PACIFIC INSURANCE
A member of the Fairfax Group

A new chapter
A new identity

ANNUAL REPORT 2010

PACIFIC
INSURANCE
A member of the Fairfax Group

ABOUT PACIFIC INSURANCE

OUR BACKGROUND

The Pacific Insurance Berhad has its roots going back to the 1950s when it was the Malayan business arm of The Netherlands Insurance Company, then the 12th largest insurance company in the world. The local operations were reconstituted in 1984 into a local insurance company bearing the name, The Netherlands Insurance (Malaysia) Sdn Bhd. In 1994, The Pacific Bank Bhd (now known as PacificMas Berhad) acquired 70% of the Company's equity and changed its name to The Pacific Netherlands Insurance Berhad. In 1995, the name was changed to The Pacific Insurance Berhad when the Company became a wholly-owned subsidiary of PacificMas Berhad.

On 24th March 2011, Fairfax Asia Limited acquired 100% of the equity of The Pacific Insurance Berhad and Fairfax Financial Holdings Limited of Canada became the ultimate holding company. Fairfax Financial Holdings Limited is based in Toronto and is listed on the Toronto Stock Exchange. It is a financial services holding company which, through its subsidiaries operating in more than 100 countries with USD5 billion in premiums, is engaged in property and casualty insurance and reinsurance as well as investment management. Fairfax Financial Holdings Limited has shareholders' equity of USD7.8 billion and assets in excess of USD31.7 billion as at end 2010.

The Pacific Insurance Berhad offers all classes of general insurance and is known for being a pioneer and a quality provider of medical insurance. In 2010, The Pacific Insurance Berhad was ranked as one of the largest medical insurance provider and the largest individual medical insurance provider among general insurance companies in Malaysia.

KEY ACHIEVEMENTS IN 2010

- Gross premiums rose by 5.7% to a record high of RM161.02 million (2009 : RM152.34 million).
- Total Assets rose by 13.1% to RM350.44 million (2009 : RM309.74 million).
- Ranked as the 4th largest medical insurer and the largest individual medical insurer within the Malaysian general insurance industry.

CONTENTS

PACIFIC INSURANCE
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ABOUT FAIRFAX FINANCIAL HOLDINGS LIMITED

Fairfax Financial Holdings Limited is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax's corporate objective is to achieve a high rate of return on invested capital and build long-term shareholder value. Fairfax seeks to differentiate itself by combining disciplined underwriting with the investment of its assets on a total return basis, which Fairfax believes provides above-average returns over the long-term.

Fairfax was founded in 1985 by the present Chairman and Chief Executive Officer, V. Prem Watsa. The company has been under present management since 1985 and is headquartered in Toronto, Canada. Its common shares are listed on the Toronto Stock Exchange under the symbol FFH and in U.S. dollars under the symbol FFH.U.

Fairfax's insurance and reinsurance companies operate on a decentralised basis, with autonomous management teams applying a focused underwriting strategy to their markets. Fairfax subsidiaries provide a full range of property and casualty products, maintaining a diversified portfolio of risks across all classes of business, geographic regions, and types of insureds.

Since 1985, investments have been centrally managed for all of the Fairfax group companies by Hamblin Watsa Investment Counsel Ltd. (www.hwic.ca), a wholly-owned subsidiary of Fairfax. Hamblin Watsa emphasises a conservative value investment philosophy, seeking to invest assets on a total return basis, which includes realised and unrealised gains over the long-term.

CORPORATE INFORMATION

BOARD OF DIRECTORS

SAMMY
CHAN SUM YU

RAMASWAMY
ATHAPPAN

TAN SRI DATO'
WONG KUM CHOON

DATO' HUANG SIN CHENG
(CHAIRMAN)

REGISTERED OFFICE

Level 19, Menara Prudential
No. 10, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2176 1000
Fax : 03-2026 6868

COMPANY SECRETARIES

Tan Cheng Hoon
Chong Yok Hua

AUDITORS

PricewaterhouseCoopers
Chartered Accountants

PACIFIC INSURANCE
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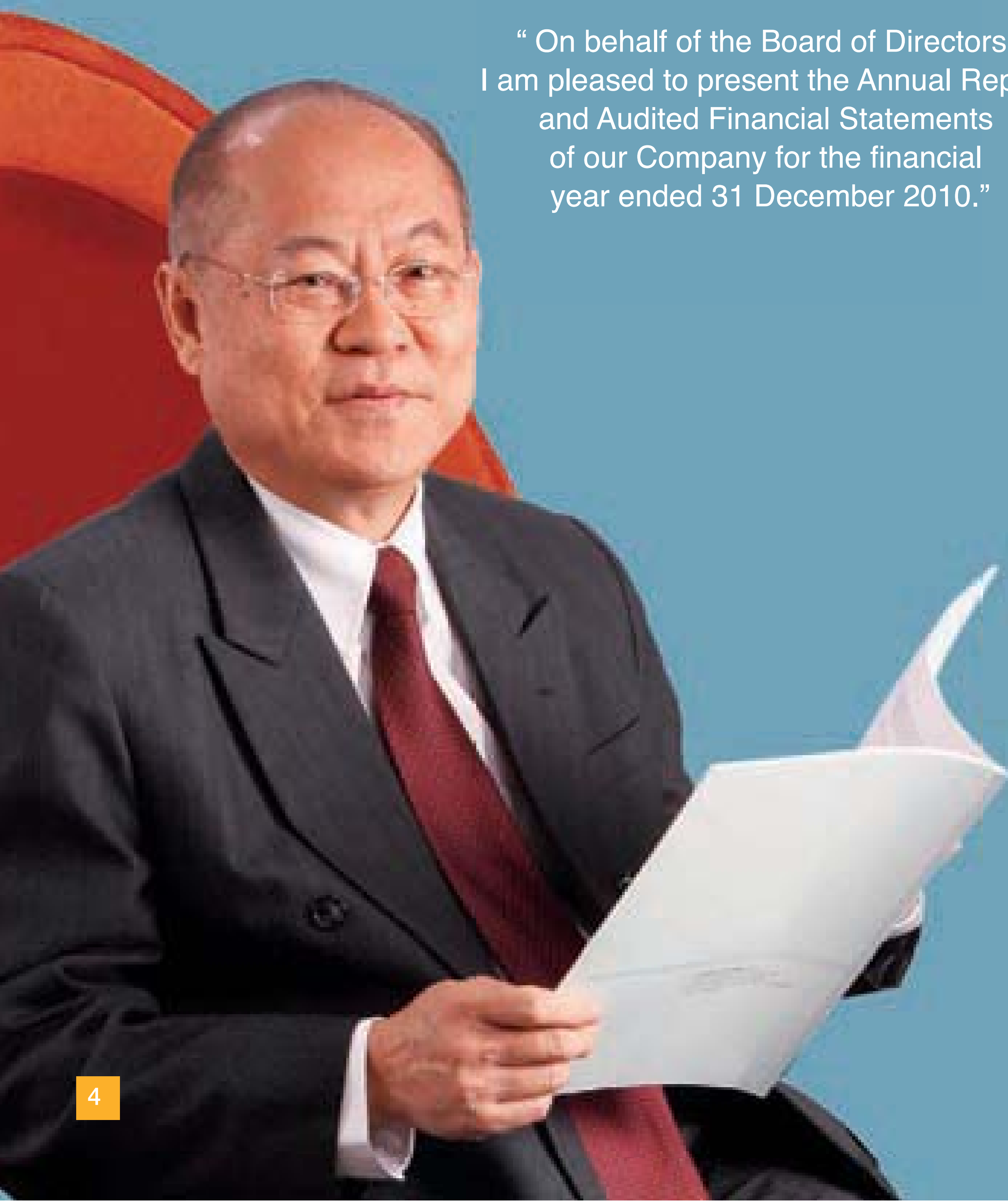
CHAIRMAN'S STATEMENT



" On behalf of the Board of Directors,
I am pleased to present the Annual Report
and Audited Financial Statements
of our Company for the financial
year ended 31 December 2010."

OVERVIEW

The Malaysian economy expanded by 7.2% in 2010, with encouraging trends in private economic activity and improved employment conditions. Bank Negara Malaysia ("BNM") has projected that Malaysia has the potential to sustain the 2010 underlying trend of steady growth in 2011.

The General Insurance Industry ("Industry") continued to register positive growth in 2010 with a gross premiums growth rate of 8.6% to reach RM13.01 billion (2009 : growth of 5.8% to reach RM11.98 billion). The Industry's Net Claims Incurred ("NCI") ratio improved to 60.3% in 2010 (2009 : 61.5%) while combined ratio improved to 89.8% (2009 : 92.6%).

COMPANY'S PERFORMANCE

FINANCIAL REVIEW

During the year under review, the corporate developments involving the proposed sale of our Company were intensified, culminating in the completion of the sale of our Company to Fairfax Asia Limited ("Fairfax Asia") on 24 March 2011. Despite the uncertainty prior to the conclusion of the proposed sale and the competitive market environment, our Company recorded a better performance in 2010 compared with 2009.

Our Company's gross premiums rose to a new record level of RM161.02 million in 2010 (2009 : RM152.34 million). This represented a growth of 5.7%, higher than the 2009 growth rate of 4.8% although lower than the Industry's growth rate of 8.6%. Premium growth was recorded in the Company's three major classes of medical, motor and fire as well as in the classes of liability and hull.

In line with the improvement in the Industry's NCI performance, our Company recorded a lower NCI of RM68.19 million in 2010 (2009 : RM70.66 million). The lower NCI and higher net earned premium brought about a lower NCI ratio of 66.0% in 2010 (2009 : 71.0%). The Company's lower NCI ratio was a result of several risk management control initiatives and the stringent underwriting practices applied, particularly for higher risk classes such as motor and fire. In particular, the Company's motor and fire classes of business recorded lower NCI ratios of 79.8% and 50.6% respectively in 2010 (2009 : 95.8% and 67.7% respectively).

Management expenses for insurance funds was RM30.22 million in 2010 compared with RM25.95 million in 2009, mainly as a result of a one-time retention bonus and the related contribution to Employee's Provident Fund payable to the eligible staff of the Company, which amounted to RM3.66 million.

(Note: All industry statistics are obtained from statistical bulletins published by ISM Insurance Services Malaysia Berhad)

The improvement in net earned premium and NCI, which was partially moderated by the higher management expenses, brought about a lower underwriting deficit of RM7.44 million in 2010 compared with RM8.61 million in 2009. The underwriting deficit would have been RM3.78 million if not for the earlier mentioned one-time retention bonus expenses.

Medical insurance continued to be the dominant class of our business with a 32% share of total gross premiums in 2010. Our gross premium in medical class recorded a growth of 4.3% in 2010 to reach RM50.77 million (2009 : RM48.69 million). We were ranked 4th in the medical insurance business in the Industry in 2010 (2009 : 3rd) and 1st in the individual medical insurance business (2009 : 1st). As a result of premium re-pricing on the medical products distributed by our business partners to take into account inflation in medical charges, the NCI ratio of the medical class of business improved to 64.6% in 2010 (2009 : 66.8%).

Investment and net operating income was RM11.33 million in 2010 compared with RM12.01 million in 2009. Our Company received higher dividend income in 2010 as a result of higher investment in unit trust funds. However, unrealised gains from trading securities was RM0.22 million in 2010 compared with higher gains of RM3.14 million in 2009, which was due to the write back of unrealised losses made prior to 2009.

Profit before tax was RM3.79 million in 2010 (RM7.45 million if not for the one-time retention bonus expenses) compared with RM3.32 million in 2009.

Our Company's balance sheet remained strong with total Assets of RM350.4 million as at 31 December 2010 (2009 : RM309.7 million). Our capital adequacy ratio was 293% as at 31 December 2010, well in excess of the supervisory target rate of 130% set by BNM under the Risk-Based Capital Framework.

OPERATIONAL REVIEW

In 2010, our Company's efforts were largely directed towards the implementation of risk management activities, improvement in underwriting results as well as development of profitable avenues of growth.

Business Development

The business development initiatives undertaken in 2010 were as follows :

a) Our Company continued to nurture the strategic alliances and business relationship built with major business partners. Management managed to establish stronger relationship with brokers in building up substantial business from the broking source of business.

b) Our Company also continued to extend technical and products training nationwide to enhance the competencies of our agents as well as their motivation through the payment of profit commission.

c) Product enhancements were made to certain medical insurance products by allowing the extension of renewal age limit from 70 to 80 years of age and the introduction of flexible modal premium payment plans on half-yearly, quarterly or monthly basis.

d) Our Company is also one of the insurers selected by the Ministry of Health to provide Foreign Worker Hospitalisation & Surgical insurance, which is compulsory effective 1 January 2011.

Enhancing Risk Management and Underwriting Profitability

Several key risk management initiatives were carried out to manage underwriting risks :

a) The premium rates of two of our Company's medical products were increased with effect from 1 January 2011. The re-pricing exercise was undertaken in view of medical inflation and in order to ensure the continued feasibility of these products.

b) Motor underwriting guidelines were further tightened in 2010. As part of efforts to improve motor claims ratio, underwriting acceptance for agents with consistently poor motor performance was curtailed while premium loading and excesses, subject to the limits permitted by BNM, were imposed as deemed appropriate to the risks involved.

c) More stringent underwriting acceptances were imposed on certain fire classes of business and more extensive risk surveys were conducted to mitigate the risk of moral hazard.

Operational Improvements

Management continued in its efforts to enhance operational efficiency and workflow to improve the quality and speed of service delivery. As a result of full centralisation of policy and claims processing functions, our Company is better able to enjoy the benefits of economies of scale, faster processing of policies and claims as well as consistent approach towards underwriting and claims decision-making processes.

CORPORATE DEVELOPMENT

As highlighted in the 2009 Chairman's Statement, the take-over of PacificMas Berhad ("PacificMas") by OCBC Capital (Malaysia) Sdn Bhd ("OCBC Capital"), which was completed in April 2008, was subject to the following two conditions ("Approval Conditions") imposed by the Minister of Finance via BNM.

a) Oversea-Chinese Banking Corporation Limited ("OCBC") was required to resolve its holdings in our Company and Overseas Assurance Corporation (Malaysia) Berhad ("OACM"), within 18 months from the date of completion of the take-over; and

b) In the event of a merger between our Company and OACM, OCBC is required to dispose of and limit its interest in the merged entity to not more than 51%, within 18 months from the date of completion of the take-over (i.e. 17 October 2009).

BNM had earlier approved an extension of time of one year from 18 October 2009 for OCBC to comply with the Approval Conditions. On 11 November 2010, OCBC Capital notified PacificMas that BNM had approved a further extension of time of six months from 17 October 2010 for OCBC to comply with the Approval Conditions to enable PacificMas to arrive at a successful conclusion from the various bids received. On 16 November 2010, PacificMas received approval from the Minister of Finance through BNM to dispose its 100% equity interest in our Company to Fairfax Asia.

Subsequently, on 3 December 2010, PacificMas entered into a shares sale agreement ("SSA") to dispose of its 100% equity interest in our Company to Fairfax Asia. The SSA became unconditional on 30 December 2010 upon approval of the disposal by the shareholders of PacificMas. The transfer of shares and settlement of the transaction was completed on 24 March 2011.

PROSPECTS

Effective 24 March 2011, Fairfax Asia became our immediate holding company and Fairfax Financial Holdings Limited ("FFHL") became our ultimate holding company. FFHL is based in Toronto and is listed on the Toronto Stock Exchange. It is a financial services holding company which, through its subsidiaries operating in more than 100 countries with USD5 billion in premiums, is engaged in property and casualty insurance and reinsurance as well as investment management. FFHL has shareholders' equity of USD7.8 billion and assets in excess of USD31.7 billion as at end 2010.

As our Company has become a member of the FFHL Group, it will stand to benefit from the synergy that can be drawn from the Group. The sale of our Company to Fairfax Asia has already received positive responses from clients, intermediaries and reinsurers and these encouraging responses are expected to significantly boost premium growth in the coming years. Notwithstanding the above, our Company will continue to be prudent in underwriting acceptance and ensure proper corporate governance under the Risk-Based Capital regime.

Barring unforeseen circumstances, our Company's prospects in 2011 are expected to be favourable.

ACKNOWLEDGEMENT

On 24 March 2011, Tan Sri Dato' Nasruddin Bin Bahari, Mr David Wong Cheong Fook, Mr George Lee Lap Wah, Mr Wong Ah Wah and Mr Ng Hon Soon resigned from the Board following the disposal of our Company by PacificMas Berhad to Fairfax Asia. On behalf of the Board, I would like to record our deep appreciation for their invaluable contributions during their tenure as board members and to wish them well in their future endeavours. In addition, I wish to express my appreciation to Tan Sri Dato' Wong Kum Choon who continues to remain on the Board following the sale of our Company. I would also like to warmly welcome our new directors, namely Mr Ramaswamy Athappan and Mr Sammy Chan Sum Yu, who joined the Board on 24 March 2011. Their wide experience in business and insurance management matters will benefit the Company. Personally, I am also honoured to be appointed as the Chairman of the Company.

On behalf of the Board, I wish to record the Board's appreciation to the management and staff of the Company for their continued commitment, dedication and contribution during the past year. I would also like to express my deep appreciation to all our customers, business partners and agents for their continued support and the regulatory authorities, especially BNM, for their guidance.

Dato' Huang Sin Cheng
Chairman

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MANAGEMENT TEAM

a **Ong Boon Hock**
Senior General Manager

b **Richard Liang Lip Kin**
Senior Manager
Medical Insurance

c **Sonny Tan Siew Hock**
Chief Executive Officer

d **Jennifer Ong Bee Choo**
Senior Manager
Financial Services

e **Freddy Wee Chee Sung**
Manager
Policy Processing

f **Michael Yeow Kiew Meng**
Senior Manager
Reinsurance

• *Honesty & Integrity* • *Professionalism* • *Teamwork*

a b c d e f

" If everyone is moving forward together, then success takes care of itself. "

g **Khoo Kin Mun**
Senior Manager
KL Agencies

h **Tay Yew Lean**
Senior Manager
Direct Business & Customer Care

i **Eric Ng Kin Ling**
Manager
Research, Systems, Credit Control & Complaints Management

j **Michael Choo Heng Sai**
Senior Manager
Broking

k **Francis Cham Hock Seng**
Senior Manager
Non-Medical Claims

l **Ahmad Azhari Bin Awang**
Manager
Underwriting

• *Customer Service Excellence* • *Corporate Governance*

g h i j k l

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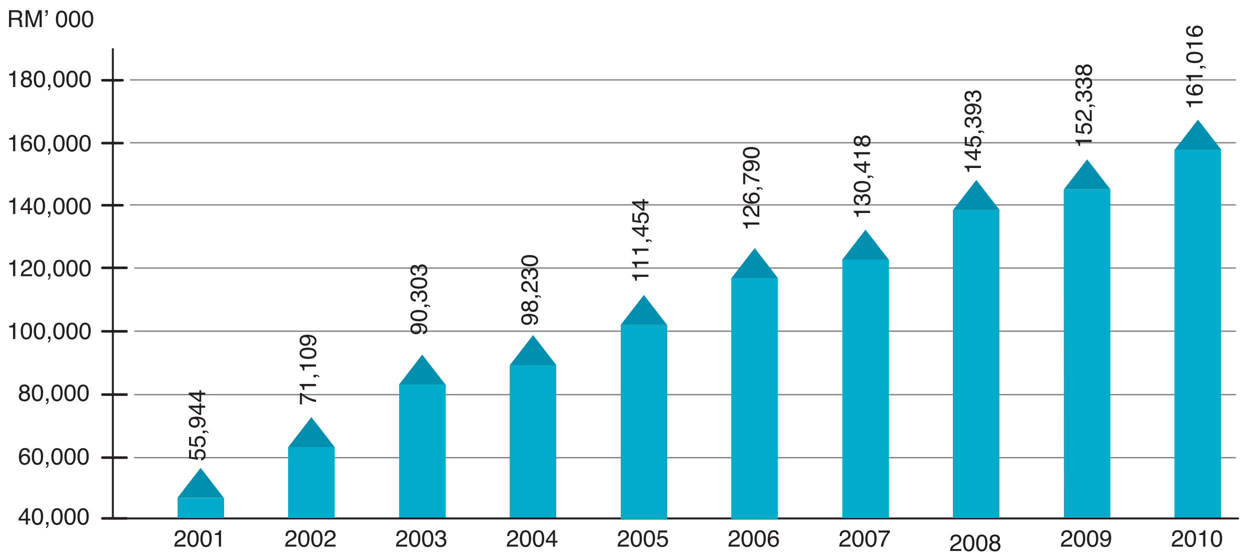
FINANCIAL HIGHLIGHTS

KEY FINANCIAL INDICATORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

RM'000	2001	2002	2003	2004
Gross Premiums	55,944	71,109	90,303	98,230
Underwriting Surplus/(Deficit)	392	(5,666)	1,977	6,412
Profit Before Tax	9,485	10,559	16,540	18,454
Total Equity	120,913	126,035	128,267	133,284
Total Assets	191,443	240,435	245,510	271,496

GROSS PREMIUMS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

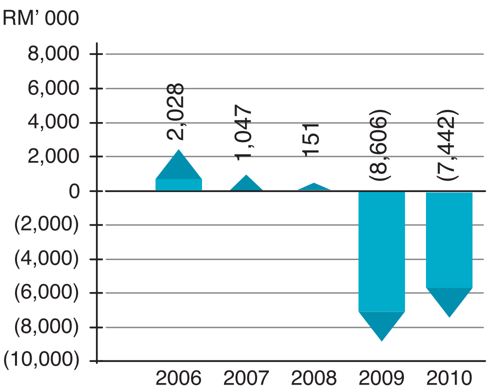
RM'000	2001	2002	2003	2004
Medical	13,358	15,093	27,312	33,892
Motor	17,415	21,596	22,463	23,038
Fire	13,508	16,690	17,505	17,835
Others	11,663	17,730	23,023	23,465
Total	**55,944**	**71,109**	**90,303**	**98,230**



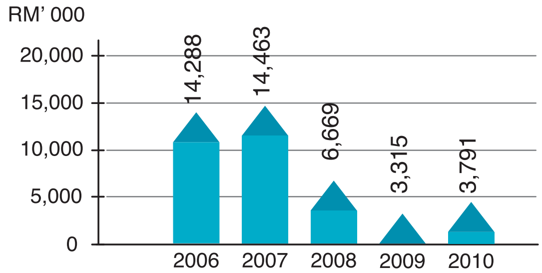
GROSS PREMIUMS
10 YEARS TRACK RECORD

	2005	2006	2007	2008	2009	2010
	111,454	126,790	130,418	145,393	152,338	161,016
	7,786	2,028	1,047	151	(8,606)	(7,442)
	13,394	14,288	14,463	6,669	3,315	3,791
	133,917	134,161	114,995	119,933	126,445	135,396
	260,538	264,829	241,585	247,991	309,743	350,436

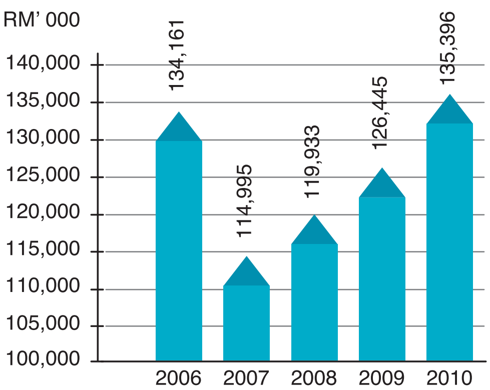
	2005	2006	2007	2008	2009	2010
	32,423	39,416	41,744	49,975	48,688	50,767
	31,143	34,770	33,784	31,996	30,627	32,751
	19,532	21,215	22,009	20,594	23,054	26,320
	28,356	31,389	32,881	42,828	49,969	51,178
	111,454	**126,790**	**130,418**	**145,393**	**152,338**	**161,016**



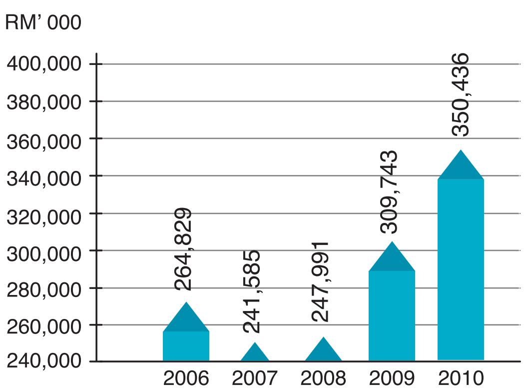
UNDERWRITING SURPLUS / (DEFICIT)
5 YEARS TRACK RECORD



PROFIT BEFORE TAX
5 YEARS TRACK RECORD



TOTAL EQUITY
5 YEARS TRACK RECORD



TOTAL ASSETS
5 YEARS TRACK RECORD

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OUR RANGE OF PRODUCTS

MEDICAL INSURANCE

Pacific Insurance is known for its competency and expertise in medical insurance. We have one of the widest range of medical insurance products in the market. In 2010, we were ranked as the 4th largest medical insurer and as the largest individual medical insurer within the Malaysian general insurance industry.

- PACIFIC Medi-Pac Insurance
- PACIFIC Medi-Major Insurance
- PACIFIC Medi-Help Insurance
- PACIFIC Medi-Care Insurance
- PACIFIC EMA Insurance (Emergency Medical Healthcare Insurance)
- Group Hospitalisation & Surgical Insurance
- EVO Healthcare Insurance
- PHM Healthcare Insurance
- PHM VIP Healthcare Insurance

Innovative Products

Our products are designed with customers in mind. Comprehensive coverage, affordable premium and a wide range of plans - these are the hallmarks of our product design philosophy.

FIRE INSURANCE

Consequential Loss of Profit

Home Content

Houseowner / Householder

Material Damage

MOTOR INSURANCE

Private Cars

Commercial Vehicles

Motorcycles

OTHER INSURANCES

Accident

Bonds

Engineering

Liability

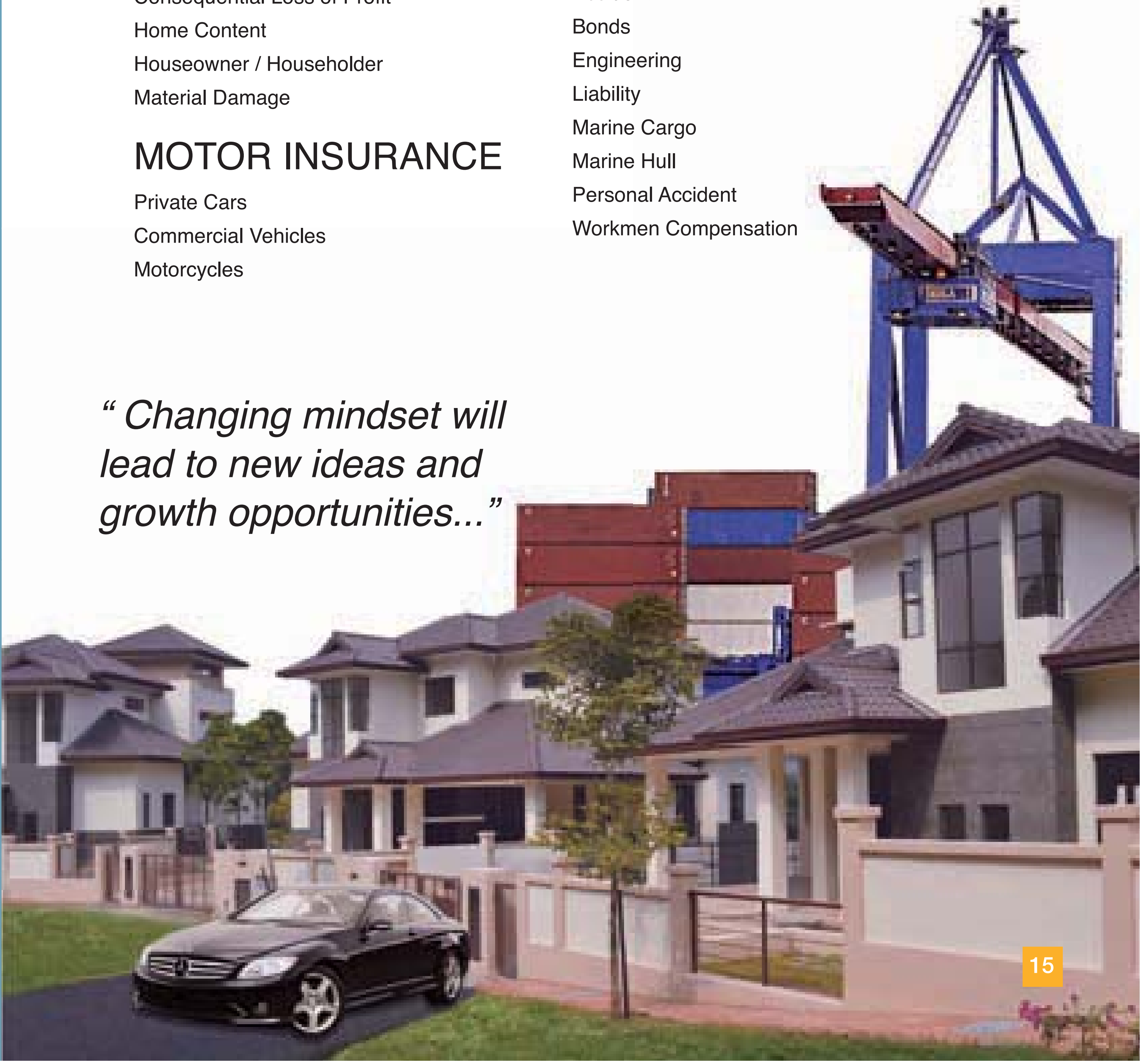
Marine Cargo

Marine Hull

Personal Accident

Workmen Compensation

“ Changing mindset will lead to new ideas and growth opportunities...”



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CORPORATE CALENDAR

2010 Agency Convention in Langkawi





Corporate Social Responsibility - Jungle Walk






2010 Chinese New Year Get-Together


Corporate Social Responsibility - 2010 Recycling Talk

PACIFIC INSURANCE
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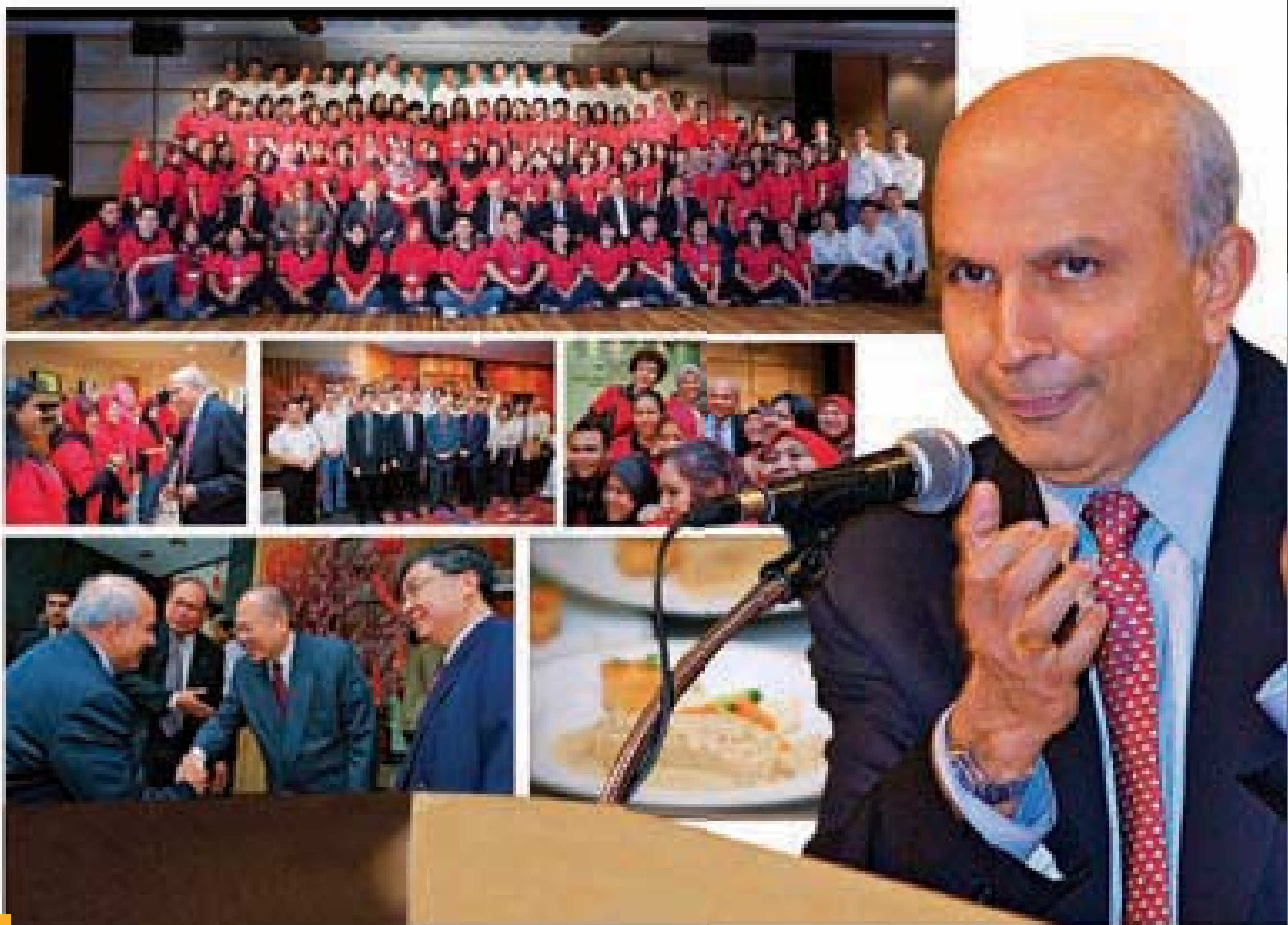
CORPORATE CALENDAR

Signing of Shares Sale Agreement for the sale of Pacific Insurance by PacificMas Berhad to Fairfax Asia Limited

Visit from V. Prem Watsa, Chairman and Chief Executive Officer of Fairfax Financial Holdings Limited



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITY

The principal activity of the Company consists of the underwriting of general insurance business. These has been no significant change in the nature of the principal activity during the financial year.

The Company was a wholly-owned subsidiary of PacificMas Berhad ("PacificMas"), a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad, up to 30 December 2010.

On 3 December 2010, PacificMas entered into shares sale agreement ("SSA") to dispose of its 100% equity interest in the Company to Fairfax Asia Limited. The SSA became unconditional on 30 December 2010 upon approval of the disposal by the shareholders of PacificMas. Accordingly, the Company is no longer deemed a wholly-owned subsidiary of PacificMas as at 31 December 2010.

RESULTS

	RM
Net profit for the year	7,137,813

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The directors do not recommend the payment of any final dividend in respect of the current financial year.

DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Nasruddin Bin Bahari
Tan Sri Dato' Wong Kum Choon
David Wong Cheong Fook
George Lee Lap Wah
Wong Ah Wah
Ng Hon Soon

In accordance with Article 65 of the Company's Articles of Association, Wong Ah Wah will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Tan Sri Dato' Nasruddin Bin Bahari and Tan Sri Dato' Wong Kum Choon will retire at the forthcoming Annual General Meeting and resolutions will be proposed for their re-appointment as directors under the provision of Section 129(6) of the said Act to hold office until the conclusion of the next Annual General Meeting of the Company.

On 30 December 2010, the proposed disposal of the Company by PacificMas Berhad to Fairfax Asia Limited ("Proposed Disposal") became unconditional and the Proposed Disposal is targeted to be completed by April 2011. Upon completion of the Proposed Disposal, the existing Directors of the Company will step down and nominee Directors of Fairfax Asia Limited will be appointed to the Board of the Company.

Tan Sri Dato' Nasruddin Bin Bahari, Tan Sri Dato' Wong Kum Choon and Wong Ah Wah will retire at the Company's forthcoming Annual General Meeting ("AGM"), if the Proposed Disposal could not be completed before the Company's forthcoming AGM.

CORPORATE GOVERNANCE

(a) Board Responsibility and Oversight

Board Responsibility

The Board is committed to ensure that the highest standards of corporate governance are observed in the Company so that the affairs of the Company are conducted with professionalism, accountability and integrity with the objective of enhancing shareholders' value as well as safeguarding the interests of other stakeholders.

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibility and Oversight (cont'd.)

Board Responsibility (cont'd.)

The Board is ultimately responsible for the proper stewardship of the Company's resources, the achievement of corporate objectives and the adherence to good corporate governance practices in conformity with Bank Negara Malaysia ("BNM") Guidelines, BNM/RH/GL 003-01 on Minimum Standards for Prudential Management of Insurers (Consolidated) and BNM/RH/GL 003-02 on Prudential Framework of Corporate Governance for Insurers. The Company has complied with the prescriptive applications and adopted management practices that are consistent with these guidelines.

The Board has overall responsibility for the strategic direction and development plans in furthering the achievements of the Company. The Board meets regularly and has a formal schedule of matters specifically reserved for its consideration and approval, which includes the annual business and strategic plans, business operations, financial performance, risk management, investment, corporate restructuring, as well as compliance requirements under the Risk-Based Capital Framework. The Board's approval is also sought for transactions by the Company on outsourcing of certain business functions, major acquisition and disposal of assets, as well as material related party transactions. In addition, the Board also reviews and approves the authority levels for the Company's core functions, including expenditure approving authority, risk acceptance authority, claims approval authority, investment policies and reinsurance strategies.

The directors are kept informed through relevant training programmes and briefings to assist them to keep abreast with developments in the market place. The directors are also updated with the policy and administrative changes as well as new guidelines issued by BNM and relevant professional bodies.

Board Balance and Meetings

During the financial year ended 31 December 2010, the Board comprises an independent non-executive Chairman, two other independent non-executive directors and three non-independent non-executive directors. On a yearly basis, the directors are subject to an internal declaration to review their status of compliance with Part XII of the Insurance Regulations 1996 on the fulfilment of the minimum criteria of a "fit and proper person". In accordance with section 70(1) of the Insurance Act 1996, all directors are appointed and reappointed to the Board after prior approval has been obtained from BNM. All directors comply with the prescribed maximum number of directorships held and none of them are active politicians.

The directors are persons of calibre, credibility and integrity. Collectively they bring with them a wide range of business and management experience, skills and specialised knowledge that are required to lead and oversee the affairs of the Company.

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibility and Oversight (cont'd.)

Board Balance and Meetings (cont'd.)

The Company's Board of Directors as at 31 December 2010 consists of six directors as set out below.

Members	Status of Directorship
Tan Sri Dato' Nasruddin Bin Bahari	Independent Non-Executive Director, Chairman
Tan Sri Dato' Wong Kum Choon	Independent Non-Executive Director
David Wong Cheong Fook	Independent Non-Executive Director
George Lee Lap Wah	Non-Independent Non-Executive Director
Wong Ah Wah	Non-Independent Non-Executive Director
Ng Hon Soon	Non-Independent Non-Executive Director

The Board met seven (7) times during the financial year and the attendance of the directors was as follows:

Name	Number of Board Meetings Attended	%
Tan Sri Dato' Nasruddin Bin Bahari	7/7	100
Tan Sri Dato' Wong Kum Choon	7/7	100
David Wong Cheong Fook	7/7	100
George Lee Lap Wah	7/7	100
Wong Ah Wah	7/7	100
Ng Hon Soon	7/7	100

The Board members are provided with adequate and timely information and reports, including background explanatory information, on matters brought before the Board. All the directors have full and unrestricted access to all information and records of the Company as well as services and advice of the Company Secretaries and the senior management of the Company to assist them in discharging their duties and responsibilities.

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibility and Oversight (cont'd.)

Board Committees

To support the execution of its duties and functions, the Board delegates certain responsibilities to the Board Committees, namely Audit Committee and Risk Management Committee which operate within clearly defined terms of reference. The committees report to the Board on matters discussed at their meetings and make recommendations on items that require the Board's approval.

(i) Audit Committee

The Audit Committee ("AC") comprises three members who are independent non-executive directors. The composition of the committee is as follows:

Members	Status of Directorship
Tan Sri Dato' Nasruddin Bin Bahari	Independent Non-Executive Director, Chairman
Tan Sri Dato' Wong Kum Choon	Independent Non-Executive Director
David Wong Cheong Fook	Independent Non-Executive Director

The AC met nine (9) times during the financial year and the attendance of the members was as follows:

Name	Number of Meetings Attended	%
Tan Sri Dato' Nasruddin Bin Bahari	9/9	100
Tan Sri Dato' Wong Kum Choon	9/9	100
David Wong Cheong Fook	8/9	88

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibility and Oversight (cont'd.)

Board Committees (cont'd.)

(i) Audit Committee (cont'd.)

The AC's terms of reference are in compliance with JPI/GPI 13 on Guidelines on Audit Committee and Internal Audit Departments for Insurance Companies. The AC has independent access to the Company's internal auditors, external auditors and management to enable it to discharge its functions. They include the reinforcement of the independence and objectivity of the internal and external audit functions and their scopes and results. The AC reviews the findings of the internal/external auditors and those of the examiners from BNM, as well as the management's responses and actions taken to address the findings. The AC also reviews, inter-alia, the Company's financial statements, the impact of new or proposed changes in accounting standards and policies on the financial statements and the maintenance of a sound system of internal control to safeguard shareholders' investment and the Company's assets. Besides reviewing and approving the annual Audit Plan, the AC also evaluates the effectiveness, independence and objectivity of the external auditors before nominating them to the Board for recommendation to the shareholders on their appointment or reappointment. The AC reviews and approves outsourcing of non-audit services provided by external auditors and internal audit services provided by any external service provider. The AC also reviews related party transactions and recurrent related party transactions undertaken by the Company.

(ii) Risk Management Committee

The Risk Management Committee ("RMC") supports the Board in the overall risk management oversight of the Company and comprises three members who are independent non-executive directors. The composition of the committee is as follows:

Members	Status of Directorship
Tan Sri Dato' Nasruddin Bin Bahari	Independent Non-Executive Director, Chairman
Tan Sri Dato' Wong Kum Choon	Independent Non-Executive Director
David Wong Cheong Fook	Independent Non-Executive Director

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibility and Oversight (cont'd.)

Board Committees (cont'd.)

(ii) Risk Management Committee (cont'd.)

The RMC met four (4) times during the financial year and the attendance of the members was as follows:

Name	Number of Meetings Attended	%
Tan Sri Dato' Nasruddin Bin Bahari	4/4	100
Tan Sri Dato' Wong Kum Choon	4/4	100
David Wong Cheong Fook	3/4	75

BNM's Guidelines BNM/RH/GL 003-01 on Minimum Standards for Prudential Management of Insurers (Consolidated) requires the RMC to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively. The responsibilities of the RMC include reviewing periodic management reports on risk exposure, risk portfolio and management strategies, ensuring adequacy of infrastructure, resources and systems for effective risk management, assessing adequacy of policies and framework for identifying, measuring, monitoring and controlling risks, as well as reviewing the extent to which these are operating effectively. The RMC is also involved in the review of requirements under the Risk-Based Capital Framework in relation to the Company's capital management plan, internal capital target and results of periodic stress test. The Company had successfully implemented the Risk-Based Capital Framework since 2009 with a capital adequacy ratio well above the internal and supervisory capital targets.

Nomination and Remuneration Committees

With the approval given by BNM, the functions and responsibilities of the above two committees are undertaken by the Nomination Committee ("NC") and Remuneration Committee ("RC") of the holding company, PacificMas Berhad ("PacificMas"). The terms of reference of both the NC and the RC are in compliance with the guidelines on the functions and responsibilities of the committees for insurers issued under BNM's Guidelines BNM/RH/GL 003-01 on Minimum Standards for Prudential Management of Insurers (Consolidated).

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibility and Oversight (cont'd.)

Nomination and Remuneration Committees (cont'd.)

(i) Nomination Committee

The composition of the NC comprising the directors of PacificMas is as follows:

Members	Status of Directorship
David Wong Cheong Fook	Independent Non-Executive Director, Chairman
Tan Sri Dato' Nasruddin Bin Bahari	Independent Non-Executive Director
Dr. Raja Lope Bin Raja Shahrome	Independent Non-Executive Director
George Lee Lap Wah	Non-Independent Non-Executive Director
Chew Sun Teong	Non-Independent Non-Executive Director

The NC met three (3) times during the financial year and the attendance of the members was as follows:

Name	Number of meetings Attended	%
David Wong Cheong Fook	3/3	100
Tan Sri Dato' Nasruddin Bin Bahari	3/3	100
Dr. Raja Lope Bin Raja Shahrome	3/3	100
George Lee Lap Wah	3/3	100
Chew Sun Teong	3/3	100

The NC is entrusted with the responsibility to consider and evaluate the appointment of new directors and directors to sit on Board Committees of the Company and to recommend candidates to the Board for appointment and reappointment or re-election. The committee is also responsible to recommend to the Board the appointment of the chief executive officer and key senior officers of the Company.

With regard to retiring directors, the NC reviews the suitability and competencies and contributions of directors for re-election and reappointment before recommending them to the Board for approval and subsequently to the shareholders for approval at the Annual General Meeting.

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibility and Oversight (cont'd.)

Nomination and Remuneration Committees (cont'd.)

(i) Nomination Committee (cont'd.)

The NC also annually reviews the Board structure, size and composition and the mix of skills and core competencies required for the Board to discharge its duties effectively. It also assesses on an annual basis, the effectiveness of the Board as a whole and the Board Committees and the contributions of each individual director. In addition, the NC deliberates on Board succession plans as and when appropriate.

(ii) Remuneration Committee

The composition of the RC comprising the directors of PacificMas is as follows:

Members	Status of Directorship
Tan Sri Dato' Nasruddin Bin Bahari	Independent Non-Executive Director, Chairman
Brig Jen (B) Dato' Ahmad Zahudi Bin Hj. Salleh	Non-Independent Non-Executive Director
Dr. Raja Lope Bin Raja Shahrome	Independent Non-Executive Director
George Lee Lap Wah	Non-Independent Non-Executive Director

The RC met three (3) times during the financial year and the attendance of the members was as follows:

Name	Number of Meetings Attended	%
Tan Sri Dato' Nasruddin Bin Bahari	3/3	100
Brid Jen (B) Dato' Ahmad Zahudi Bin Hj. Salleh	3/3	100
Dr. Raja Lope Bin Raja Shahrome	3/3	100
George Lee Lap Wah	3/3	100

The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate the directors, chief executive officer and key senior officers of the quality required to manage the Company. In this respect, the RC is responsible for reviewing and recommending the remuneration packages of the directors, chief executive officer and key senior officers of the Company to the Board of Directors for consideration and approval.

CORPORATE GOVERNANCE (CONT'D.)

(b) Management Accountability

The Company has an organisational structure with clearly communicated defined lines of accountability and delegated authority to ensure proper identification of responsibilities and segregation of duties. The operational authority limits covering all aspects of operations which include underwriting, claims and finance are reviewed and updated as appropriate. Clearly documented job descriptions for all management and executive employees are maintained while formal appraisals of performance are conducted at least once annually. Any changes to the organisational structure are communicated to all staff.

The directors, chief executive officer and senior officers of the Company responsible for processing credit facilities do not have any direct or indirect interest in the facilities, as referred to in Section 54 of the Insurance Act 1996.

The directors who hold office or possess property do not have any direct or indirect interest, which is in conflict with their duty or interest as directors, as referred to in Section 55 of the Insurance Act 1996.

(c) Corporate Independence

The Company has met all the requirements of BNM's Guidelines BNM/RH/GL 003-3 on Guidelines on Related Party Transactions (Consolidated). All material related party transactions have been disclosed in the audited financial statements in accordance with FRS124 on Related Party Disclosures. Other than the provision of financial services which are on normal commercial terms and in the ordinary course of business, all related party transactions are tabled at the Audit Committee for review and approval.

(d) Internal Controls and Operational Risk Management

The Board has the overall responsibility to ensure the maintenance of internal control system and risk management framework for the Company in order to provide reasonable assurance for effective and efficient operations, internal financial controls and compliance with laws and regulations. There is a continuous process present for identifying, evaluating and managing the significant risks faced by the Company. This process is periodically reviewed by the Board. In furtherance of its duties, the Board has delegated specific responsibilities to the AC and RMC as part of the Company's internal control and risk management process.

A formal risk management framework has been maintained in the Company by the Risk Management Unit ("RMU") which is headed by the chief executive officer as the Risk Management Officer ("RMO") and consists of a Risk Management Coordinator and senior officers in the Company. The RMU reports to the RMC of the Company.

CORPORATE GOVERNANCE (CONT'D.)

(d) Internal Controls and Operational Risk Management (cont'd.)

During the financial year, the following risk management initiatives were undertaken by the RMU:

(i) The RMU reviewed the risks identified and reported its risk assessment results to the RMC and the Board for consideration on a quarterly basis.

(ii) The RMU assessed and identified from time to time, the significant risks faced by the Company such as business strategic risks and operational risks, which included areas related to regulatory and compliance issues, financial, underwriting and claims risks and business continuity plan. The mitigating plans and control measures were formulated and implemented to address these risks and were monitored in terms of their timeliness and effectiveness. In addition, the RMU also considered the target dates for possible improvement in the risk rating, while working towards them with the appropriate follow-up of action plans.

(iii) The RMU maintained an updated database of all risks and controls in the form of detailed risk registers and individual risk profiles for the Company. The likelihood of the key risks occurring and their impact are periodically monitored and rated.

The disclosure of the Company's risk management policies are set out under Notes 29 and 30 in the financial statements.

Apart from the above, the following key committees, among others, continue to serve the objective of enhancing the risk management culture in the Company:

(i) The Business Resumption & Contingency Plan Committee is tasked to prepare, review and periodically test the effectiveness of the Company's business continuity plan to support critical business operations. The Company has in place a Business Continuity Management ("BCM") plan which is reviewed and updated at least once a year. The BCM Plan serves to ensure that critical resources and services of the Company are available in the event of system failures or business interruptions. It also aims to ensure that possible disruptions to operations and services are mitigated to an acceptable level through a combination of well-planned contingency and recovery controls. The Company had successfully tested the BCM Plan and the related IT Disaster Recovery Plan during the year, with observations from an external audit service provider.

(ii) The Information Technology Steering Committee ("ITSC") has the responsibility to monitor the overall efficiency, performance and effectiveness of IT services. The ITSC meets periodically to review the Company's IT operations, plans, progress of action plans, as well as investment in IT resources and to make any

CORPORATE GOVERNANCE (CONT'D.)

(d) Internal Controls and Operational Risk Management (cont'd.)

recommendations thereof when necessary. The IT plans formulated during the financial year included the short-term IT plans which are aligned to the business direction of the Company.

(iii) The Anti-Money Laundering and Counter-Financing of Terrorism ("AML/CFT") – Management Committee comprising the chief executive officer, compliance officers at the head office as well as branches, and key senior officers of the Company manages the risk and areas related to AML/CFT. The Company had also introduced measures leveraging on IT as a tool to facilitate the detection of suspicious transactions.

The Company has in place an AML/CFT Framework in accordance with the relevant BNM guidelines and laws to prevent the Company from being used as a channel to launder funds in the financial system. The framework complies with the Anti-Money Laundering & Anti-Terrorism Financing Act 2001, as well as BNM's UPW/GP1 on Standard Guidelines on AML/CFT and UPW/GP1[2] on AML/CFT-Sectoral Guidelines 2 for Insurance and Takaful Industries.

(iv) The Credit Control Committee reviews credit risk, recoverability of trade receivables and reconciliation of accounts with third parties as well as studies the requirements of Financial Reporting Standards pertaining to credit risk and makes recommendations on its compliance. The committee also considers and implements appropriate measures to improve existing credit control procedures and practices.

(v) The Company has a Product Development Committee which undertakes the planning, design and development of new products, as well as review of the Company's products against the prevailing guidelines, eg. BNM/RH/GL 010-14 on Guidelines on Introduction of New Products for Insurance Companies and Takaful Operators and BNM/RH/GL 000-3 on Guidelines on Product Transparency and Disclosure. All newly developed products are submitted to the Board for approval and where appropriate to BNM for its approval.

(vi) A Goods and Services Tax ("GST") Committee has been in place since 2007 in view of the proposed GST implementation. The early planning in this area serves to prepare the Company for the GST regime to implement necessary operational adjustments in the areas of business processes, system development and personnel training. The Company has embarked on the first phase of the project by mapping the GST input/output transactions and identifying the GST implications in the Company's business operations and management information system. These endeavours will be resumed pending further announcement on the implementation of the GST regime by the government.

CORPORATE GOVERNANCE (CONT'D.)

(d) Internal Controls and Operational Risk Management (cont'd.)

The Company operates in a business environment that is subject to regulatory purview and operational compliance requirement and reporting. The Company Secretaries and management keep the Board apprised of new laws and guidelines and changes thereof as well as new accounting and insurance standards to be adopted by the Company. To address compliance risk, the Company has designated a Compliance Unit responsible for placing adequate control measures to provide reasonable assurance that the Company's business is conducted in compliance with the relevant laws, regulations and internal/external guidelines stipulated. The Compliance Unit submits a compliance statement to the Board as well as a regulatory breach report to the holding company on a quarterly basis.

With the approval of BNM, the Company has outsourced its internal audit function to the Group Internal Audit Department of the holding company, PacificMas Berhad to provide the Board with much of the assurance that it requires regarding the adequacy and integrity of the Company's systems of internal control. Whenever required, certain audit assignments will be outsourced to international accounting firms.

The Group Internal Audit Department reports directly to the AC. The functions and responsibilities of the AC are in accordance with Part A of the BNM's Guidelines JPI/GPI 13 - Guidelines on Audit Committee and Internal Audit Departments for Insurance Companies, whilst the internal audit function is in accordance with the Group's Internal Audit Charter and the BNM's Guidelines BNM/RH/GL 013-4 - Guidelines on Internal Audit Function of Licensed Institutions.

The Company has in place a whistleblowing programme and the AC shall review concerns, including anonymous complaints, which staff or external parties may, in confidence, raise about possible misconduct or improprieties within the Company and shall have the concerns independently investigated by the Group Internal Audit Department and/or external service providers whom the AC may think fit.

The internal audit function adopts a systematic, disciplined risk-based audit methodology and prepares its audit strategy and plan based on the risk profiles of the business and functional departments of the Company, identified through a risk management process. Internal audit independently reviews the risk exposures and control processes on governance, operations and information systems implemented by Management. Internal audit also verifies the recurrent related party transactions provided by Management for the review of the AC on a quarterly basis. The internal audit activities are guided by a detailed annual Audit Plan which is approved by the AC and thereafter updated as and when necessary with the prior approval of the AC.

CORPORATE GOVERNANCE (CONT'D.)

(d) Internal Controls and Operational Risk Management (cont'd.)

During the financial year, the internal audit function reported nine (9) times to the AC. The internal audit reports were tabled at the AC's meetings, at which audit findings were reviewed with the Management. Follow-up audits were also conducted by internal auditors to ensure that recommendations to improve controls were promptly implemented by Management. The AC met with the external auditors twice this year without Management's presence to discuss any problems, issues and concerns arising from the interim and final statutory audits, as well as any other relevant matters. These initiatives, together with the Management's adoption of the external auditors' recommendations for improvement on internal controls noted during their audits, provided reasonable assurance that necessary control procedures were in place. Regular reports of the AC's deliberations were submitted to the Board for review.

The other key elements of the Company's system of internal control are stated below :

(i) Corporate culture

The Board and senior management of the Company set the requirements for an effective control culture in the organisation through the Company's core corporate values i.e. quality, integrity, professionalism, results focus and teamwork.

(ii) Organisation structure

The Company has an organisational structure showing clearly defined lines of accountability and delegated authority levels to ensure effectiveness of the internal control system. Any changes to organisational structure are communicated to all staff to ensure proper identification of responsibilities and segregation of duties.

(iii) Communication

Regular management meetings are held in the Company to discuss the financial performance, operational performance, business issues, implications of new risks and any other relevant matters.

(iv) Staff competency and succession planning

The professionalism and competency of staff are enhanced through continuous training and development programmes and a structured recruitment process. A performance planning and appraisal system of staff is in place with established key performance indicators and competencies subject to mid-year and annual review. The Company has a Code of Ethics that guides all staff in their work performance and in upholding their ethical standards.

CORPORATE GOVERNANCE (CONT'D.)

(d) Internal Controls and Operational Risk Management (cont'd.)

(iv) Staff competency and succession planning (cont'd.)

The Board is cognisant of its responsibilities to identify and develop viable candidates for long term succession planning of the senior management. The senior management has identified key staff for critical functions to ensure a smooth succession plan is in place.

(v) Whistleblowing program

Whistleblowing is considered an effective safeguard against fraud, corruption or other malpractice that undermines the internal control system and organisational reporting lines. Hence, the Company has implemented a whistleblowing program to encourage its staff to report, in good faith, any suspicion of fraud, irregularity or misdemeanour, without fear of reprisals by any party.

(vi) Independence of external auditors

The Company has adopted a policy on the provision of non-audit services by the external auditors. The Company has always ensured that the external auditors' ability to conduct audits objectively and independently is not impaired, or perceived to be impaired. Unless specifically allowed by the Audit Committee, the Company only engages the services of the external auditors for audit assurance and corporate tax. The Audit Committee also reviews the total fees earned by the external auditors from non-audit services rendered to the Company for assurance that the independence of the external auditors is not impaired.

(e) Public Accountability and Fair Practices

As custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company has taken the appropriate steps to ensure that all insurance policies issued or delivered to all policyholders contain the necessary information to alert them of the existence of the Financial Mediation Bureau and BNM's Consumer and Market Conduct Department, in compliance with the requirements of BNM's Guidelines BNM/RH/GL 003-09 Guidelines on Claims Settlement Practices (Consolidated). The Financial Mediation Bureau and BNM's Consumer and Market Conduct Department were set up with the view to provide alternative avenues for the policyholders to seek redress against any occurrence of unfair market practices.

CORPORATE GOVERNANCE (CONT'D.)

(e) Public Accountability and Fair Practices (cont'd.)

BNM's Guidelines BNM/RH/GL 003-06 Guidelines on Unfair Practices in Insurance Business was issued to promote higher standards of transparency, greater market discipline and accountability in the conduct of insurance business for the protection of policyholders. The Company has implemented measures for compliance with BNM/RH/GL 003-06 by having in place a Centralised Complaints Unit to provide effective and fair services to the customers.

The Company has also taken the necessary measures to comply with the requirements pursuant to BNM's Guidelines BNM/RH/GL 010-14 on Guidelines on Introduction of New Products for Insurance Companies and Takaful Operators and BNM/RH/GL 000-3 on Guidelines on Product Transparency and Disclosure.

(f) Financial Reporting

The Board has overall oversight responsibility for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with applicable Financial Reporting Standards ("FRS"), the provisions of the Companies Act, 1965, the Insurance Act and Regulations, 1996 and relevant regulatory requirements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement, to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Notes 22 and 27 to the financial statements and the financial statements of its related corporations or the fixed salary and benefits of a full-time employee of the holding company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options in the Company and its related corporations during the financial year were as follows:

Ultimate Holding Company
- Oversea-Chinese Banking Corporation Limited ("OCBC")

	Number of Ordinary Shares (Direct Interest)			
	1 January 2010	**Acquired**	**Disposed**	**31 December 2010**
Tan Sri Dato' Nasruddin Bin Bahari	19,200	-	-	19,200
George Lee Lap Wah	55,024	86,011	59,000	82,035
Wong Ah Wah	11,715	4,041	-	15,756
David Wong Cheong Fook	28,762	3,103	-	31,865

	Ordinary shareholdings in which directors have deemed interest*			
	1 January 2010	**Granted**	**Exercised**	**31 December 2010**
George Lee Lap Wah	114,672	51,984	33,079	133,577
Wong Ah Wah	8,174	175	3,435	4,914

* Deemed interest includes shares granted under OCBC Deferred Share Plan and acquisition rights under the OCBC Employee Purchase Plan.

DIRECTORS' INTERESTS (CONT'D.)

Ultimate Holding Company - Oversea-Chinese Banking Corporation Limited ("OCBC")

	Number of ordinary shares options			
	1 January 2010	**Granted**	**Exercised**	**31 December 2010**
George Lee Lap Wah	279,680	35,000	50,000	264,680
Wong Ah Wah	27,700	-	-	27,700

	Number of preference shares			
	1 January 2010	**Acquired**	**Disposed**	**31 December 2010**
4.5% Non-Cumulative Non-Convertible Class E Preference Shares				
George Lee Lap Wah - Indirect interest	200	-	-	200
5.1% Non-Cumulative Non-Convertible Class B Preference Shares				
George Lee Lap Wah - Indirect interest	400	-	-	400

Related Corporation - OCBC Capital Corporation (2008)

	Number of 5.1% Non-Cumulative Non-Convertible Guaranteed Preference Shares			
	1 January 2010	**Acquired**	**Disposed**	**31 December 2010**
David Wong Cheong Fook - Direct interest	200	-	-	200

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D.)

Related Corporation - OCBC Capital Corporation

	Number of 3.93% Non-Cumulative Non-Convertible Guaranteed OCBC OCC-A Preference Shares			
	1 January 2010	**Acquired**	**Disposed**	**31 December 2010**
George Lee Lap Wah				
- Indirect interest	200	-	-	200

Other than as disclosed, none of the directors in office at the end of the financial year had any interest in shares and in options in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D.)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

   (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

   For the purpose of paragraphs (e) and (f), contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

(g) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

SIGNIFICANT EVENT

The significant event of the Company is disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 February 2011.

TAN SRI DATO' NASRUDDIN BIN BAHARI	TAN SRI DATO' WONG KUM CHOON

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, TAN SRI DATO' NASRUDDIN BIN BAHARI and TAN SRI DATO' WONG KUM CHOON, being two of the directors of THE PACIFIC INSURANCE BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 44 to106 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2010 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 February 2011.

TAN SRI DATO' NASRUDDIN BIN BAHARI

TAN SRI DATO' WONG KUM CHOON

STATUTORY DECLARATION
PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, TAN SIEW HOCK, being the Officer primarily responsible for the financial management of THE PACIFIC INSURANCE BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 44 to 106 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan Siew Hock at Kuala Lumpur in Wilayah Persekutuan on 14 February 2011

Before me,

TAN SIEW HOCK

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD
(INCORPORATED IN MALAYSIA)

Report on the financial statements

We have audited the financial statements of The Pacific Insurance Berhad, which comprise the statement of financial position as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 106.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2010 and of its financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD (CONT'D)
(INCORPORATED IN MALAYSIA)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in the accordance with the provisions of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF : 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
14 February 2011

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31.12.2010 RM	31.12.2009 RM	01.01.2009 RM
ASSETS				
Property and equipment	3	901,788	1,153,840	1,493,261
Investment properties	4	652,298	766,831	791,273
Intangible assets	5	29,851	45,932	50,432
Investments	6			
Malaysian government securities		40,657,543	40,373,149	19,037,698
Government investment issues		5,046,823	5,156,500	10,202,000
Corporate bonds		9,757,457	9,211,592	46,143,303
Unit trust investments		90,656,194	82,215,850	14,506,178
Equity securities		1,091,303	-	9,566,486
Real estate investment funds		405,700	-	118,420
Deposits with financial institutions		92,747,175	85,620,789	117,629,871
Reinsurance assets	7	68,853,000	57,038,000	43,892,000
Insurance and other receivables	8	28,764,054	20,312,446	21,154,021
Loans	9	2,052,045	2,737,392	3,147,555
Deferred tax assets	13	524,572	-	-
Tax recoverable		4,117,354	2,639,436	270,799
Cash and bank balances		4,178,578	2,471,334	2,700,053
TOTAL ASSETS		350,435,735	309,743,091	290,703,350
EQUITY AND LIABILITIES				
Share capital	10	100,000,000	100,000,000	100,000,000
Fair value reserves		1,494,611	(318,471)	(580,713)
Retained profits		33,901,373	26,763,560	23,736,279
Total equity		135,395,984	126,445,089	123,155,566
Insurance contract liabilities	12	189,291,000	166,690,000	152,375,000
Deferred tax liabilities	13	-	10,415	307,664
Insurance and other payables	14	25,748,751	16,597,587	14,865,120
Total liabilities		215,039,751	183,298,002	167,547,784
TOTAL EQUITY AND LIABILITIES		350,435,735	309,743,091	290,703,350

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital RM	Fair value reserves RM	Distributable retained profits RM	Total RM
At 1 January 2009	100,000,000	(580,713)	23,736,279	123,155,566
Total comprehensive income for the year	-	262,242	3,027,281	3,289,523
At 31 December 2009	100,000,000	(318,471)	26,763,560	126,445,089
At 1 January 2010	100,000,000	(318,471)	26,763,560	126,445,089
Total comprehensive income for the year	-	1,813,082	7,137,813	8,950,895
At 31 December 2010	100,000,000	1,494,611	33,901,373	135,395,984

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
Operating revenue	15	156,202,081	152,315,203
Gross earned premiums	16(a)	146,897,626	144,264,487
Premiums ceded to reinsurers	16(b)	(43,536,196)	(44,724,208)
Net earned premiums		103,361,430	99,540,279
Investment income	17	9,304,455	8,050,716
Realised gains and losses	18	1,194,115	631,447
Fair value gains and losses	19	223,636	3,136,735
Fee and commission income	20	10,001,564	11,122,207
Other operating income		712,030	353,084
Other revenue		21,435,800	23,294,189
Gross benefits and claims paid	21(a)	(72,754,971)	(95,285,524)
Claims ceded to reinsurers	21(b)	9,238,216	25,280,431
Gross change in contract liabilities	21(c)	(8,483,000)	(6,241,000)
Change in contract liabilities ceded to reinsurers	21(d)	3,809,000	5,585,000
Net claims		(68,190,755)	(70,661,093)
Fee and commission expense		(22,707,201)	(23,044,930)
Management expenses	22	(30,102,171)	(25,765,417)
Other operating expenses		(5,931)	(47,649)
Other expenses		(52,815,303)	(48,857,996)
Profit before taxation		3,791,172	3,315,379
Taxation	23	3,346,641	(288,098)
Net profit for the year		7,137,813	3,027,281
Earnings per share (sen)			
Basic	24	7.1	3.0

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM	2009 RM
Net profit for the year	7,137,813	3,027,281
Other comprehensive income:		
Available-for-sale fair value reserves		
Net gain arising during the year	2,489,688	162,184
Net realised (gain)/loss transferred to Income Statement	(72,245)	187,472
	2,417,443	349,656
Tax effects thereon	(604,361)	(87,414)
	1,813,082	262,242
Total comprehensive income for the year	8,950,895	3,289,523

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM	2009 RM
Cash flows from operating activities		
Profit before taxation	3,791,172	3,315,379
Adjustment for:		
Depreciation of property and equipment	381,557	504,238
(Gain)/loss on disposal of property and equipment	(16,591)	5,822
Gain on disposal of investment property	(317,970)	-
Loss on disposal of intangible assets	-	689
Property and equipment written-off	5,931	16,797
Intangible assets written-off	-	18
Change in fair value of trading securities	(223,636)	(3,136,735)
Depreciation of investment properties	22,503	24,442
Amortisation of intangible assets	16,775	23,670
Net (gain)/loss on disposal of:		
-Trading securities	(1,121,870)	(818,919)
-AFS securities	(72,245)	187,472
Investment income	(9,304,455)	(8,050,716)
Other interest income	(63,032)	(100,101)
Interest expense	-	19
Bad debts written-off, net of recovery	53,297	749,701
Write-back in allowance for impairment losses	(262,128)	(1,020,343)
Profit from operations before changes in operating assets and liabilities	(7,110,692)	(8,298,567)
Purchase of investments	(30,827,952)	(115,651,710)
Proceeds from disposal/maturity of investments	23,786,518	82,239,476
Decrease in loans	685,347	410,163
Decrease in reinsurance assets	(11,815,000)	(13,146,000)
Decrease in insurance and other receivables	(7,955,561)	285,723
Decrease in insurance contract liabilities	22,601,000	14,315,000
Increase in insurance and other payables	9,151,164	1,896,762
Cash used in operations	(1,485,176)	(37,949,153)
Investment income received	9,616,782	8,815,672
Other interest income received	63,032	100,101
Interest expense paid	-	(19)
Income tax paid	(1,674,163)	(3,000,000)
Income tax refund received	2,432,694	-
Net cash generated from operating activities	8,953,169	(32,033,399)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONT'D)

	2010 RM	2009 RM
Cash flows from investing activities		
Purchase of property and equipment	(136,817)	(264,917)
Purchase of intangible assets	(694)	(19,318)
Proceeds from disposal of property and equipment	17,972	79,833
Net cash used in investing activities	(119,539)	(204,402)
Net increase/(decrease) in cash and cash equivalents	8,833,630	(32,237,801)
Cash and cash equivalents at beginning of financial year	88,092,123	120,329,924
Cash and cash equivalents at end of financial year	96,925,753	88,092,123
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions	92,747,175	85,620,789
Cash and bank balances	4,178,578	2,471,334
	96,925,753	88,092,123

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

1. CORPORATE INFORMATION

The principal activity of the Company consists of the underwriting of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Level 6, Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Company was a wholly-owned subsidiary of PacificMas Berhad ("PacificMas"), a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad, up to 30 December 2010. The ultimate holding company was Oversea-Chinese Banking Corporation Limited, a public listed company incorporated in Singapore, up to 30 December 2010.

On 3 December 2010, PacificMas entered into a shares sale agreement ("SSA") to dispose of its 100% equity interest in the Company to Fairfax Asia Limited. The SSA became unconditional on 30 December 2010 upon approval of the disposal by the shareholders of PacificMas. Accordingly, PacificMas is no longer deemed the holding company and OCBC is no longer deemed the ultimate holding company of the Company as at 31 December 2010.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 February 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), the Companies Act, 1965, the Insurance Act and Regulations, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.4.

The financial statements of the Company have also been prepared on a historical cost basis, except for those financial instruments which have been measured at their fair values and insurance liabilities which have been measured in accordance with the valuation methods specified in the Risk-Based Capital Framework ("RBC") for insurers issued by BNM.

2.1 Basis of Preparation (cont'd.)

The Company has met the minimum capital requirements as prescribed by RBC at the end of the reporting period.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Summary of Significant Accounting Policies

(a) Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(d).

Depreciation is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Office renovations	33⅓%
Motor vehicles	20%
Furniture and fittings	10%
Office equipment	10%
Computers	20% - 50%

A depreciation rate of 50% is applied to computer notebooks on loan to agents of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(a) Property and equipment and depreciation (cont'd.)

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the item of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement.

(b) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both are classified as investment properties.

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(d).

Depreciation is provided for on a straight-line basis over the estimated useful life of 50 years for the investment properties. The residual values and useful lives of the investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal is recognised in income statement in the year in which it arises.

(c) Intangible assets

Intangible assets of the Company consist of computer software.

Intangible assets acquired separately is measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(d).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(c) Intangible assets (cont'd)

The computer software is amortised on a straight-line basis over the estimated economic useful life of five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(d) Impairment of non-financial assets

The carrying amounts of assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in income statement in the period in which it arises. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the assets in prior years. A reversal of impairment loss for an asset is recognised in income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(e) Investments and other financial assets

(i) Initial recognition

The Company classifies its investment into financial assets at fair value through profit or loss ("FVTPL"), loans and other receivables ("LAR"), held-to-maturity financial assets ("HTM") and available-for-sale financial assets ("AFS").

The Company determines the classification of its investments at initial recognition. The Company initially recognises financial assets including cash and short-term deposits, loans and other receivables when it becomes a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets with delivery of assets within the time period established by regulation or market convention are recognised on the settlement date.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

FVTPL

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the income statement.

LAR

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's LAR comprises fixed and call deposits with licensed financial institutions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(e) Investments and other financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

HTM

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, less any impairment loss. Gains or losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

AFS

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement.

(f) Fair value of financial instruments

All financial instruments are recognised initially at the transacted price, which is the best indicator of fair value. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market such as unquoted securities, fair value is determined based on quotes from independent brokers.

(g) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(g) Impairment of financial assets (cont'd.)

(i) Loans and receivables

Evidence of impairment is considered at both specific and collective levels and may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

A specific allowance is established when the present value of future recoverable cash flows for impaired loans and receivables is lower than its carrying value. At collective level, portfolio allowances are set aside for the unimpaired loans and receivables based on historical loss rates and economic conditions at the end of the reporting period.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Loans and receivables are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account If a future write-off is later recovered, the recovery is recognised in the income statement.

(ii) Other receivables

A review of all outstanding amounts is performed at the end of the reporting period. Specific allowances are made for doubtful debts that have been individually reviewed and specifically identified as bad or doubtful. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Bad debts are written off when deemed irrecoverable. If a write-off is later recovered, the recovery is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(g) Impairment of financial assets (cont'd.)

(iii) Other non-derivative financial assets

Impairment of other non-derivative financial assets is calculated as the difference between the asset's carrying value and the estimated recoverable amount. For quoted and unquoted equity securities and unit trust investments classified as available-for-sale, when there is a significant or prolonged decline in the fair value of the asset below its cost, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement) is removed from the fair value reserve within equity and recognised in the income statement.

Impairment losses on equity investments recognised in the income statement are not reversed through the income statement, until the investments are disposed off. For debt investments, reversal of impairment loss is recognised in the income statement.

(h) Derecognition of financial assets

Financial assets are derecognised when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset.

(i) Amortised cost

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest rate.

(j) Equity instruments

Ordinary shares are classified as equity on the statement of financial position.

Dividends on ordinary shares are recognised and reflected in the statement of changes in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(k) Product classification

The Company issues contracts that transfer insurance risk only.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits.

The Company does not have any investment contracts and the insurance contracts issued do not contain any DPF.

(l) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amount recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(l) Reinsurance (cont'd.)

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or have expired or when the contract is transferred to another party.

(m) Underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, unearned premiums, commissions and claims incurred.

(i) Premium income

Premiums from direct business are recognised during the financial year upon the issuance of premium debit notes. Premiums in respect of risks incepted before the end of the reporting period for which policies are issued subsequent to the end of the reporting period are accrued at the end of the reporting period.

Inward treaty reinsurance premiums are recognised on the basis of available periodic advices received from ceding insurers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(m) Underwriting results (cont'd.)

(ii) Premium liabilities

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and the provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

(a) Unexpired risk reserves

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

(b) Unearned premium reserves

The short-term UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at reporting date, the method that most accurately reflects the actual liability is used, as follows:

- 25% method for marine cargo, aviation cargo and transit business

- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower

- Motor and bonds	10%
- Fire, engineering, aviation and marine hull	15%
- Medical	10 - 15%
- Other classes	25%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(m) Underwriting results (cont'd.)

(ii) Premium liabilities (cont'd.)

(b) Unearned premium reserves (cont'd.)

- 1/8th method for all other classes of overseas inward treaty business, with a deduction of 20% for commission
- non-annual policies are time-apportioned over the period of the risks

The long-term UPR represent the portion of the net premiums of long-term insurance policies written, that relate to the unexpired periods of the policies at the end of the financial period. The premium income is recognised on a time apportionment basis over the duration of the policies.

(iii) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value is the best estimate value of claim liabilities which include provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as PRAD at 75% confidence level calculated at the overall Company level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

(iv) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(n) Insurance Receivables

Insurance receivables are recognised when due and measured at the fair value of the consideration received and receivable.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process and method as described in Note 2.2 (g).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont 'd.)

(o) Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise outstanding claims provision and provision for unearned premiums.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of the reporting period. The liability is calculated at the end of the reporting period using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in income statement by setting up a provision for liability adequacy.

(p) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the enterprise and the amount of the revenue can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(p) Other revenue recognition (cont'd.)

(i) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iii) Gross dividend/distribution income from unit trust funds

Gross dividend/distribution income from unit trust funds is recognised on a declared basis when the shareholder's/unitholders' right to receive payment is established.

(iv) Net realised gain/loss on investments

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to income statement.

(q) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting period.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted at the end of the reporting period. Deferred tax is recognised as an income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(r) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation. The Company makes statutory and voluntary contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(s) Foreign currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At the end of each reporting period, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the income statement.

(t) Other financial liabilities and insurance payables

Other liabilities and payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.

(u) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances, and fixed and call deposits with financial institutions.

The cash flow statement has been prepared using the indirect method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements made in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described above, management is of the opinion that there are no instances of judgement which are expected to have a significant financial impact on the amounts and balances recognised in the financial statements.

(b) Key sources of estimation uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Valuation of insurance contract liabilities

For insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the claim liabilities. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Link Ratio and Bornheutter-Ferguson methods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Estimates and Judgements (cont'd.)

(b) Key sources of estimation uncertainty and assumptions (cont'd.)

(i) Valuation of insurance contract liabilities (cont'd .)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratio. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

2.4 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The significant accounting policies adopted are consistent with those applied in the annual audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following new/revised FRSs, amendments to FRSs and Interpretations of the Issues Committee ("IC") issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the financial period beginning 1 January 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd.)

FRSs, Amendments to FRSs and IC Interpretations

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First Time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRSs	Improvements to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2-Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives (revised in 2009)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd.)

Adoption of the standards and interpretations that are mandatory for the financial year beginning 1 January 2010 did not have any significant effect on the financial performance or position of the Company except for those discussed below:

FRS 4 Insurance Contracts

On adoption of FRS 4, expanded disclosures are required and reclassification of certain items in the statement of financial position (including comparatives) previously reported on net basis to gross basis is required.

BNM has in July 2010 issued Guidelines on Financial Reporting for Insurers in order to bring financial reporting for insurers in line with the requirements of FRSs issued by MASB. For the purpose of complying with paragraph 58 of FRS 139 and paragraph 20(a) of FRS 4, objective evidence of impairment is deemed exist where the principal or interest/profit or both for loans/receivables that are individually assessed for impairment, is past due for more than 90 days or 3 months. Previously, the requirement by BNM was for insurers to make full provision for outstanding premiums including agents, brokers and reinsurers balances in arrears for more than 30 days for motor class and 6 months for other classes of insurance from the date on which they become receivable.

The effects of the adoption of FRS 4 on the comparative statement of financial position for 2009 are summarised as follows:

	As previously reported RM	Re-classification RM	As restated RM
Assets			
Reinsurance assets	-	57,038,000	57,038,000
Insurance and other receivables	19,958,618	353,828	20,312,446
Liabilities			
Insurance contract liabilities			
- Claim liabilities	66,019,000	35,856,000	101,875,000
- Premium liabilities	43,633,000	21,182,000	64,815,000
Insurance and other payables	16,243,759	353,828	16,597,587

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd.)

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Company has applied the FRS 7 new disclosures throughout the Company's financial statements for the year ended 31 December 2010 including the comparatives.

FRS 101 Presentation of Financial Statements

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Company has elected to present this statement in two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements. The Company's statement of financial position at the beginning of the earliest comparative period, i.e. 1 January 2009 has been included following the change in the comparative figures for 31 December 2009 to conform with current year's presentation.

The revised FRS 101 also requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital risk.

The revised FRS 101 was adopted retrospectively by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement

The Company has adopted FRS 139 Financial Instruments: Recognition and Measurement which is mandatory for financial periods beginning on and after 1 January 2010. The requirements of FRS 139 are largely similar to those under the RBC of BNM, which took effect from 1 January 2009.

The following new/revised FRSs, amendments to FRSs and IC interpretations have been issued by MASB but are not effective yet and have not been adopted by the Company:

FRSs, Amendments to FRSs and IC Interpretations		Effective for financial periods beginning on or after
FRS 1	First-time adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132 (paragraphs 11, 16 & 97E)	Financial Instruments: Presentation (relating to classification of Rights Issues)	1 March 2010
Amendments to FRS 138	Intangible Assets	1 July 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd.)

FRSs, Amendments to FRSs and IC Interpretations		Effective for financial periods beginning on or after
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives (revised in 2010)	1 July 2010

The new/revised FRSs, amendments to FRSs and IC Interpretations are not expected to have significant impact on the financial statements of the Company.

3. PROPERTY AND EQUIPMENT

31.12.2010	Office renovations RM	Motor vehicles RM	Furniture, fittings, office equipment and computers RM	Total RM
Cost				
At 1 January 2010	1,777,772	324,909	5,910,137	8,012,818
Additions	38,206	-	98,611	136,817
Disposals	-	-	(181,455)	(181,455)
Write-offs	(37,702)	-	(95,189)	(132,891)
Adjustments	-	-	-	-
At 31 December 2010	1,778,276	324,909	5,732,104	7,835,289
Accumulated Depreciation				
At 1 January 2010	1,745,503	97,767	5,015,708	6,858,978
Charge for the year	36,786	40,030	304,741	381,557
Disposals	-	-	(180,074)	(180,074)
Write-offs	(37,702)	-	(89,258)	(126,960)
Adjustments	-	-	-	-
At 31 December 2010	1,744,587	137,797	5,051,117	6,933,501
Net Carrying Amount	33,689	187,112	680,987	901,788
31.12.2009				
Cost				
At 1 January 2009	1,783,385	429,377	7,040,148	9,252,910
Additions	6,652	-	258,265	264,917
Disposals	-	(104,468)	(1,055,406)	(1,159,874)
Write-offs	(12,265)	-	(348,375)	(360,640)
Adjustments	-	-	15,505	15,505
At 31 December 2009	1,777,772	324,909	5,910,137	8,012,818
Accumulated Depreciation				
At 1 January 2009	1,704,440	98,305	5,956,904	7,759,649
Charge for the year	53,328	33,959	416,950	504,237
Disposals	-	(34,497)	(1,039,722)	(1,074,219)
Write-offs	(12,265)	-	(331,578)	(343,843)
Adjustments	-	-	13,154	13,154
At 31 December 2009	1,745,503	97,767	5,015,708	6,858,978
Net Carrying Amount	32,269	227,142	894,429	1,153,840

4. INVESTMENT PROPERTIES

	31.12.2010 RM	31.12.2009 RM
Cost		
At 1 January	1,006,700	1,006,700
Disposals	(120,000)	-
At 31 December	886,700	1,006,700
Accumulated Depreciation		
At 1 January	239,869	215,427
Charge for the year	22,503	24,442
Disposals	(27,970)	-
31 December	234,402	239,869
Net Carrying Amount	652,298	766,831
Fair Value	1,158,000	1,360,000

The fair values of investment properties are based on the market values of the properties as assessed by an independent professional valuer.

As at 31 December 2010, investment properties comprise 1 residential and 3 commercial properties, out of which 3 are leased to third parties. Rental income from the properties is included in Investment Income - Note 17.

Direct operating expenses (included within Management Expenses - Note 22) arising in respect of such properties during the year was RM39,177 (2009: RM43,865).

5. INTANGIBLE ASSETS

	Computer software	
	31.12.2010 RM	31.12.2009 RM
Cost		
At 1 January	203,949	186,880
Additions	694	19,318
Disposals	(210)	(780)
Write-offs	(799)	(3,159)
Adjustments	-	1,690
At 31 December	203,634	203,949

5. INTANGIBLE ASSETS (CONT'D.)

	Computer software	
	31.12.2010	31.12.2009
	RM	RM
Accumulated Amortisation		
At 1 January	158,017	136,448
Charge for the year	16,775	23,671
Disposals	(210)	(91)
Write-offs	(799)	(3,141)
Adjustments	-	1,130
At 31 December	173,783	158,017
Net Carrying Amount	29,851	45,932

6. INVESTMENTS

	31.12.2010	31.12.2009	01.01.2009
	RM	RM	RM
Malaysian government securities	40,657,543	40,373,149	19,037,698
Government investment issues	5,046,823	5,156,500	10,202,000
Corporate bonds	9,757,457	9,211,592	46,143,303
Unit trust investments	90,656,194	82,215,850	14,506,178
Equity securities	1,091,303	-	9,566,486
Real estate investment trusts ("REITs")	405,700	-	118,420
Deposits with financial institutions	92,747,175	85,620,789	117,629,871
	240,362,195	222,577,880	217,203,956
The Company's financial investments are summarised by categories as follows:			
Loans and receivables ("LAR")	92,747,175	85,620,789	117,629,871
Available-for-sale financial assets ("AFS")	146,118,017	136,957,091	89,889,179
Held-for-trading ("HFT")	1,497,003	-	9,684,906
	240,362,195	222,577,880	217,203,956
The following investments mature after 12 months:			
AFS	49,291,582	54,741,241	70,371,002

6. **INVESTMENTS (CONT'D.)**

(a) LAR

	31.12.2010 RM	31.12.2009 RM	01.01.2009 RM
Amortised cost			
Deposits with licensed financial institutions:			
Commercial banks	49,212,591	73,885,696	83,714,187
Other financial institutions	43,534,584	11,735,093	33,915,684
	92,747,175	85,620,789	117,629,871

(b) AFS

	31.12.2010 RM	31.12.2009 RM	01.01.2009 RM
Fair value			
Malaysian government securities	40,657,543	40,373,149	19,037,698
Government investment issues	5,046,823	5,156,500	10,202,000
Quoted in Malaysia:			
Unit trust investments	90,656,194	82,215,850	14,506,178
Unquoted in Malaysia:			
Corporate bonds	9,757,457	9,211,592	46,143,303
	146,118,017	136,957,091	89,889,179

(c) FVTPL

	31.12.2010 RM	31.12.2009 RM	01.01.2009 RM
Fair value			
Held-for-Trading			
Equity securities	1,091,303	-	9,566,486
REITs	405,700	-	118,420
	1,497,003	-	9,684,906

6. INVESTMENTS (CONT'D.)

(d) Carrying values of financial instruments

	LAR RM	AFS RM	HFT RM	Total RM
At 1 January 2010	85,620,790	136,957,091	-	222,577,881
Purchases	558,753,694	18,189,174	12,638,778	589,581,646
Maturities	(551,627,309)	-	-	(551,627,309)
Disposals	-	(11,226,992)	(11,365,411)	(22,592,403)
Fair value gains/ (losses) recorded in:				
Profit or loss	-	-	223,636	223,636
Other comprehensive income	-	2,417,443	-	2,417,443
Amortisation adjustment	-	(218,699)	-	(218,699)
At 31 December 2010	92,747,175	146,118,017	1,497,003	240,362,195
At 1 January 2009	117,629,871	89,889,179	9,684,906	217,203,956
Purchases	1,457,833,924	107,266,093	8,385,617	1,573,485,634
Maturities	(1,489,843,005)	(5,000,000)	-	(1,494,843,005)
Disposals	-	(55,400,771)	(21,207,258)	(76,608,029)
Fair value gains/ (losses) recorded in:				
Profit or loss	-	-	3,136,735	3,136,735
Other comprehensive income	-	349,656	-	349,656
Amortisation adjustment	-	(147,066)	-	(147,066)
At 31 December 2009	85,620,790	136,957,091	-	222,577,881

(e) Fair values of financial investments

The following tables show financial investments recorded at fair value analysed by the different basis of fair values as follows:

	AFS RM	HFT RM	Total RM
31 December 2010			
Quoted market price	90,656,194	1,497,003	92,153,197
Valuation techniques - market observable inputs	55,461,823	-	55,461,823
	146,118,017	1,497,003	147,615,020
31 December 2009			
Quoted market price	82,215,850	-	82,215,850
Valuation techniques - market observable inputs	54,741,241	-	54,741,241
	136,957,091	-	136,957,091

6. INVESTMENTS (CONT'D.)

(e) Fair values of financial investments (cont'd.)

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market and instruments with fair values based on broker quotes.

7. REINSURANCE ASSETS

	31.12.2010 RM	31.12.2009 RM	01.01.2009 RM
Reinsurance of insurance contracts (Note 12)	68,853,000	57,038,000	43,892,000

8. INSURANCE AND OTHER RECEIVABLES

	31.12.2010 RM	31.12.2009 RM	01.01.2009 RM
Insurance receivables:			
Due premiums including agents/brokers and co-insurers balances	15,520,265	9,426,096	11,396,691
Allowance for impairment	(521,697)	(489,965)	(1,468,677)
	14,998,568	8,936,131	9,928,014
Amount due from reinsurers/ceding companies	2,242,763	3,157,434	3,270,042
Allowance for impairment	(226,851)	(520,710)	(562,341)
	2,015,912	2,636,724	2,707,701
Total insurance receivables	17,014,480	11,572,855	12,635,715
Other Receivables:			
Other receivables, deposits and prepayments	3,407,164	3,275,509	4,084,969
Share of net assets in Malaysian Motor Insurance Pool ("MMIP")	7,154,900	4,069,295	2,366,668
Income due and accrued	1,187,510	1,394,787	2,066,669
Total other receivables	11,749,574	8,739,591	8,518,306
Total insurance and other receivables	28,764,054	20,312,446	21,154,021

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

9. LOANS

	31.12.2010 RM	31.12.2009 RM
Staff loans:		
Secured	2,026,174	2,705,352
Unsecured	25,871	32,040
	2,052,045	2,737,392
Receivable after 12 months	1,615,546	2,228,726

The weighted average effective interest rate for staff loans as at 31 December 2010 was 2.59% (2009: 2.89%) per annum on the basis of monthly rest.

10. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2010	2009	2010 RM	2009 RM
Authorised:				
At 1 January/31 December	500,000,000	500,000,000	500,000,000	500,000,000
Issued and paid up:				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000

11. RESERVES

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of Income Tax Act, 1967 ("108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2010, the Company has sufficient credit in the 108 balance and tax exempt income to pay franked dividends out of its entire retained earnings. As at 31 December 2010, the Company has tax exempt income available for distribution of approximately RM1,570,906 (2009: RM1,568,836).

12. INSURANCE CONTRACT LIABILITIES

	31.12.2010 Gross RM	31.12.2010 Re-insurance RM	31.12.2010 Net RM	31.12.2009 Gross RM	31.12.2009 Re-insurance RM	31.12.2009 Net RM	01.01.2009 Gross RM	01.01.2009 Re-insurance RM	01.01.2009 Net RM
Provision for claims reported by policyholders	90,174,364	(37,899,250)	52,275,114	87,396,709	(34,066,343)	53,330,366	96,176,678	(37,459,770)	58,716,908
Provision for incurred but not reported claims ("IBNR")	20,183,636	(1,765,750)	18,417,886	14,478,291	(1,789,657)	12,688,634	(542,678)	7,188,770	6,646,092
Claim liabilities (i)	110,358,000	(39,665,000)	70,693,000	101,875,000	(35,856,000)	66,019,000	95,634,000	(30,271,000)	65,363,000
Premium liabilities (ii)	78,933,000	(29,188,000)	49,745,000	64,815,000	(21,182,000)	43,633,000	56,741,000	(13,621,000)	43,120,000
	189,291,000	(68,853,000)	120,438,000	166,690,000	(57,038,000)	109,652,000	152,375,000	(43,892,000)	108,483,000

(i) Claim liabilities

	31.12.2010 Gross RM	31.12.2010 Re-insurance RM	31.12.2010 Net RM	31.12.2009 Gross RM	31.12.2009 Re-insurance RM	31.12.2009 Net RM
At 1 January	101,875,000	(35,856,000)	66,019,000	95,634,000	(30,271,000)	65,363,000
Claims incurred in the current accident year	80,623,250	(15,462,286)	65,160,964	89,290,331	(21,447,484)	67,842,847
Claims incurred in prior accident years	(1,427,664)	2,408,163	980,499	10,656,458	(8,259,009)	2,397,449
Movement in PRAD of claim liabilities at 75% confidence level	1,374,000	6,907	1,380,907	1,010,000	(1,158,938)	(148,938)
Movement in claims handling expenses	668,385	-	668,385	569,735	-	569,735
Claims paid during the year	(72,754,971)	9,238,216	(63,516,755)	(95,285,524)	25,280,431	(70,005,093)
At 31 December	110,358,000	(39,665,000)	70,693,000	101,875,000	(35,856,000)	66,019,000

(ii) Premium liabilities

	31.12.2010 Gross RM	31.12.2010 Re-insurance RM	31.12.2010 Net RM	31.12.2009 Gross RM	31.12.2009 Re-insurance RM	31.12.2009 Net RM
At 1 January	64,815,000	(21,182,000)	43,633,000	56,741,000	(13,621,000)	43,120,000
Premiums written in the year	161,015,626	(51,542,196)	109,473,430	152,338,487	(52,285,208)	100,053,279
Premiums earned during the year	(146,897,626)	43,536,196	(103,361,430)	(144,264,487)	44,724,208	(99,540,279)
At 31 December	78,933,000	(29,188,000)	49,745,000	64,815,000	(21,182,000)	43,633,000

13. DEFERRED TAX ASSETS/(LIABILITIES)

	31.12.2010 RM	31.12.2009 RM
At 1 January	(10,415)	(307,664)
- Recognised in the income statement (Note 23)	1,139,348	384,663
- Recognised in other comprehensive income	(604,361)	(87,414)
At 31 December	524,572	(10,415)

The components and movement of deferred tax liabilities and deferred tax assets during the financial year are as follows:

31.12.2010	Fair value changes on investments RM	Accelerated capital allowances RM	Total RM
Deferred Tax Liabilities			
At 1 January 2010	-	218,898	218,898
- Recognised in income statement	55,909	(33,343)	22,566
- Recognised in other comprehensive income	498,204	-	498,204
At 31 December 2010	554,113	185,555	739,668

31.12.2010	Receivables RM	Fair value changes on investments RM	Others RM	Total RM
Deferred Tax Assets				
At 1 January 2010	93,901	106,157	8,425	208,483
- Recognised in income statement	(14,464)	-	1,176,378	1,161,914
- Recognised in other comprehensive income	-	(106,157)	-	(106,157)
At 31 December 2010	79,437	-	1,184,803	1,264,240
Net Deferred Tax Assets				524,572

13. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

31.12.2009	Claim liabilities RM	Accelerated capital allowances RM	Total RM
Deferred Tax Liabilities			
At 1 January 2009	1,218,493	269,511	1,488,004
- Recognised in income statement	(1,218,493)	(50,613)	(1,269,106)
At 31 December 2009	-	218,898	218,898

31.12.2009	Receivables RM	Fair value changes on investments RM	Others RM	Total RM
Deferred Tax Assets				
At 1 January 2009	192,425	977,756	10,159	1,180,340
- Recognised in income statement	(98,524)	(784,185)	(1,734)	(884,443)
- Recognised in other comprehensive income	-	(87,414)	-	(87,414)
At 31 December 2009	93,901	106,157	8,425	208,483
Net Deferred Tax Liabilities				(10,415)

14. INSURANCE AND OTHER PAYABLES

	31.12.2010 RM	31.12.2009 RM	01.01.2009 RM
Trade Payables:			
Amount due to reinsurers/ceding companies	9,916,226	6,498,245	6,057,790
Amount due to brokers, co-insurers and insureds	6,311,354	4,537,606	4,297,559
	16,227,580	11,035,851	10,355,349
Other Payables:			
Other payables and accrued liabilities	9,521,171	5,561,736	4,509,771
Total insurance and other payables	25,748,751	16,597,587	14,865,120

The carrying amounts disclosed above approximate fair value at the reporting date.

15. OPERATING REVENUE

	2010 RM	2009 RM
Gross premiums (Note 16)	146,897,626	144,264,487
Investment income (Note 17)	9,304,455	8,050,716
	156,202,081	152,315,203

16. NET EARNED PREMIUMS

	2010 RM	2009 RM
(a) Gross Premiums		
Insurance contracts (Note 12(ii))	161,015,626	152,338,487
Change in unearned premiums provision	(14,118,000)	(8,074,000)
	146,897,626	144,264,487
(b) Premiums ceded		
Insurance contracts	(51,542,196)	(52,285,208)
Change in unearned premiums provision	8,006,000	7,561,000
	(43,536,196)	(44,724,208)
Net Earned Premiums	103,361,430	99,540,279

17. INVESTMENT INCOME

	2010 RM	2009 RM
Rental income from investment properties	62,750	63,836
Financial assets at FVTPL - held for trading purposes		
Dividend income		
- equity securities	226,056	290,981
- REITs	15,422	7,258
AFS financial assets		
Interest income	2,487,078	3,274,403
Dividend income		
- unit trusts	4,556,670	1,434,605
Interest income from loans and receivables	2,157,801	3,108,180
Profit income from cash at bank	17,377	18,519
Amortisation of premiums, net of accretion of discounts	(218,699)	(147,066)
	9,304,455	8,050,716

18. REALISED GAINS AND LOSSES

	2010 RM	2009 RM
Financial assets at FVTPL - held for trading purposes		
Realised gains:		
Equity securities	1,213,444	2,360,605
REITs	34,212	-
Realised losses:		
Equity securities	(125,786)	(1,491,256)
REITs	-	(50,430)
Total realised gains for financial assets at FVTPL	1,121,870	818,919
AFS financial assets		
Realised gains:		
Unit trusts	78,755	12,167
Corporate bonds	-	219,966
Government bonds	-	-
Realised losses:		
Unit trusts	(6,510)	(3,270)
Corporate bonds	-	(294,423)
Government bonds	-	(121,912)
Total realised gains/(losses) for AFS financial assets	72,245	(187,472)
	1,194,115	631,447

19. FAIR VALUE GAINS AND LOSSES

	2010 RM	2009 RM
Financial assets at FVTPL - held for trading purposes	223,636	3,136,735

20. FEES AND COMMISSION INCOME

	2010 RM	2009 RM
Reinsurance commission income	10,001,564	11,122,207

21. NET BENEFITS AND CLAIMS

	Note	2010 RM	2009 RM
(a) Gross Benefits and Claims Paid			
Insurance contracts	12(i)	(72,754,971)	(95,285,524)
(b) Claims Ceded to Reinsurers			
Insurance contracts	12(i)	9,238,216	25,280,431
(c) Gross Change in Contract Liabilities			
Insurance contracts		(8,483,000)	(6,241,000)
(d) Change in Contract Liabilities Ceded to Reinsurers			
Insurance contracts		3,809,000	5,585,000

22. MANAGEMENT EXPENSES

	Note	2010 RM	2009 RM
Employee benefits expenses	22(a)	20,166,819	16,062,233
Directors' fees	22(b)	189,500	178,900
Auditors' remuneration			
statutory audits		120,000	111,000
other services		13,000	27,000
Depreciation of property and equipment	3	381,557	504,237
Depreciation of investment properties	4	22,503	24,442
Direct operating expenses of investment properties - revenue generating	4	39,177	43,865
Amortisation of intangible assets	5	16,775	23,671
Bad debts written-off net of recovery		53,297	749,701
Write-back of allowance for impairment losses		(262,128)	(1,020,343)
Office rental		1,616,223	1,529,923
Office equipment rental		412,754	422,302
Computer maintenance		907,899	870,100
Entertainment		363,852	341,636
Transport and travelling		339,576	352,123
Printing and stationery		271,846	346,929
Padunet networking charges		596,065	346,826
Shared services expenses		1,482,338	1,545,053
Bank charges		1,118,890	1,030,301
Other expenses		2,252,228	2,275,518
		30,102,171	25,765,417

(a) Employee Benefits Expense

	2010 RM	2009 RM
Wages and salaries	16,511,486	12,924,147
Social security contributions	113,349	116,740
Contributions to defined contribution plan, EPF	2,532,129	1,950,413
Other benefits	1,009,855	1,070,933
	20,166,819	16,062,233

22. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' Remuneration

The details of remuneration receivable by directors during the year are as follows:

	2010 RM	2009 RM
Non-executive directors' fees	189,500	178,900

The number of directors whose total remuneration received during the year falls within the following band is:

	Number of directors 2010	2009
Non-executive directors:		
Below RM50,000	6	6

(c) The details of remuneration received and receivable by the CEO during the year are as follows:

	2010 RM	2009 RM
Salary and other emoluments	359,781	336,132
Bonus	546,500	150,000
Contribution to defined contribution plan	144,080	76,816
Estimated money value of benefits-in-kind	16,471	15,372
	1,066,832	578,320
Amount included in Employee Benefits Expense	1,050,361	562,948

23. TAXATION

	2010 RM	2009 RM
Income tax:		
Malaysian income tax	218,655	786,187
Over provision in respect of prior years	(2,425,948)	(113,426)
	(2,207,293)	672,761
Deferred tax relating to origination and reversal of temporary differences (Note 13)	(1,139,348)	(384,663)
Tax expense for the year	(3,346,641)	288,098

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) on the estimated assessable profit for the year.

23. TAXATION (CONT'D.)

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

	2010 RM	2009 RM
Profit before taxation	3,791,172	3,315,379
Taxation at Malaysian statutory income tax rate of 25% (2009: 25%)	947,793	828,845
Expenses not deductible for tax purposes	92,626	99,016
Income not subject to tax	(1,975,800)	(548,377)
Over provision of income tax in prior years	(2,425,949)	(113,426)
Under provision of deferred tax in prior years	14,689	22,040
Effect of adoption of RBC in current year tax	-	1,218,493
Effect of reversal from deferred tax liability	-	(1,218,493)
Tax (recovered)/expense for the year	(3,346,641)	288,098

24. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share of RM1.00 each is based on the profit after taxation for the year of RM7,137,813 (2009: RM3,027,281) over the number of shares in issue during the year of 100,000,000 (2009: 100,000,000).

25. OPERATING LEASE ARRANGEMENTS

The Company has entered into non-cancellable operating lease agreements for the use of several of its photocopiers and printing system. The lease agreements have fixed rentals for a period of 5 years.

The future aggregate minimum lease payment under non-cancellable operating leases contracted for as at the end of the reporting period but not recognised as liabilities are as follows:

	31.12.2010 RM	31.12.2009 RM
Future minimum rental payments:		
Not later than 1 year	180,697	229,575
Later than 1 year and not later than 5 years	164,815	345,512
	345,512	575,087

26. CAPITAL COMMITMENTS

	31.12.2010 RM	31.12.2009 RM
Approved and contracted for:		
Renovation	-	30,666
Computers	22,080	-
	22,080	30,666

27. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) In addition to related party disclosures detailed elsewhere in the financial statements, the Company had the following significant transactions and balances with related parties:

	Significant transactions 2010 RM	Significant transactions 2009 RM	Carrying value 2010 RM	Carrying value 2009 RM
Holding company:				
Management fees paid for shared services	(1,482,338)	(1,545,053)	-	-
Claims paid	(62,128)	(37,091)	-	-
Fellow subsidiaries:				
Insurance premium received	246,359	225,826	-	-
Claims paid	(129,395)	(91,544)	-	-
Insurance commission paid	(396,307)	(484,248)	-	-
Rental expense paid	(966,850)	(899,484)	-	-
Rental and utility deposits	-	-	283,984	262,641
Investment management fees paid	(45,096)	(57,760)	-	-
Funds under management	-	-	21,421,544	17,716,158
Associated company of the holding company:				
Insurance premium received	91,451	91,199	-	-

27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to related party disclosures detailed elsewhere in the financial statements, the Company had the following significant transactions and balances with related parties (cont'd.):

	Significant transactions		Carrying value	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Substantial shareholders of the holding company:				
Claims paid	(51,286)	(39,685)	-	-
Subsidiaries of ultimate holding company:				
Insurance premium paid	(26,434)	(80,284)	-	-
Net reinsurance premium received	41,370	57,070	-	-
Current account and deposits	-	-	9,789,025	18,354,182
Income from fixed and call deposits received and receivable	407,630	547,070	75,948	163,061
Key management of the Company:				
Secured staff loans outstanding	-	-	36,400	114,935

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010	**2009**
	RM	**RM**
Short-term employee benefits	2,049,028	1,232,461
Defined contribution plan	287,327	158,368
	2,336,355*	1,390,829*

* Includes compensation payable to key management personnel at the end of reporting period of RM1,268,860 (2009: RM425,790).

27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel (cont'd.)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The key management personnel of the Company includes the directors, Chief Executive Officer, Senior General Manager and Head of Finance.

28. RISK MANAGEMENT FRAMEWORK

(a) Risk Management Framework

The Company's financial risk management policies seek to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate risk and reward balance and protecting the Company's statement of financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk tolerances with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

(b) Regulatory Framework

Insurers have to comply with the Malaysian Insurance Act and Regulations, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company's investment policies rests with the Board. The Board exercises oversight on the investments to safeguard the interests of the policyholders and shareholders.

(c) Capital Management

The Company's capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with optimum buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth. The Risk-Based Capital Framework for the insurance industry came into effect on 1 January 2009. Under the framework, the insurer has to maintain a capital adequacy level that commensurate with its risk profiles. The minimum capital requirement under the Risk-Based Capital Framework regulated by Bank Negara Malaysia is 130%.

29. INSURANCE RISK

Insurance risk comprises of both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claims experience are different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims.

Risks under most general insurance policies usually cover a twelve-month duration. The risk inherent in general insurance contracts is reflected in the insurance contract liabilities which include the premium and claim liabilities, as set out under Note 12 of the financial statements. The premium liabilities comprise reserve for unexpired risks, while the claim liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported ("IBNR").

The Company has in place a prudent underwriting policy to ensure appropriate risk classification and premium levels. The Company's reinsurance management strategy and policy are reviewed and approved by the Board.

Stress Testing ("ST") is performed twice a year. The purpose of the ST is to test the solvency of the general fund under the various scenarios according to regulatory guidelines, simulating changes in major parameters such as new business volume, claims experience, expenses and investment environment.

The table below sets out the concentration of general insurance contracts by type of contract.

	31 December 2010			31 December 2009		
Claim Liabilities						
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Motor	47,419,000	(5,279,000)	42,140,000	47,460,000	(5,494,000)	41,966,000
Fire	17,038,000	(11,127,000)	5,911,000	15,749,000	(10,259,000)	5,490,000
Marine, Aviation & Transit	9,614,000	(8,868,000)	746,000	1,783,000	(1,342,000)	441,000
Medical & Health	6,897,000	(217,000)	6,680,000	7,209,000	(232,000)	6,977,000
Miscellaneous	29,390,000	(14,174,000)	15,216,000	29,674,000	(18,529,000)	11,145,000
	110,358,000	(39,665,000)	70,693,000	101,875,000	(35,856,000)	66,019,000
Premium Liabilities						
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Motor	23,491,000	(3,014,000)	20,477,000	20,546,000	(2,914,000)	17,632,000
Fire	8,563,000	(4,504,000)	4,059,000	5,705,000	(3,328,000)	2,377,000
Marine, Aviation & Transit	6,578,000	(6,091,000)	487,000	1,440,000	(1,285,000)	155,000
Medical & Health	22,559,000	(3,105,000)	19,454,000	23,910,000	(5,245,000)	18,665,000
Miscellaneous	17,742,000	(12,474,000)	5,268,000	13,214,000	(8,410,000)	4,804,000
	78,933,000	(29,188,000)	49,745,000	64,815,000	(21,182,000)	43,633,000

29. INSURANCE RISK (CONT'D.)

Key Assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, these assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Impact on Gross Liabilities RM	Impact on Net Liabilities RM	Impact on Profit before Tax RM	Impact on Equity RM
31 December 2010					
Provision of Risk Margin for Adverse Deviation ("PRAD")	+5%	307,000	165,000	(165,000)	(123,750)
Loss ratio	+5%	3,978,000	2,794,000	(2,794,000)	(2,095,500)
Claim handling expenses	+5%	331,000	331,000	(331,000)	(248,250)
31 December 2009					
Provision of Risk Margin for Adverse Deviation ("PRAD")	+5%	239,000	127,000	(127,000)	(95,250)
Loss ratio	+5%	3,435,000	2,102,000	(2,102,000)	(1,576,500)
Claim handling expenses	+5%	298,000	298,000	(298,000)	(223,500)

29. INSURANCE RISK (CONT'D.)

Claims Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

29. INSURANCE RISK (CONT'D.)

Claims Development Table (cont'd.)

Gross General Insurance Contract Liabilities for 2010:

Accident year	Note	Prior 2003 RM	2003 RM	2004 RM	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2010 RM	Total RM
At end of accident year			55,677,870	72,098,477	71,852,310	77,898,739	115,372,773	128,437,501	89,290,332	80,623,250	
One year later			53,488,063	62,507,272	69,834,563	75,864,402	85,828,743	79,515,986	92,169,233		
Two years later			50,810,226	60,484,651	67,004,601	53,444,656	108,881,420	76,147,747			
Three years later			47,744,231	59,406,149	60,883,583	71,750,374	108,411,967				
Four years later			47,350,882	48,536,226	64,327,834	71,278,686					
Five years later			39,475,777	57,542,539	65,080,937						
Six years later			46,024,285	57,150,775							
Seven years later			45,108,604								
Current estimate of cumulative claims incurred			45,108,604	57,150,775	65,080,937	71,278,686	108,411,967	76,147,747	92,169,233	80,623,250	
At end of accident year			(19,961,760)	(30,027,264)	(32,402,437)	(35,651,536)	(43,666,569)	(42,502,687)	(44,790,938)	(36,889,706)	
One year later			(35,163,910)	(47,882,246)	(54,561,152)	(58,977,943)	(81,768,206)	(65,226,954)	(66,629,520)		
Two years later			(38,692,088)	(50,881,837)	(58,771,335)	(62,694,290)	(98,501,691)	(69,928,864)			
Three years later			(40,038,920)	(52,967,926)	(60,147,921)	(64,536,458)	(103,112,378)				
Four years later			(41,851,222)	(54,003,513)	(61,655,697)	(66,091,734)					
Five years later			(43,161,966)	(56,128,209)	(62,772,094)						
Six years later			(44,776,565)	(56,649,043)							
Seven years later			(44,656,316)								
Cumulative payments to-date			(44,656,316)	(56,649,043)	(62,772,094)	(66,091,734)	(103,112,378)	(69,928,864)	(66,629,520)	(36,889,706)	
Gross general insurance outstanding liabilities (direct and facultative)		3,972,826	452,288	501,732	2,308,843	5,186,952	5,299,589	6,218,883	25,539,713	43,733,544	93,214,370
Gross general insurance outstanding liabilities (treaty inward)											4,375,654
Best estimate of claims liabilities											97,590,024
Claims handling expenses											6,632,976
PRAD at 75% confidence level											6,135,000
Gross general insurance contract liabilities per statement of financial position	12										**110,358,000**

29. INSURANCE RISK (CONT'D.)

Claims Development Table (cont'd.)

Net General Insurance Contract Liabilities for 2010:

Accident year	Note	Prior 2003 RM	2003 RM	2004 RM	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2010 RM	Total RM
At end of accident year			41,234,575	55,355,827	56,660,141	66,582,424	71,729,810	68,953,095	67,842,838	65,160,963	
One year later			41,919,129	50,733,781	54,251,921	64,158,819	68,064,372	67,639,879	67,842,778		
Two years later			40,231,112	49,211,940	52,930,466	60,061,778	69,698,769	65,465,600			
Three years later			37,936,723	48,128,164	50,439,948	60,308,636	70,449,562				
Four years later			36,756,357	46,595,060	50,771,292	60,114,203					
Five years later			36,092,302	46,870,906	51,189,988						
Six years later			36,744,888	46,789,654							
Seven years later			36,341,428								
Current estimate of cumulative claims incurred			36,341,428	46,789,654	51,189,988	60,114,203	70,449,562	65,465,600	67,842,778	65,160,963	
At end of accident year			(15,402,043)	(23,533,002)	(27,328,731)	(32,641,681)	(37,256,847)	(38,288,857)	(38,768,160)	(34,150,025)	
One year later			(27,854,715)	(39,099,348)	(43,287,324)	(52,282,674)	(59,293,106)	(56,976,319)	(56,237,346)		
Two years later			(30,716,210)	(41,389,374)	(46,324,813)	(55,226,345)	(63,397,062)	(60,998,930)			
Three years later			(31,912,314)	(43,265,907)	(47,269,795)	(56,959,090)	(66,690,768)				
Four years later			(33,406,878)	(44,219,684)	(48,611,541)	(58,352,746)					
Five years later			(34,293,021)	(45,811,675)	(49,692,695)						
Six years later			(35,698,757)	(46,338,840)							
Seven years later			(35,941,733)								
Cumulative payments to-date			(35,941,733)	(46,338,840)	(49,692,695)	(58,352,746)	(66,690,768)	(60,998,930)	(56,237,346)	(34,150,025)	
Net general insurance outstanding liabilities (direct and facultative)		1,438,027	399,695	450,814	1,497,293	1,761,457	3,758,794	4,466,670	11,605,432	31,010,938	56,389,120
Net general insurance outstanding liabilities (treaty inward)											4,375,654
Best estimate of claims liabilities											60,764,774
Claims handling expenses											6,632,976
PRAD at 75% confidence level											3,295,250
Net general insurance contract liabilities per statement of financial position	12										**70,693,000**

30. FINANCIAL RISKS

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

(1) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The major classes of financial assets of the Group are deposits with financial institutions, available-for-sale securities (unit trusts and bonds), loan receivables and trade receivables.

Credit risk arises when the Company's cash assets are placed in interest-bearing instruments, mainly fixed and call deposits and repurchase agreements with licensed financial institutions. The Company manages this credit risk by spreading its deposits with a large group of financial institutions.

Trade receivables are monitored regularly and the Company adopts various control measures such as 60 Days Premium Warranty and Cash Before Cover to minimise this credit risk.

Credit Exposure

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statements of financial position.

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired Investment grade RM	Neither past-due nor impaired Not rated RM	Past-due but not impaired RM	Total RM
31 December 2010				
LAR				
Fixed and call deposits	89,198,622	3,548,553	-	92,747,175
AFS financial investments				
Malaysian government securities	-	40,657,543	-	40,657,543
Government investment issues	-	5,046,823	-	5,046,823
Corporate bonds	9,757,457	-	-	9,757,457
Unit trusts	-	90,656,194	-	90,656,194
Financial investments at FVTPL				
Equity securities	-	1,091,303	-	1,091,303
REITs	-	405,700	-	405,700
Reinsurance assets	-	68,853,000	-	68,853,000
Insurance receivables	-	-	17,014,480	17,014,480
Cash and bank balances	4,142,681	35,897	-	4,178,578
	103,098,760	210,295,013	17,014,480	330,408,253
31 December 2009				
LAR				
Fixed and call deposits	73,585,365	12,035,424	-	85,620,789
AFS financial investments				
Malaysian government securities	-	40,373,149	-	40,373,149
Government investment issues	-	5,156,500	-	5,156,500
Corporate bonds	9,211,592	-	-	9,211,592
Unit trusts	-	82,215,850	-	82,215,850
Financial investments at FVTPL				
Equity securities	-	-	-	-
REITs	-	-	-	-
Reinsurance assets	-	57,038,000	-	57,038,000
Insurance receivables	-	-	11,572,855	11,572,855
Cash and bank balances	2,441,363	29,971	-	2,471,334
	85,238,320	196,848,894	11,572,855	293,660,069

30. FINANCIAL RISKS (CONT'D.)

Credit Exposure by Credit Rating (cont'd.)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), A.M. Best Company ("A.M. Best") and Standards & Poor's ("'S&P") credit ratings of counterparties. AAA is the highest possible rating.

	AAA RM	AA RM	A RM	B RM	Not rated RM	Total RM
31 December 2010						
LAR						
Fixed and call deposits	13,770,143	31,701,843	43,726,636	-	3,548,553	92,747,175
AFS financial investments						
Malaysian government securities	-	-	-	-	40,657,543	40,657,543
Government investment issues	-	-	-	-	5,046,823	5,046,823
Corporate bonds	2,319,220	7,438,237	-	-	-	9,757,457
Unit trusts	-	-	-	-	90,656,194	90,656,194
Financial investments at FVTPL						
Equity securities	-	-	-	-	1,091,303	1,091,303
REITs	-	-	-	-	405,700	405,700
Reinsurance assets	-	-	-	-	68,853,000	68,853,000
Insurance receivables	-	-	680,847	228	16,333,405	17,014,480
Cash and bank balances	3,975,076	112,778	54,827	-	35,897	4,178,578
	20,064,439	39,252,858	44,462,310	228	226,628,418	330,408,253
31 December 2009						
LAR						
Fixed and call deposits	20,146,279	11,983,187	41,455,899	-	12,035,424	85,620,789
AFS financial investments						
Malaysian government securities	-	-	-	-	40,373,149	40,373,149
Government investment issues	-	-	-	-	5,156,500	5,156,500
Corporate bonds	2,376,292	6,835,300	-	-	-	9,211,592
Unit trusts	-	-	-	-	82,215,850	82,215,850
Financial investments at FVTPL						
Equtiy securities	-	-	-	-	-	-
REITs	-	-	-	-	-	-
Reinsurance assets	-	-	-	-	57,038,000	57,038,000
Insurance receivables	-	-	1,142,065	14,712	10,416,078	11,572,855
Cash and bank balances	2,363,129	170,925	(92,691)	-	29,971	2,471,334
	24,885,700	18,989,412	42,505,273	14,712	207,264,972	293,660,069

30. FINANCIAL RISKS (CONT'D.)

Credit Exposure by Credit Rating (cont'd.)

	AAA RM	AA RM	A RM	B RM	Not rated RM	Total RM
31 December 2010						
Neither past-due nor impaired	20,064,439	39,252,858	43,781,463	-	210,295,013	313,393,773
Past-due but not impaired	-	-	680,847	228	16,333,405	17,014,480
	20,064,439	39,252,858	44,462,310	228	226,628,418	330,408,253
31 December 2009						
Neither past-due nor impaired	24,885,700	18,989,412	41,363,208	-	196,848,894	282,087,214
Past-due but not impaired	-	-	1,142,065	14,712	10,416,078	11,572,855
	24,885,700	18,989,412	42,505,273	14,712	207,264,972	293,660,069

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables Management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The Company uses the ratings assigned by external rating agencies to assess credit risk.

Age Analysis of Financial Assets Past-Due But Not Impaired

	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
31 December 2010						
Insurance receivables	11,398,897	2,077,379	456,320	2,592,379	489,505	17,014,480
	11,398,897	2,077,379	456,320	2,592,379	489,505	17,014,480
31 December 2009						
Insurance receivables	7,524,331	1,782,323	1,534,399	859,816	(128,014)	11,572,855
	7,524,331	1,782,323	1,534,399	859,816	(128,014)	11,572,855

30. FINANCIAL RISKS (CONT'D.)

Impaired Financial Assets

At 31 December 2010, based on a combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM748,548 (2009: RM1,010,675). No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for insurance receivables in separate Allowance for Impairment Losses Accounts. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	Allowance for Impairment Losses	
	2010	**2009**
	RM	**RM**
At 1 January	1,010,675	2,031,018
Write-backs for the year	(208,830)	(270,642)
Bad debts written-off net of recovery	(53,297)	(749,701)
At 31 December	748,548	1,010,675

(2) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's exposure to liquidity risk arises mainly from its lending commitments, borrowings, trade and other payables.

The Company actively manages the profile of its deposits with financial institutions, operating cash flows and the availability of funding so as to ensure that all operating needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unearned premiums and the reinsurers' share of the unearned premiums have been excluded from the analysis as they are not contractual obligations.

30. FINANCIAL RISKS (CONT'D.)

Maturity Profiles (cont'd.)

	Carrying value RM	Up to a year RM	More than 1 to < 3 years RM	3 - 5 years RM	More than 5 to <15 years RM	Over 15 years RM	No maturity date RM	Total RM
31 December 2010								
Financial investments:								
LAR	92,747,175	94,059,523	-	-	-	-	-	94,059,523
AFS	146,118,017	6,372,784	14,651,868	24,743,850	19,926,370	-	90,656,194	156,351,066
FVTPL	1,497,003	-	-	-	-	-	1,497,003	1,497,003
Reinsurance assets	39,665,000	13,205,941	5,607,755	4,695,991	16,155,313	-	-	39,665,000
Insurance receivables	17,014,480	17,014,480	-	-	-	-	-	17,014,480
Other receivables								
- staff loans	2,052,045	436,499	591,293	290,992	612,717	120,544	-	2,052,045
- bond collateral deposits placements	712,696	724,848	-	-	-	-	-	724,848
Cash and bank balances	4,178,578	-	-	-	-	-	4,178,578	4,178,578
Total assets	303,984,994	131,814,075	20,850,916	29,730,833	36,694,400	120,544	96,331,775	315,542,543
Insurance contract liabilities	110,358,000	47,049,195	24,312,755	15,083,615	23,912,435	-	-	110,358,000
Insurance payables	16,227,580	16,227,580	-	-	-	-	-	16,227,580
Other payables								
- cash collateral held for bond business	826,999	700,545	126,454	-	-	-	-	826,999
Total liabilities	127,412,579	63,977,320	24,439,209	15,083,615	23,912,435	-	-	127,412,579
31 December 2009								
Financial investments:								
LAR	85,620,789	87,291,967	-	-	-	-	-	87,291,967
AFS	136,957,091	-	10,504,714	23,587,300	34,091,720	-	82,215,850	150,399,584
FVTPL	-	-	-	-	-	-	-	-
Reinsurance assets	35,856,000	15,094,118	11,691,811	6,262,656	2,807,415	-	-	35,856,000
Insurance receivables	11,572,855	11,572,855	-	-	-	-	-	11,572,855
Other receivables								
- staff loans	2,737,392	508,666	770,604	459,547	838,275	160,300	-	2,737,392
- bond collateral deposits placements	1,001,387	1,014,886	-	-	-	-	-	1,014,886
Cash and bank balances	2,471,334	-	-	-	-	-	2,471,334	2,471,334
Total assets	276,216,848	115,482,492	22,967,129	30,309,503	37,737,410	160,300	84,687,184	291,344,018
Insurance contract liabilities	101,875,000	44,947,573	36,606,591	10,587,142	9,733,694	-	-	101,875,000
Insurance payables	11,035,851	11,035,851	-	-	-	-	-	11,035,851
Other payables								
- cash collateral held for bond business	835,448	518,155	309,295	7,998	-	-	-	835,448
Total liabilities	113,746,299	56,501,579	36,915,886	10,595,140	9,733,694	-	-	113,746,299

30. FINANCIAL RISKS (CONT'D.)

Maturity Profiles (cont'd.)

The table below summarises the expected utilisation or settlement of financial assets.

	Current RM	Non-current RM	Total RM
31 December 2010			
Financial investments			
LAR	92,747,175	-	92,747,175
AFS	96,826,435	49,291,582	146,118,017
FVTPL	1,497,003	-	1,497,003
Reinsurance assets	13,205,941	26,459,059	39,665,000
Insurance receivables	17,014,480	-	17,014,480
Other receivables			
- staff loans	436,499	1,615,546	2,052,045
- bond collateral deposits placements	712,696	-	712,696
Cash and bank balances	4,178,578	-	4,178,578
Total assets	226,618,807	77,366,187	303,984,994
31 December 2009			
Financial investments			
LAR	85,620,789	-	85,620,789
AFS	82,215,850	54,741,241	136,957,091
FVTPL	-	-	-
Reinsurance assets	15,094,118	20,761,882	35,856,000
Insurance receivables	11,572,855	-	11,572,855
Other receivables			
- staff loans	508,666	2,228,726	2,737,392
- bond collateral deposits placements	1,001,387	-	1,001,387
Cash and bank balances	2,471,334	-	2,471,334
Total assets	198,484,999	77,731,849	276,216,848

30. FINANCIAL RISKS (CONT'D.)

(3) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than interest rates).

The Company's investments in equities & REITs are subject to fluctuation in market prices of quoted securities while investments in unit trusts are subject to fluctuation in the net asset value of the unit trust funds. The Company's investments in equities are managed by licensed asset management companies. The Company has given clear investment guidelines and performance benchmarks to the asset management companies under the fund management agreements in order to manage the market risk. The unit trusts held by the Company are invested with unit trust funds governed by the unit trust guidelines and regulations stipulated by the Securities Commission. The Company monitors the performance of the investments against the relevant performance benchmarks established by the Company.

The analysis below is performed for reasonably possible price movements in the available-for-sale and trading securities of the Company. The impact on equity represents the changes in fair value of AFS financial assets.

		31 December 2010		31 December 2009	
	Changes in variables	Impact on Profit before Tax RM	Impact on Equity* RM	Impact on Profit before Tax RM	Impact on Equity* RM
Market value					
Available-for-sale securities					
Unit trust investments	+5%	-	3,399,608	-	3,083,094
Unit trust investments	-5%	-	(3,399,608)	-	(3,083,094)

* impact on Equity reflects adjustments for tax, where applicable

30. FINANCIAL RISKS (CONT'D.)

(4) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's primary interest rate risk relates to interest-bearing assets. The interest-bearing assets are made up primarily of fixed and call deposits with licensed financial institutions, MGS, GII and bonds issued by corporations in Malaysia. Floating rate/yield instruments expose the Company to cash flow interest/profit risk, whereas fixed rate/yield instruments expose the Company to fair value interest/profit risk.

The Company manages the interest rate risk of its deposits with licensed financial institutions by maintaining a prudent mix of short and longer term deposits and actively reviewing its portfolio of deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the deposits and fixed income securities of the Company:

	Impact on Profit before Tax RM	**Impact on Equity* RM**
31 December 2010		
Change in interest rates		
+ 50 basis points	404,304	(393,073)
- 50 basis points	(404,304)	411,638
31 December 2009		
Change in interest rates		
+ 50 basis points	513,507	(452,376)
- 50 basis points	(513,507)	476,934

* impact on Equity reflects adjustments for tax, where applicable

31. SIGNIFICANT EVENT

The Minister of Finance via Bank Negara Malaysia ("BNM") had approved the take-over of the Company's holding company, PacificMas Berhad ("PacificMas") by OCBC Capital Capital (Malaysia) Sdn Bhd ("OCBC") subject to the following two conditions ("Approval Conditions"):

(i) Oversea-Chinese Banking Corporation Limited ("OCBC") is required to resolve its holdings in the Company and Overseas Assurance Corporation (Malaysia) Berhad ("OACM"), within 18 months from the date of completion of the take-over; and

(ii) In the event of a merger between the Company and OACM, OCBC is required to dispose of and limit its interest in the merged entity to not more than 51%, within 18 months from the date of completion of the take-over (i.e. 17 October 2009).

On 11 November 2010, OCBC Capital notified PacificMas that BNM had approved a further extension of time of six (6) months from 17 October 2010 for OCBC to comply with the Approval Conditions. BNM had earlier approved an extension of time of one (1) year from 18 October 2009 for OCBC to comply with the Approval Conditions. On 16 November 2010, PacificMas received approval from the Minister of Finance through BNM to dispose its 100% equity interest in PIB to Fairfax Asia Limited ("Fairfax Asia").

Subsequently, on 3 December 2010, PacificMas entered into a shares sale agreement ("SSA") to dispose of its 100% equity interest in the Company to Fairfax Asia. The SSA became unconditional on 30 December 2010 upon approval of the disposal by the shareholders of PacificMas. The consideration for the disposal of the Company is based on RM201 million plus the incremental net tangible assets ("NTA") of the Company from 31 December 2008 until 31 December 2010 which amounted to RM216.5 million. Therefore, any change in NTA of the Company from 1 January 2011 onwards will not accrue to PacificMas. As such, PacificMas has recognised the disposal of the Company in the financial year ended 31 December 2010. The transfer of shares and settlement of the transaction are expected to be effected by April 2011.

32. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2010, as prescribed under the Risk-Based Capital Framework is provided below:

	Note	2010 RM	2009 RM
Eligible Tier 1 Capital			
Share capital (paid-up)	10	100,000,000	100,000,000
Reserves, including retained earnings		33,901,373	26,763,560
		133,901,373	126,763,560
Tier 2 Capital			
Available-for-sale reserves		1,494,611	(318,471)
Amounts deducted from Capital		-	-
Total Capital Available		135,395,984	126,445,089

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