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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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 2004.

PRINCIPAL ACTIVITY

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 wholly-owned subsidiary of PacificMas Berhad, a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

RESULTS

	RM
Net profit for the year	<u>13,657,138</u>

There were no material transfers to or from reserves or provisions during the financial year.

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 amount of dividends paid by the Company since 31 December 2003 was as follows:

In respect of the financial year ended 31 December 2004	
Interim dividend of 12% less 28% taxation, paid on 21 December 2004	<u>8,640,000</u>

The directors do not propose any final dividend for the financial year ended 31 December 2004.

DIRECTORS

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

Choi Siew Hong
Tan Sri Dato' Nasrudin bin Bahari
Keong Choon Keat
Lai Wan
Ng Hon Soon

In accordance with Article 65 of the Company's Articles of Association, Ng Hon Soon retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Choi Siew Hong will retire at the forthcoming Annual General Meeting and a resolution will be proposed for his re-appointment as director under the provision of the Section 129(6) of the said Act to hold office until the conclusion of the next Annual General Meeting of the Company.

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 and integrity with the objective of enhancing shareholders' value as well as safeguarding the interest of other stakeholders.

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 citizenship. The Board is committed to uphold good corporate governance practices in conformity with Bank Negara Malaysia ("BNM") Guidelines, JPI/GPI 1: Duties and Responsibilities of Directors and Chief Executive of Insurers, JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers and JPI 13/2003: Corporate Governance Standards. The Company has complied with the prescriptive applications and adopts management practices that are consistent with JPI/GPI 25 and JPI 13/2003.

The Board has overall responsibility for the strategic direction and development plans of the Company, as it effectively leads and controls the Company. The Board regularly meets and has a formal schedule of matters specifically reserved for its decision-making, which includes the approval and review of corporate business and strategic plans, business operations and performance goals of the Company.

The directors of the Company have attended the Corporate Directors' Training Programme conducted under the auspices of the Companies Commission of Malaysia or the mandatory training programmes prescribed by Bursa Malaysia Securities Berhad (for listed companies). The directors are promptly updated with the policy and administrative changes or new regulations issued by BNM.

Board Balance and Meetings

The Board comprises a non-executive Chairman, two independent non-executive directors and two 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 minimum criterion of a "fit and proper person". In accordance with the Insurance Act, 1996, all directors are appointed to the Board after prior approval has been obtained from BNM.

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

The Board met 12 times during the financial year and the attendance of the directors was as follows:

Name	Number of meetings	
	Attended	%
Choi Siew Hong	12/12	100
Tan Sri Dato' Nasrudin bin Bahari	11/12	92
Keong Choon Keat	12/12	100
Lai Wan	12/12	100
Ng Hon Soon	12/12	100

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 Chairman of the respective committee reports to the Board on matters discussed at the meetings of the committee.

(i) Audit Committee

The Audit Committee (“AC”) comprises three members - two independent non-executive directors and a non-independent non-executive director. The composition of the committee is as follows:

Tan Sri Dato’ Nasrudin bin Bahari (Chairman)
Independent Non-Executive Director

Keong Choon Keat
Independent Non-Executive Director

Lai Wan
Non-Independent Non-Executive Director

The AC met 10 times during the financial year and the attendance of the members was as follows:

Name	Number of meetings	
	Attended	%
Tan Sri Dato’ Nasrudin bin Bahari (Chairman)	10/10	100
Keong Choon Keat	10/10	100
Lai Wan	10/10	100

The AC’s terms of reference which have been revised to comply with JPI/GPI13: Guidelines on Audit Committees and Internal Audit Departments for Insurance Companies (revised 24 December 2004) include the reinforcement of the independence and objectivity of both the internal and external audit functions and the specification of their scope and results, the review of findings of the internal and external auditors, the review of Company’s financial statements, the review of Information Technology audit plans, the review of proposed changes in accounting standards and policies on the financial statements, the review of related party transactions, as well as making recommendation to the Board on the appointment and reappointment of the external auditors and review the maintenance of a sound system of internal control to safeguard shareholders’ investment and the Company’s assets.

(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 - two independent non-executive directors and a non-independent non-executive director. The composition of the committee is as follows:

Tan Sri Dato’ Nasrudin bin Bahari (Chairman)
Independent Non-Executive Director

Keong Choon Keat
Independent Non-Executive Director

Lai Wan
Non-Independent Non-Executive Director

The RMC met 5 times during the financial year and the attendance of the members was as follows:

Name	Number of meetings	
	Attended	%
Tan Sri Dato’ Nasrudin bin Bahari (Chairman)	5/5	100
Keong Choon Keat	4/5	80
Lai Wan	5/5	100

BNM’s JPI: 13/2003, 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 the review of periodic management reports on risk exposure, the assessment of risk management strategies and risk tolerance, the review of the adequacy of the policies and framework for identifying, measuring, monitoring and controlling risks, as well as the review of the extent to which these are operating effectively.

Nomination and Remuneration Committees

With the approval given by BNM to the Company in July 2003, the Company has used the Nomination Committee (“NC”) and Remuneration Committee (“RC”) of the holding company, PacificMas Berhad (“PacificMas”), to discharge the responsibilities of these two committees. The terms of reference of both the NC and the RC are in compliance with the BNM’s JPI:13/2003 on the functions and responsibilities of the committees for insurers.

(i) Nomination Committee

The composition of the Nomination Committee comprising the directors of PacificMas is as follows:

Tan Sri Dato' Wong Kum Choon (Chairman)
Independent Non-Executive Director

Choi Siew Hong
Non-Independent Non-Executive Director

Kol. (B) Dato' Ir. Cheng Wah
Independent Non-Executive Director

Keong Choon Keat
Independent Non-Executive Director

Wong Nang Jang
Non-Independent Non-Executive Director

The NC met 4 times during the financial year and the attendance of the members was as follows:

Name	Number of meetings	
	Attended	%
Tan Sri Dato' Wong Kum Choon (Chairman)	4/4	100
Choi Siew Hong	4/4	100
Kol. (B) Dato' Ir. Cheng Wah	4/4	100
Keong Choon Keat	4/4	100
Wong Nang Jang	4/4	100

The NC is empowered by the PacificMas Board to consider and evaluate the appointment of new directors and directors to fill the seats on Board Committees of the Company and to recommend candidates to the Board and BNM for appointment and reappointment or re-election. In addition to that, the committee is also entrusted with the responsibility for both the appointment and evaluation of the chief executive officer and key senior officers of the Company.

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

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 will also assess 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 will deliberate on Board succession plans as and when appropriate.

The directors are also periodically nominated to attend training programmes in order to keep abreast with the current regulatory and business developments.

(ii) Remuneration Committee

The composition of the Remuneration Committee comprising the directors of PacificMas is as follows:

Keong Choon Keat (Chairman)
Independent Non-Executive Director

Choi Siew Hong
Non-Independent Non-Executive Director

Sharriffudin Ahmad Taff
Non-Independent Non-Executive Director

Wong Nang Jang
Non-Independent Non-Executive Director

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

Name	Number of meetings	
	Attended	%
Keong Choon Keat	3/3	100
Choi Siew Hong	3/3	100
Sharriffudin Ahmad Taff	3/3	100
Wong Nang Jang	3/3	100

The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate directors of the quality required to lead the Company and to align the interest of the directors with those of the shareholders. In this respect, the RC is responsible for reviewing and recommending the remuneration packages of Executive Directors and the Chief Executive Officer of the Company. Executive Directors will play no part in decisions on their own remuneration. In addition to that, the committee is also entrusted with the responsibility of recommending specific remuneration packages for the Chief Executive Officer and key senior officers of the Company.

(b) Management Accountability

The Company has an organisational structure with clearly communicated defined lines of accountability and delegated authority to ensure proper identification of accountabilities and segregation of duties. The operational authority limits covering underwriting on risk acceptance, claims settlement and asset acquisition 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 organisation structure are communicated to all staff promptly via the internal corporate portal.

None of the directors and senior management of the Company have any conflict of interest as referred to in Sections 54 and 55 of the Act.

(c) Corporate Independence

All material related party transactions have been disclosed in the audited financial statements in accordance with Financial Reporting Standard ("FRS") 124 (Malaysian Accounting Standards Board ("MASB") Standard 8): Related Party Disclosures. All related party transactions are tabled at the Audit Committee for review and approval.

(d) Internal Controls and Operational Risk Management

(i) Board Responsibility

The Board has overall responsibility to ensure the maintenance of internal control system and risk management framework for the Company to provide reasonable assurance on effective and efficient operations, internal financial controls and compliance with laws and regulations. The Board acknowledges that there is a continuous process present for identifying, evaluating and managing the significant risks faced by the Company during the financial year under review. The Board requires the management to maintain a risk management framework for identifying, evaluating, monitoring and managing the risks assumed in order to achieve the Company's business objectives. 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.

(ii) Enterprise Risk Management Framework

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 the Risk Management Coordinator and senior management officers in the Company. The RMU reports to the RMC of the Company. As stated under the Board Committees of Board Responsibility and Oversight, the primary objective of the RMC is to oversee the management's activities in managing the risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

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 Risk Management Committee (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, underwriting and claims risks and business continuity plans. The mitigating plans and control measures were formulated and implemented to address these risks and were monitored in terms of their timeliness and effectiveness.
- (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.

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

- (i) Corporate Disaster Recovery Planning Committee was tasked to prepare, review and periodically test the effectiveness of the Company's business continuity plan to support critical business operations. It serves to protect the business from the risk of material disruption or failure to its systems, processes, or material damage to its assets upon the occurrence of any disastrous events.
- (ii) 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 was in place to manage the risk and areas related to AML/CFT. The AML/CFT initiatives undertaken during the financial year included the following:
 - (a) The AML/CFT Framework ("the Framework") of the Company had been formally endorsed by the Board of Directors on 31 March 2004 and had since been in place. The Framework sets out the responsibilities of the management committee as well as the procedure for the reporting of any suspicious transactions/customers up to the management and eventually the Board levels. The Framework and other AML/CFT information had been made available for the staff of the entire Company.
 - (b) Training for awareness and updates on the industry's and Company's AML/CFT initiatives was conducted from time-to-time for managers and staff concerned in the Company.

- (iii) The Information Technology ("IT") Steering Committee reviewed and recommended the Company's technology strategy as well as investment in IT resources.
- (iv) The Credit Control Committee reviewed the credit risk, recoverability of trade receivables' and reconciliation position with third parties. The committee also advised on appropriate measures to improve existing credit control procedures and practices.
- (v) During the year, the Merger and Integration Committee was established to manage the merger and integration of the insurance business of Malaysia & Nippon Insurans Berhad ("MNIB") (now known as PacificMas Capital Sdn. Bhd.) with that of the Company to principally maximise the value of acquiring the MNIB business.

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

(iii) Internal Audit Function

The Company outsourced the internal audit function to the Group Internal Audit Department of the holding company, PacificMas Berhad, to provide the Board of Directors with the assurance it required regarding the adequacy and integrity of the systems of internal control. Whenever required, certain audit assignments were also outsourced to international accounting firms. The Group Internal Audit Department reported directly to the AC. The functions and responsibilities of the AC and the internal audit function were in accordance with the Group's Internal Audit Charter and BNM's Guidelines JPI/GPI 13 - Guidelines on Audit Committee and Internal Audit Departments for Insurance Companies.

The internal audit function adopted a systematic, disciplined risk-based audit methodology and prepared its audit strategy and plan based on the risk profiles of the business and functional departments of the Company. The internal audit activities were guided by a detailed annual Audit Plan. The annual Audit Plan was approved by the AC before the commencement of the following financial year and thereafter updated as and when necessary.

Internal audit independently reviewed the risk exposures and control processes on governance, operations and information systems implemented by the Management. In 2004, internal audit reported 10 times to the AC. The internal audit reports were tabled at the AC meeting, at which the findings were reviewed with the Management. Internal auditors followed up on all audit findings with the Management to ensure that recommendations were implemented. The AC meets with the external auditors at least twice a year without the Management's presence to discuss problems, issues and concerns arising from the interim and final audits, and any other relevant matters. These initiatives, together with the Management's adoption of the auditors' recommendations for improvement on internal controls noted during their audit, provided reasonable assurance that necessary control procedures were in place. The AC submitted regular reports of their deliberations to the Board of Directors for review.

(e) Public Accountability

As custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company had taken appropriate steps to ensure that all its insurance policies issued or delivered to new policyholders contain the necessary information to alert them of the existence of BNM's Financial Mediation Bureau. The bureau had been set up with the view to providing alternative avenues for the policyholders to seek redress against any occurrence of unfair market practices.

The BNM Guideline JPI/GPI 28 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 policy owners. The Company has implemented measures for compliance with JPI/GPI 28 by setting up a Centralised Complaints Unit to provide effective and fair services to the customers.

(f) Financial Reporting

The directors are responsible for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with applicable Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965 and the Insurance Act and Regulations, 1996.

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 or debentures of 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 Note 17 to the financial statements and the financial statements of its related corporations or the fixed salaries and benefits of full-time employees of related corporations) 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 in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 each			
	1 January 2004	Bought	Sold	31 December 2004
Holding company - PacificMas Berhad				
Choi Siew Hong				
- direct interest	87,000	-	-	87,000
- indirect interest	114,000	-	-	114,000
Tan Sri Dato' Nasrudin bin Bahari				
- direct interest	3,000	-	-	3,000
- indirect interest	1,500	-	-	1,500
Lai Wan				
- direct interest	43,000	-	-	43,000
- indirect interest	3,000	-	-	3,000
Ng Hon Soon				
- indirect interest	5,000	-	-	5,000

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

OTHER STATUTORY INFORMATION

- (a) Before the balance sheet and income statement 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 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.
- (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 liability 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 paragraph (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 balance sheet and income statement were made out, the directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported (“IBNR”) claims.

SIGNIFICANT EVENTS

The significant events are as disclosed in Note 26 to the financial statements.

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



CHOI SIEW HONG



TAN SRI DATO' NASRUDIN BIN BAHARI


Kuala Lumpur, Malaysia
22 February 2005

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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

We, CHOI SIEW HONG and TAN SRI DATO' NASRUDIN BIN BAHARI, 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 17 to 49 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2004 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



CHOI SIEW HONG



TAN SRI DATO' NASRUDIN BIN BAHARI

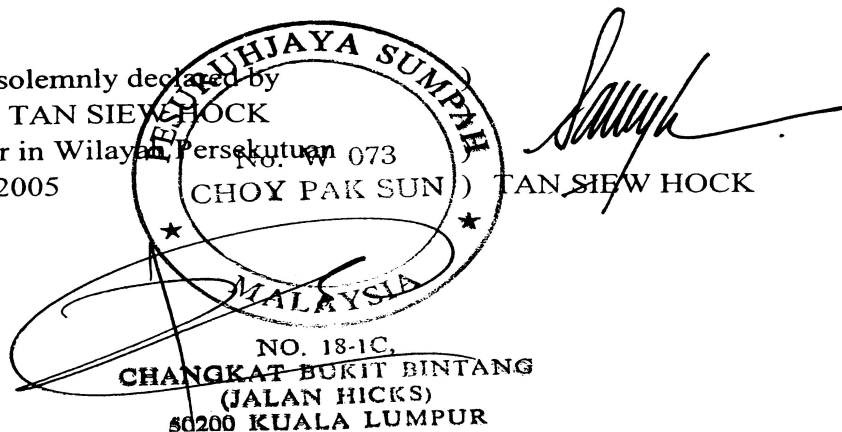
Kuala Lumpur, Malaysia
22 February 2005

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 17 to 49 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
No. W 073
on 22 February 2005

Before me,



NO. 18-1C,
CHANGKAT BUKIT BINTANG
(JALAN HICKS)
50200 KUALA LUMPUR

91603-K

**REPORT OF THE AUDITORS TO THE MEMBER OF
THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 17 to 49. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Company as at 31 December 2004 and of the results and the cash flows for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young

ERNST & YOUNG
AF: 0039
Chartered Accountants

P. Pushpanathan

PUSHPANATHAN A/L S.A. KANAGARAYAR
No. 1056/03/05(J/PH)
Partner

Kuala Lumpur, Malaysia
22 February 2005

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 31 DECEMBER 2004

	Note	2004 RM	2003 RM
ASSETS			
Property and equipment	3	2,938,210	2,579,532
Deferred tax assets	4	191,817	525,154
Investments	5	226,640,423	213,971,152
Loans	6	4,016,506	3,715,387
Receivables	7	29,594,524	22,894,745
Cash and bank balances		8,114,478	1,823,823
TOTAL ASSETS		<u>271,495,958</u>	<u>245,509,793</u>
LIABILITIES			
Provision for outstanding claims	8	88,524,998	66,181,003
Payables	9	14,787,070	18,321,769
Tax payable		339,996	1,420,779
Staff retirement gratuities	10	224,635	763,434
TOTAL LIABILITIES		<u>103,876,699</u>	<u>86,686,985</u>
Unearned premium reserves	11	<u>34,334,787</u>	<u>30,555,474</u>
SHAREHOLDER'S FUND			
Share capital	12	100,000,000	100,000,000
Retained profits		33,284,472	28,267,334
		<u>133,284,472</u>	<u>128,267,334</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUND		<u>271,495,958</u>	<u>245,509,793</u>

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

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Share capital RM	Distributable Retained profits RM	Total RM
At 1 January 2003		100,000,000	26,035,125	126,035,125
Net profit for the year		-	12,232,209	12,232,209
Dividends	13	-	(10,000,000)	(10,000,000)
At 31 December 2003		<u>100,000,000</u>	<u>28,267,334</u>	<u>128,267,334</u>
At 1 January 2004		100,000,000	28,267,334	128,267,334
Net profit for the year		-	13,657,138	13,657,138
Dividends	13	-	(8,640,000)	(8,640,000)
At 31 December 2004		<u>100,000,000</u>	<u>33,284,472</u>	<u>133,284,472</u>

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

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 RM	2003 RM
Operating revenue	14	<u>106,645,493</u>	<u>99,508,892</u>
Shareholder's fund:			
Investment income	14a	979,667	1,296,694
Other operating income	15	151,374	148,620
Management expenses	16	(315,310)	(78,984)
Surplus transferred from			
General Insurance Revenue Account		<u>17,638,757</u>	<u>15,173,552</u>
Profit before taxation		<u>18,454,488</u>	<u>16,539,882</u>
Taxation	19	<u>(4,797,350)</u>	<u>(4,307,673)</u>
Net profit for the year		<u>13,657,138</u>	<u>12,232,209</u>
Earnings per share (sen)	21		
Basic		<u>13.7</u>	<u>12.2</u>

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

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

Note	Fire		Motor		Marine, Aviation and Transit		Miscellaneous ("Misc.")						Total		
	2004	2003	2004	2003	2004	2003	Medical & Health		Others		Total Misc.		2004	2003	
	RM	RM	RM	RM	RM	RM	2004	2003	2004	2003	2004	2003	RM	RM	
Operating revenue	14													105,665,826	98,212,198
Gross premiums	17,834,938	17,504,911	23,038,146	22,463,467	2,897,419	2,043,746	33,891,571	27,312,495	20,567,956	20,978,762	54,459,527	48,291,257	98,230,030	90,303,381	
Reinsurance	(7,813,176)	(8,678,736)	(2,758,192)	(1,951,913)	(2,368,124)	(1,804,833)	(5,862,720)	(3,982,776)	(7,385,762)	(7,267,752)	(13,248,482)	(11,250,528)	(26,187,974)	(23,686,010)	
Net premium	10,021,762	8,826,175	20,279,954	20,511,554	529,295	238,913	28,028,851	23,329,719	13,182,194	13,711,010	41,211,045	37,040,729	72,042,056	66,617,371	
(Increase)/decrease in unearned premium reserves	11	(286,331)	272,873	752,119	(513,484)	(98,599)	55,128	(449,826)	(6,546,127)	863,258	(1,458,391)	413,432	(8,004,518)	780,621	(8,190,001)
Earned premium	9,735,431	9,099,048	21,032,073	19,998,070	430,696	294,041	27,579,025	16,783,592	14,045,452	12,252,619	41,624,477	29,036,211	72,822,677	58,427,370	
Net claims incurred	20	(3,110,931)	(1,054,250)	(10,874,309)	(15,737,430)	(165,100)	(108,640)	(18,192,455)	(10,973,405)	(6,736,336)	(5,151,553)	(24,928,791)	(16,124,958)	(39,079,131)	(33,025,278)
Net commission		(1,455,522)	(1,271,805)	(2,029,375)	(1,849,908)	(9,003)	(14,127)	(2,310,741)	(1,907,095)	(2,573,667)	(2,342,886)	(4,884,408)	(4,249,981)	(8,378,308)	(7,385,821)
Underwriting surplus before management expenses		5,168,978	6,772,993	8,128,389	2,410,732	256,593	171,274	7,075,829	3,903,092	4,735,449	4,758,180	11,811,278	8,661,272	25,365,238	18,016,271
Management expenses	16													(18,953,539)	(16,039,581)
Underwriting surplus														6,411,699	1,976,690
Investment income	14a													7,435,796	7,908,817
Other operating income	15													3,795,599	5,296,545
Profit from operations														17,643,094	15,182,052
Finance costs	18													(4,337)	(8,500)
Transfer to Income Statement														17,638,757	15,173,552

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

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,454,488	16,539,882
Adjustment for:		
Depreciation of property and equipment	869,105	1,234,838
(Gain)/loss on disposal of property and equipment	(167,936)	6,519
Write off of property and equipment	26,887	13,154
Write back of provision for diminution in value of investments	(124,916)	(1,428,219)
Impairment of investment property	35,000	-
Amortisation of premiums, net of accretion of discounts	178,884	(608,875)
Net gain on disposal of investments	(3,319,947)	(3,419,021)
Gain on disposal of an investment property	-	(5,000)
Investment income	(8,594,347)	(8,596,636)
Other interest income	(151,374)	(148,620)
Interest expense	4,543	9,361
Bad debt recovered, net of write off	(1,267,296)	(3,048,078)
Provision for staff retirement gratuities	64,307	125,403
Short-term accumulating compensated absences	(64,655)	93,897
Net (decrease)/increase in unearned premium reserves	(780,621)	8,190,001
Profit from operations before changes in operating assets and liabilities	5,162,122	8,958,606
Purchase of investments	(28,363,568)	(57,860,603)
Proceeds from disposal/maturity of investments	44,079,646	84,269,807
Proceeds from disposal of an investment property	-	105,000
Increase in loans	(301,120)	(190,227)
(Increase)/decrease in receivables	(1,348,231)	1,436,450
Decrease/(increase) in fixed and call deposits	3,628,563	(24,241,564)
Increase/(decrease) in outstanding claims	4,806,697	(2,700,976)
Decrease in payables	(14,763,213)	(3,466,492)
Cash generated from operations	12,900,896	6,310,001
Investment income received	8,522,275	9,012,700
Other interest received	151,374	148,620
Interest paid	(206)	(861)
Income taxes paid	(4,155,087)	(4,100,000)
Staff retirement gratuities paid	(603,106)	(20,218)
Net cash generated from operating activities	16,816,146	11,350,242

	2004	2003
	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,193,460)	(483,863)
Proceeds from disposal of property and equipment	239,004	550
Net cash used in purchase of business from a fellow subsidiary*	<u>(926,698)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,881,154)</u>	<u>(483,313)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(8,640,000)	(10,000,000)
Finance costs	<u>(4,337)</u>	<u>(8,500)</u>
Net cash used in financing activities	<u>(8,644,337)</u>	<u>(10,008,500)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,290,655	858,429
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	<u>1,823,823</u>	<u>965,394</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>8,114,478</u>	<u>1,823,823</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	<u>8,114,478</u>	<u>1,823,823</u>
* Acquisition of business from a fellow subsidiary		
Property and equipment	132,278	
Investments	28,782,932	
Receivables	5,407,331	
Cash and bank balances	5,234,521	
Provision for outstanding claims	(27,150,692)	
Other payables	(1,685,217)	
Unearned premium reserves	<u>(4,559,934)</u>	
Total purchase consideration	6,161,219	
Cash and bank balances acquired	<u>(5,234,521)</u>	
Net cash used in acquisition of business from a fellow subsidiary	<u>926,698</u>	

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

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2004

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 holding and ultimate holding company of the Company is PacificMas Berhad, a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The number of employees in the Company at the end of the financial year was 217 (2003: 211).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965, the Insurance Act, 1996, Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and applicable Approved Accounting Standards in Malaysia.

Assets and liabilities in the balance sheet relate to both the General Insurance Fund and the Shareholder's Fund.

(b) Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(i).

Depreciation of property and equipment 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 premises	2%
Leasehold renovations	50%
Motor vehicles	20%
Furniture and fittings	10%
Office equipment	10%
Computers	20%

Upon the disposal of an item of property and equipment, the difference between the net disposal proceeds and the net carrying amount is charged or credited to the income statement/revenue account.

(c) Investment Properties

Investment properties consist of investments in land and buildings that are not occupied for use by the Company.

Investment properties are treated as long-term investments and are stated at cost and include related and incidental expenditure incurred less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(i). Investment properties are not depreciated.

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement/revenue account.

(d) 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

Premium income net of all reinsurances is recognised based on booking date and not on risk assumption date as recommended in FRS 202 (MASB Standard 17): General Insurance Business. In the previous financial year, an adjustment was made to account for premiums by risk assumption dates at the end of the financial year. Pursuant to BNM's JPI14/2004: Guidelines for Submission of Returns - General Business, similar adjustments had been made in the current financial year at 30 June and 30 September 2004. Subsequently, the adjustment is made on a monthly basis.

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

(ii) Unearned premium reserves

Unearned Premium Reserves (“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 balance sheet date, the method that most accurately reflects the actual liability is used, as follows:

- 25% method for marine, 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 bond	10%
- Fire, engineering, aviation and marine hull	15%
- Medical	10 - 15%
- Other classes	20%
- 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

(iii) Provision for claims

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the probable cost of claims, together with related expenses incurred but not reported (“IBNR”) at balance sheet date, 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.

(v) Allowance for bad and doubtful debts

Full allowance is made in the financial statements for outstanding premiums including agents, brokers, and reinsurers balances in arrears for more than six months.

(e) Other Revenue Recognition

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

(i) Interest income

Interest income is recognised on a time proportion basis.

(ii) Gross dividend income

Gross dividend income is recognised on a declared basis when the shareholder's right to receive payment is established.

(iii) Rental income

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

(f) Foreign Currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At each balance sheet date, 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/revenue account.

(g) 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 balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and 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 or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(h) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances but do not include fixed and call deposits.

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

(i) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of the net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement/revenue account immediately. Reversal of impairment losses recognised in prior years is recognised when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

(j) 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 balances, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement/revenue account as incurred.

(iii) Staff retirement gratuities

The Company operates an unfunded defined contribution staff retirement gratuities scheme. Provision for staff retirement gratuities is charged to the income statement/revenue account in the year to which they relate.

The provision is an amount contributed by the Company, in addition to the statutory percentage required in respect of EPF and is calculated based on the current emoluments of eligible employees with less than five years length of completed service. The provision for staff retirement gratuities of those eligible employees with more than five years of service is transferred to the EPF upon their resignation if they have not reached retirement age yet.

During the current financial year, the staff retirement gratuities scheme for the management employees was abolished and the Company's total provision for the management employees' retirement gratuity under the scheme was remitted to the EPF for the accounts of the individual staff members.

(k) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to financial instruments classified as liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Disclosure information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts are excluded from the scope of FRS 132 (MASB Standard 24): Financial Instruments - Disclosure and Presentation.

(i) Malaysian Government Securities and other approved investments

Malaysian Government Securities and other approved investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are charged or credited to the revenue account.

(ii) Quoted investments

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution in value of a particular investment is regarded as other than temporary, a write down is made against the value of that investment.

(iii) Government guaranteed bonds and unquoted corporate bonds

Government guaranteed bonds and unquoted corporate bonds which are secured or which carry a minimum rating of “BBB” (long-term) or “P3” (short-term) are valued at cost adjusted for amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the date of purchase to maturity date. Any corporate bond with a lower rating is valued at the lower of cost or net realisable value.

(iv) Receivables

Receivables are carried at anticipated realisable values.

Known bad debts are written off and full allowances are made for outstanding premiums including agents, brokers and reinsurers balances in arrears for more than six months from the date on which they become receivable and for all debts which are considered doubtful.

(v) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(vi) Equity instruments

Ordinary shares are classified as equity.

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

3. PROPERTY AND EQUIPMENT

	Office premises and leasehold renovations RM	Motor vehicles RM	Furniture, fittings, office equipment and computers RM	Total RM
Cost				
At 1 January 2004	1,477,417	390,672	7,338,228	9,206,317
Acquisition of business	482,107	580,159	1,063,636	2,125,902
Additions	96,270	-	1,097,190	1,193,460
Disposals	-	(621,460)	(4,058)	(625,518)
Write-offs	(538,391)	(150)	(839,663)	(1,378,204)
At 31 December 2004	1,517,403	349,221	8,655,333	10,521,957

	Office premises and leasehold renovations RM	Motor vehicles RM	Furniture, fittings, office equipment and computers RM	Total RM
Accumulated Depreciation				
At 1 January 2004	1,400,361	135,001	5,091,423	6,626,785
Acquisition of business	482,078	548,465	963,081	1,993,624
Charge for the year	92,991	66,979	709,135	869,105
Disposals	-	(546,228)	(8,222)	(554,450)
Write-offs	(530,359)	(149)	(820,809)	(1,351,317)
At 31 December 2004	<u>1,445,071</u>	<u>204,068</u>	<u>5,934,608</u>	<u>7,583,747</u>
Net Book Value				
At 31 December 2004	<u>72,332</u>	<u>145,153</u>	<u>2,720,725</u>	<u>2,938,210</u>
At 31 December 2003	<u>77,056</u>	<u>255,671</u>	<u>2,246,805</u>	<u>2,579,532</u>
Details at 1 January 2003				
Cost	1,377,240	390,671	7,074,519	8,842,430
Accumulated depreciation	863,351	66,181	4,562,168	5,491,700
Depreciation charge for 2003				
	<u>477,960</u>	<u>68,819</u>	<u>688,059</u>	<u>1,234,838</u>

- (a) Included in property and equipment of the Company are the costs of fully depreciated assets which are still in use as follows:

	2004 RM	2003 RM
Office premises and leasehold renovations	1,406,239	1,333,507
Motor vehicles	4,318	12,039
Furniture, fittings, office equipment and computers	3,692,737	3,267,099
	<u>5,103,294</u>	<u>4,612,645</u>

- (b) The net book value of motor vehicles held under finance lease arrangements with a fellow subsidiary, Pac Lease Sdn. Bhd., is RM42,607 (2003: RM122,174).
- (c) As disclosed in Note 26, the Company acquired property and equipment from a fellow subsidiary, Malaysian & Nippon Insurans Berhad ("MNIB") (now known as PacificMas Capital Sdn. Bhd.) at their net book values.

4. DEFERRED TAX ASSETS/(LIABILITIES)

	2004	2003
	RM	RM
At 1 January	525,154	957,170
Recognised in the income statement (Note 19)	(333,337)	(432,016)
At 31 December	<u>191,817</u>	<u>525,154</u>

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

2004

Deferred Tax Liabilities	Accelerated capital allowances RM	Total RM
At 1 January	(430,512)	(430,512)
Recognised in the income statement	(48,706)	(48,706)
At 31 December	<u>(479,218)</u>	<u>(479,218)</u>

Deferred Tax Assets	Receivables RM	Staff retirement gratuities RM	Others RM	Total RM
At 1 January	715,333	213,762	26,571	955,666
Recognised in the income statement	(115,383)	(150,864)	(18,384)	(284,631)
At 31 December	<u>599,950</u>	<u>62,898</u>	<u>8,187</u>	<u>671,035</u>

2003

Deferred Tax Liabilities	Accelerated capital allowances RM	Total RM
At 1 January	(459,610)	(459,610)
Recognised in the income statement	29,098	29,098
At 31 December	<u>(430,512)</u>	<u>(430,512)</u>

Deferred Tax Assets	Receivables RM	Staff retirement gratuities RM	Others RM	Total RM
At 1 January	1,232,470	184,310	-	1,416,780
Recognised in the income statement	(517,137)	29,452	26,571	(461,114)
At 31 December	<u>715,333</u>	<u>213,762</u>	<u>26,571</u>	<u>955,666</u>

5. INVESTMENTS

	2004		2003	
	Cost RM	Market/ indicative value* RM	Cost RM	Market/ indicative value* RM
Investment properties, at cost	959,450		959,450	
Impairment loss	(35,000)		-	
	<u>924,450</u>	<u>924,450</u>	<u>959,450</u>	<u>959,450</u>
Malaysian Government Securities ("MGS")	18,142,420		13,260,760	
Amortisation of premiums net of accretion of discounts	(431,248)		(435,692)	
	<u>17,711,172</u>	<u>18,499,956</u>	<u>12,825,068</u>	<u>13,141,780</u>
Government Investment Issue ("GII")	4,656,000		4,656,000	
Accretion of discounts	206,642		61,529	
	<u>4,862,642</u>	<u>4,893,500</u>	<u>4,717,529</u>	<u>4,690,000</u>
Quoted in Malaysia:				
Shares, warrants and convertible loan stocks (N1)	23,342,291		3,488,111	
Provision for diminution in value	(1,107,080)		(20,968)	
	<u>22,235,211</u>	<u>22,235,211</u>	<u>3,467,143</u>	<u>3,467,143</u>
Unit trusts (N2)	<u>8,933,329</u>	<u>9,345,153</u>	<u>11,507,367</u>	<u>12,067,657</u>

	2004		2003	
	Cost RM	Market/ indicative value* RM	Cost RM	Market/ indicative value* RM
Unquoted:				
Cagamas bonds	10,054,500	10,119,000	-	-
Danaharta bonds	-	-	9,709,000	9,821,000
Corporate bonds (N3)	34,681,830	35,714,100	40,196,830	49,917,500
	<u>44,736,330</u>		<u>49,905,830</u>	
Accretion of discounts net of amortisation of premiums	623,828		346,741	
	<u>45,360,158</u>		<u>50,252,571</u>	
Fixed and call deposits with licensed financial institutions:				
Commercial banks (N4)	93,618,124		92,423,574	
Finance companies	6,183,266		7,385,644	
Other financial institutions (N5)	26,812,071		30,432,806	
	<u>126,613,461</u>		<u>130,242,024</u>	
Total investments	<u>226,640,423</u>		<u>213,971,152</u>	

* indicative values, where applicable, obtained from the secondary market

N1 includes an amount of RM19,297,106 (2003: RM567,364) managed by a fellow subsidiary, PacificMas Asset Management Sdn. Bhd.

N2 includes an amount of RM3,334,191 (2003: RM10,163,321) managed by a fellow subsidiary, Pacific Mutual Fund Bhd.

N3 all unquoted corporate bonds carry a minimum rating of "BBB" (long-term) or "P3" (short-term)

N4 includes an amount of RM11,030,063 (2003: RM18,294,122) placed with OCBC Bank (Malaysia) Berhad, a subsidiary of a substantial shareholder of the holding company

N5 includes an amount of RM14,024,864 (2003: RM10,600,412) managed by a fellow subsidiary, PacificMas Asset Management Sdn. Bhd.

The maturity structure of investments, at cost (excluding equity investments, warrants, unit trusts and investment properties) is as follows:

	Within 1 year RM	More than 1 to < 3 years RM	3 to 5 years RM	More than 5 years RM	Total RM
2004					
MGS	-	15,758,420	2,384,000	-	18,142,420
GII	4,656,000	-	-	-	4,656,000
Unquoted Cagamas bonds	-	10,054,500	-	-	10,054,500
Unquoted corporate bonds	7,803,130	9,334,700	13,473,500	4,070,500	34,681,830
Fixed and call deposits	126,613,461	-	-	-	126,613,461
	<u>139,072,591</u>	<u>35,147,620</u>	<u>15,857,500</u>	<u>4,070,500</u>	<u>194,148,211</u>
2003					
MGS	8,861,900	1,230,000	3,168,860	-	13,260,760
GII	-	4,656,000	-	-	4,656,000
Unquoted Danaharta bonds	9,709,000	-	-	-	9,709,000
Unquoted corporate bonds	10,515,500	17,137,830	4,878,000	7,665,500	40,196,830
Fixed and call deposits	130,242,024	-	-	-	130,242,024
	<u>159,328,424</u>	<u>23,023,830</u>	<u>8,046,860</u>	<u>7,665,500</u>	<u>198,064,614</u>

The weighted average rate of return and the average remaining maturity of deposits as at the balance sheet date were as follows:

	Weighted average rate of return		Average remaining maturity	
	2004	2003	2004	2003
	(% per annum)		(Days)	
Commercial banks	3.12	3.49	186	174
Finance companies	3.58	3.87	141	188
Other financial institutions	2.93	3.00	49	87

Other financial institutions are discount houses and savings institutions.

6. LOANS

	2004	2003
	RM	RM
Staff loans:		
Secured	2,989,559	2,778,177
Unsecured	1,026,947	937,210
	<u>4,016,506</u>	<u>3,715,387</u>
Receivable after 12 months	<u>3,525,667</u>	<u>3,293,701</u>

The weighted average effective interest rate for staff loans as at 31 December 2004 was 3.27% (2003: 3.31%) per annum on the basis of monthly rest.

7. RECEIVABLES

	2004	2003
	RM	RM
Trade receivables:		
Due premiums including agents/brokers and co-insurers balances	19,075,306	14,427,679
Allowance for doubtful debts	(4,807,162)	(3,653,110)
	<u>14,268,144</u>	<u>10,774,569</u>
Amount due from reinsurers/ceding companies	4,681,521	3,522,714
Allowance for doubtful debts	(1,231,508)	(1,890,406)
	<u>3,450,013</u>	<u>1,632,308</u>
Total trade receivables	<u>17,718,157</u>	<u>12,406,877</u>
Other receivables:		
Other receivables, deposits and prepayments	8,918,471	5,462,081
Tax recoverable	574,446	2,630,499
Income due and accrued	2,383,450	2,395,288
Total other receivables	<u>11,876,367</u>	<u>10,487,868</u>
Total receivables	<u>29,594,524</u>	<u>22,894,745</u>

8. PROVISION FOR OUTSTANDING CLAIMS

	2004	2003
	RM	RM
Provision for outstanding claims	121,989,195	98,739,486
Recoverable from reinsurers	(33,464,197)	(32,558,483)
Net outstanding claims	<u>88,524,998</u>	<u>66,181,003</u>

9. PAYABLES

	2004	2003
	RM	RM
Trade payables:		
Amount due to reinsurers/ceding companies	3,509,065	7,817,869
Amount due to brokers, co-insurers and insureds	4,562,054	5,165,260
	<u>8,071,119</u>	<u>12,983,129</u>
Other payables:		
Other payables and accrued liabilities	6,715,951	5,338,640
	<u>14,787,070</u>	<u>18,321,769</u>

10. STAFF RETIREMENT GRATUITIES

	2004	2003
	RM	RM
At 1 January	763,434	658,249
Provision for the year	64,307	125,403
	<u>827,741</u>	<u>783,652</u>
Benefits paid during the year	(603,106)	(20,218)
At 31 December	<u>224,635</u>	<u>763,434</u>

11. UNEARNED PREMIUM RESERVES

				Marine, Aviation and Transit	Medical & Health	Misc.		
	Fire RM	Motor RM	Transit RM	RM	RM	Others RM	Total Misc. RM	Total RM
2004								
At 1 January	3,633,299	9,069,728	66,674	12,130,284	5,655,489	17,785,773	30,555,474	
Acquisition of business (Note 26)	922,020	2,673,119	51,903	89,328	823,564	912,892	4,559,934	
(Decrease)/ increase	286,331	(752,119)	98,599	449,826	(863,258)	(413,432)	(780,621)	
At 31 December	4,841,650	10,990,728	217,176	12,669,438	5,615,795	18,285,233	34,334,787	
2003								
At 1 January	3,906,172	8,556,244	121,802	5,584,157	4,197,098	9,781,255	22,365,473	
(Decrease)/ increase	(272,873)	513,484	(55,128)	6,546,127	1,458,391	8,004,518	8,190,001	
At 31 December	3,633,299	9,069,728	66,674	12,130,284	5,655,489	17,785,773	30,555,474	

12. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2004	2003	2004 RM	2003 RM
Authorised:				
At 1 January/31 December	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued and paid up:				
At 1 January/31 December	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

13. DIVIDENDS

	Amount		Net dividend per share	
	2004 RM	2003 RM	2004 Sen	2003 Sen
Interim dividends of 12%, less 28% taxation (2003: 10%, tax exempt)	<u>8,640,000</u>	<u>10,000,000</u>	<u>8.6</u>	<u>10.0</u>

The directors do not propose any final dividend for the financial year ended 31 December 2004.

14. OPERATING REVENUE

	Shareholder's fund RM	General business RM	Total RM
2004			
Gross premiums	-	98,230,030	98,230,030
Investment income (Note 14a)	979,667	7,435,796	8,415,463
	<u>979,667</u>	<u>105,665,826</u>	<u>106,645,493</u>
2003			
Gross premiums	-	90,303,381	90,303,381
Investment income (Note 14a)	1,296,694	7,908,817	9,205,511
	<u>1,296,694</u>	<u>98,212,198</u>	<u>99,508,892</u>

14a. Investment Income

	Shareholder's fund		General business	
	2004	2003	2004	2003
	RM	RM	RM	RM
Interest income from:				
MGS	-	-	987,724	1,526,703
Corporate bonds	-	-	2,213,322	1,907,154
Cagamas bonds	-	-	179,678	-
Fixed and call deposits	955,667	1,272,694	3,122,316	2,665,424
Gross dividends from:				
Shares quoted in Malaysia	-	-	683,221	540,547
Unit trusts	-	-	378,619	621,214
Rental of properties	24,000	24,000	49,800	38,900
Accretion of discount, net of amortisation of premiums	-	-	(178,884)	608,875
	<u>979,667</u>	<u>1,296,694</u>	<u>7,435,796</u>	<u>7,908,817</u>

15. OTHER OPERATING INCOME/(EXPENSES)

	Shareholder's fund		General business	
	2004	2003	2004	2003
	RM	RM	RM	RM
Other income:				
Net gain on disposal of investments	-	-	3,319,947	3,419,021
Gain on disposal of property and equipment	-	-	167,936	-
Gain on disposal of an investment property	-	-	-	5,000
Realised gain on foreign exchange	-	-	-	998
Write back of provision for diminution in value of investments	-	-	124,916	1,428,219
Interest income from staff loans	151,374	148,620	-	-
Sundry income	-	-	253,098	473,396
	<u>151,374</u>	<u>148,620</u>	<u>3,865,897</u>	<u>5,326,634</u>

	Shareholder's fund		General business	
	2004	2003	2004	2003
	RM	RM	RM	RM
Other expenses:				
Loss on disposal of property and equipment	-	-	-	(6,519)
Impairment of investment property	-	-	(35,000)	-
Write off of property and equipment	-	-	(26,887)	(13,154)
Interest expenses	-	-	(4,543)	(9,361)
Sundry expenses	-	-	(3,868)	(1,055)
Net income	151,374	148,620	3,795,599	5,296,545

16. MANAGEMENT EXPENSES

	Shareholder's fund		General business	
	2004	2003	2004	2003
	RM	RM	RM	RM
Staff costs:				
Salaries, bonus, allowances and other related costs	-	-	10,364,348	9,510,390
EPF	-	-	1,490,737	1,180,164
Provision for staff retirement gratuities	-	-	64,307	125,403
Short-term accumulating compensated absences	-	-	(64,655)	93,897
	-	-	11,854,737	10,909,854
Directors' fees (Note 17)	-	-	137,500	125,890
Auditors' remuneration	-	-	66,000	60,000
Bad debts recovered net of write-off	-	-	(1,267,296)	(3,048,078)
Office rental	-	-	1,535,164	1,336,650
Office equipment rental	-	-	90,051	85,117
Depreciation of property and equipment	-	-	869,105	1,234,838
Other expenses	315,310	78,984	5,668,278	5,335,310
	315,310	78,984	18,953,539	16,039,581

17. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

	2004	2003
	RM	RM
Executive director:		
Salary and other emoluments	-	232,467
Directors' fees	-	15,000
EPF	-	37,195
Benefits-in-kind	-	6,244
	<u>-</u>	<u>290,906</u>
Non-executive directors:		
Directors' fees	<u>137,500</u>	<u>110,890</u>
Total	<u>137,500</u>	<u>401,796</u>
Total included as staff costs (excluding benefits-in-kind)	<u>-</u>	<u>269,662</u>
Total directors' fees	<u>137,500</u>	<u>125,890</u>

The remuneration attributable to the Chief Executive Officer of the Company included in staff costs amounted to RM439,391 (2003: RM284,662). The estimated monetary value of benefits in-kind not included therein was RM6,942 (2003: RM6,244).

The number of directors whose remuneration during the year falls within the following bands is analysed below:

	Number of directors	
	2004	2003
Executive director:		
RM250,001 to RM300,000	-	1
Non-executive directors:		
Below RM50,000	5	5

18. FINANCE COSTS

Finance costs relate to finance lease interest.

19. TAXATION

	2004	2003
	RM	RM
Income tax:		
Malaysian income tax	4,569,675	3,875,657
Overprovision in respect of prior years	(105,662)	-
	<u>4,464,013</u>	<u>3,875,657</u>
Deferred tax relating to origination and reversal of temporary differences (Note 4)	333,337	432,016
Tax expense for the year	<u>4,797,350</u>	<u>4,307,673</u>

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:

	2004	2003
	RM	RM
Profit before taxation	<u>18,454,488</u>	<u>16,539,882</u>
Taxation at Malaysian statutory income tax rate of 28% (2003: 28%)	5,167,257	4,631,167
Expenses not deductible for tax purposes	160,859	112,308
Income not subject to tax	(454,548)	(481,071)
Overprovision of income tax in prior years	(105,662)	-
Underprovision of deferred tax in prior years	29,444	45,269
Tax expense for the year	<u>4,797,350</u>	<u>4,307,673</u>

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and exempt income to frank the payment of dividends out of its entire retained profits as at 31 December 2004.

As at 31 December 2004, the Company has tax exempt income available for distribution of approximately RM1,470,000 (2003: RM1,177,000), subject to agreement of the Inland Revenue Board.

20. NET CLAIMS INCURRED

				Marine, Aviation and Transit RM	Medical & Health RM	Others RM	Total Misc. RM	Total RM
2004								
Gross claims								
paid less								
salvage	5,422,548	21,085,840	920,775	19,334,927	10,675,490	30,010,417	57,439,580	
Reinsurance								
recoveries	(2,325,616)	(2,828,466)	(691,766)	(2,904,038)	(4,803,866)	(7,707,904)	(13,553,752)	
Net claims								
paid	3,096,932	18,257,374	229,009	16,430,889	5,871,624	22,302,513	43,885,828	
Net								
outstanding								
claims:								
At 31								
December	5,564,135	57,533,617	2,512,244	5,831,162	17,083,840	22,915,002	88,524,998	
Acquisition of								
business								
(Note 26)	(1,869,625)	(21,203,437)	(848,570)	(105,825)	(3,123,235)	(3,229,060)	(27,150,692)	
At 1								
January	(3,680,511)	(43,713,245)	(1,727,583)	(3,963,771)	(13,095,893)	(17,059,664)	(66,181,003)	
Net claims								
incurred	3,110,931	10,874,309	165,100	18,192,455	6,736,336	24,928,791	39,079,131	
2003								
Gross claims								
paid less								
salvage	7,110,251	20,985,420	1,947,350	12,878,274	8,489,109	21,367,383	51,410,404	
Reinsurance								
recoveries	(3,999,416)	(3,298,709)	(1,721,556)	(3,212,991)	(3,451,478)	(6,664,469)	(15,684,150)	
Net claims								
paid	3,110,835	17,686,711	225,794	9,665,283	5,037,631	14,702,914	35,726,254	
Net								
outstanding								
claims:								
At 31								
December	3,680,511	43,713,245	1,727,583	3,963,771	13,095,893	17,059,664	66,181,003	
At 1								
January	(5,737,096)	(45,662,526)	(1,844,737)	(2,655,649)	(12,981,971)	(15,637,620)	(68,881,979)	
Net claims								
incurred	1,054,250	15,737,430	108,640	10,973,405	5,151,553	16,124,958	33,025,278	

21. 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 RM13,657,138 (2003: RM12,232,209) over the number of shares in issue during the year of 100,000,000 (2003: 100,000,000). There is no dilution in earnings per share as there were no dilutive potential ordinary shares as at 31 December 2004.

22. SEGMENT INFORMATION ON CASH FLOW

	Shareholder's fund RM	General business RM	Total RM
2004			
Cash flows from:			
Operating activities	8,578,402	8,237,744	16,816,146
Investing activities	-	(1,881,154)	(1,881,154)
Financing activities	(8,640,000)	(4,337)	(8,644,337)
	<u>(61,598)</u>	<u>6,352,253</u>	<u>6,290,655</u>

Net increase/(decrease) in cash and cash equivalents:

At beginning of financial year	(140,450)	(1,683,373)	(1,823,823)
At end of financial year	78,852	8,035,626	8,114,478
	<u>(61,598)</u>	<u>6,352,253</u>	<u>6,290,655</u>

2003

Cash flows from:			
Operating activities	10,096,018	1,254,224	11,350,242
Investing activities	-	(483,313)	(483,313)
Financing activities	(10,000,000)	(8,500)	(10,008,500)
	<u>96,018</u>	<u>762,411</u>	<u>858,429</u>

Net increase in cash and cash equivalents:

At beginning of financial year	(44,432)	(920,962)	(965,394)
At end of financial year	140,450	1,683,373	1,823,823
	<u>96,018</u>	<u>762,411</u>	<u>858,429</u>

23. CAPITAL COMMITMENTS

	2004 RM	2003 RM
Approved and contracted for	39,785	140,727
Approved but not contracted for	-	3,253
	<u>39,785</u>	<u>143,980</u>

24. SIGNIFICANT RELATED PARTY DISCLOSURES

	2004	2003
	RM	RM
Insurance premium from:		
Holding company	36,234	40,725
Fellow subsidiaries		
- Pacific Mutual Fund Bhd.	139,418	114,696
- Pac Lease Sdn. Bhd.	29,510	29,034
Associated company of the holding company		
- Malaysian Trustees Berhad	44,317	40,797
Substantial shareholder of the holding company		
- United Malacca Berhad	60,443	59,074
Interest income from fixed and call deposits placed with:		
Subsidiary of a substantial shareholder of the holding company		
- OCBC Bank (Malaysia) Berhad	577,390	187,901
Insurance commissions including agency commissions paid and payable to:		
Fellow subsidiary		
- Pac Lease Sdn. Bhd.	(272,577)	(173,938)
Substantial shareholder of the holding company		
- United Malacca Berhad	(86,063)	(56,928)
Subsidiary of a substantial shareholder of the holding company		
- OCBC Bank (Malaysia) Berhad	(36,490)	(26,822)
Claims payment to:		
Holding company	(15,592)	(39,214)
Fellow subsidiaries		
- Pac Lease Sdn. Bhd.	(26,653)	(2,592)
- P.B. Pacific Sdn. Bhd.	(6,350)	(18,900)
- Pacific Mutual Fund Bhd.	(30,824)	(13,368)
Substantial shareholder of the holding company		
- United Malacca Berhad	(22,978)	(27,533)
Management fees paid to:		
Holding company	(1,704,530)	(1,693,284)
Premises rental paid to:		
Fellow subsidiary		
- P.B. Pacific Sdn. Bhd.	(1,198,853)	(1,127,550)
Investment management fees paid and payable to:		
Fellow subsidiary		
- PacificMas Asset Management Sdn. Bhd.	(95,926)	(85,793)

	2004	2003
	RM	RM
Premiums receivable from:		
Fellow subsidiary		
- Pac Lease Sdn. Bhd.	105,188	98,683
Substantial shareholder of the holding company		
- United Malacca Berhad	217,243	120,209
Current account balances with:		
Subsidiary of a substantial shareholder of the holding company		
- OCBC Bank (Malaysia) Berhad	300,523	173,501
Deposits and prepayments receivable from:		
Fellow subsidiary		
- P.B. Pacific Sdn. Bhd.	452,082	421,943
Lease payable to:		
Fellow subsidiary		
- Pac Lease Sdn. Bhd.	(32,517)	(86,784)

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

25. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the Company's business activity whilst managing the Company's interest rate, liquidity, market and credit risks. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

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, Malaysian Government Securities, Malaysian Government Guaranteed bonds and bonds issued by corporations in Malaysia. The interest rate risk arises from the interest rate movements affecting the reinvestment of these interest-bearing assets.

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.

(c) Liquidity Risk

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.

(d) Market Risk

The Company's investments in equities and unit trusts are subject to fluctuations in market prices. The Company's investments in equities and unit trusts are managed by licensed asset management companies and licensed unit trust management companies respectively.

The Company has given clear investment guidelines to the asset management companies under the fund management agreement in order to manage the market risk. The unit trust management companies are governed by the unit trust guidelines and regulations stipulated by the Securities Commission.

(e) Credit Risk

Credit risk arises when the Company's cash assets are placed in interest-bearing instruments, mainly fixed 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 internal control measures to minimise this credit risk.

(f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Company as at the end of the financial year are represented as follows:

	Note	Carrying amount RM	Fair value RM
At 31 December 2004:			
Investments	5		
MGS		17,711,172	18,499,956
GII		4,862,642	4,893,500
Quoted shares, warrants and convertible loan stocks		22,235,211	22,235,211
Quoted unit trusts		8,933,329	9,345,153
Cagamas bonds		10,039,817	10,119,000
Unquoted corporate bonds		35,320,341	35,714,100
		99,102,512	100,806,920

	Note	Carrying amount RM	Fair value RM
At 31 December 2003:			
Investments	5		
MGS		12,825,068	13,141,780
GII		4,717,529	4,690,000
Quoted shares, warrants and convertible loan stocks		3,467,143	3,467,143
Quoted unit trusts		11,507,367	12,067,657
Danaharta bonds		9,819,036	9,821,000
Unquoted corporate bonds		40,433,535	49,917,500
		<u>82,769,678</u>	<u>93,105,080</u>

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents and Other Receivables/Payables

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

(ii) Investments

The fair values of quoted investments are determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

The fair values of quoted units in unit trust funds are determined by reference to market quotations by the manager of the unit trust funds.

The fair values of MGS, GII, Danamodal, Danaharta, Cagamas and unquoted corporate bonds are indicative values obtained from the secondary market.

26. SIGNIFICANT EVENTS

- (a) Following the completion of the acquisition of a fellow subsidiary, Malaysia & Nippon Insurans Berhad (“MNIB”) (now known as PacificMas Capital Sdn. Bhd.) by the holding company, PacificMas Berhad, the general insurance business of MNIB was merged with that of the Company by vesting over the assets and liabilities to the Company on 1 October 2004.

- (b) The holding company, PacificMas Berhad began negotiations in 2003 with GEL Capital (Malaysia) Berhad for the restructuring of the equity and insurance operations of Great Eastern Life Assurance (Malaysia) Berhad (“GELM”) and Overseas Assurance Corporation (Malaysia) Berhad (“OACM”), both wholly-owned subsidiaries of Great Eastern Holdings Limited (“GEH”), with GEH subsequently holding 51% interest in PacificMas Berhad. If this proposed restructuring is successful, the general insurance business of the Company will be integrated and merged with that of OACM. The valuation of the insurance businesses of both parties are ongoing. Upon completion of the valuation, the pricing and final scheme for the restructuring of equity/businesses will be negotiated which, if mutually acceptable, will lead to both parties making the necessary submissions to the relevant authorities for approval.

27. CURRENCY

All amounts are stated in Ringgit Malaysia.