
Amount due to holding company (interest bearing)	54,300

11. Changes in material litigations

There are no material litigations pending at the date of the Report.

12. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share of the Group are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2013	2012	2013	2012
Profit attributable to ordinary shareholders	(RM'000)	62,175	57,383	115,895	110,427
Weighted average number of ordinary shares in issue	('000)	159,068	156,474	158,944	156,474
Basic earnings per ordinary share	(sen)	39.09	36.67	72.92	70.57

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share of the Group are calculated by dividing the net diluted profit attributable to shareholders by the diluted weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2013	2012	2013	2012
Profit attributable to ordinary shareholders	(RM'000)	62,175	57,383	115,895	110,427
Weighted average number of ordinary shares in issue	('000)	159,068	156,474	158,944	156,474
Effect of conversion of ICPS, including bonus element	('000)	223,693	219,853	223,693	219,853
Diluted weighted average number of ordinary shares in issue	('000)	382,761	376,327	382,637	376,327
Diluted earnings per ordinary share	(sen)	16.24	15.25	30.29	29.34

13. Dividend

No dividend has been proposed or declared for the quarter under review (2012 : Nil).

For the financial year ended 31 December 2012, a first and final dividend of 6.50 sen per ordinary share less 25% tax (2011: 5.25 sen less 25% tax) and a preference share dividend of 7.80 sen per ICPS under single tier system (2011: 6.30sen) were paid on 6 August 2013 to the entitled ordinary shareholders and ICPS holders of the Company, whose names appeared on the Register of Members and/or Record of Depositors on 15 July 2013.

14. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 30 June 2013, into realised and unrealised profits, is as follow:

	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000
Total retained earnings of the Group:		
- Realised	1,198,865	1,104,017
- Unrealised	(80,022)	(78,729)
Total retained earnings	<u>1,118,843</u>	<u>1,025,288</u>

The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements of Bursa Securities and should not be applied for any other purposes.

The determination of realised and unrealised earnings is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities' Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

15. Auditors' report on preceding annual financial statements

The auditors' report of the Group's audited financial statements for the financial year ended 31 December 2012 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
27 August 2013