THE PACIFIC INSURANCE BERHAD
(91603-K)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2008

Ernst & Young
AF : 0039

91603-K

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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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 2008.

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 ("PacificMas"), a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

RESULTS

	RM
Net profit for the year	4,937,447

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 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
Choi Siew Hong **
Keong Choon Keat **
Lai Wan **

** Appointed on 26 June 2008.*
*** Resigned on 26 June 2008.*

In accordance with Article 59 of the Company's Articles of Association, David Wong Cheong Fook, George Lee Lap Wah and Wong Ah Wah will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves 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.

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 citizenship. The Board is committed to uphold good corporate governance practices in conformity with Bank Negara Malaysia ("BNM") Guidelines, JPI/GPI 1 (Consolidated) on Minimum Standards for Prudential Management of Insurers and JPI/GPI 25 (Consolidated) on Prudential Framework of Corporate Governance for Insurers. The Company has complied with the prescriptive applications and adopts management practices that are consistent with these guidelines.

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 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 investment policies, reinsurance, underwriting, risk management and compliance issues.

The Company has provided an orientation training programme for the newly appointed directors. These trainings served to familiarise the directors with the general insurance industry, as well as the Company's operations, compliance controls, risk overview and corporate governance practices. On an ongoing basis, the directors are kept informed through relevant training programmes and briefings to assist them to keep abreast with the developments in the market place. The directors are also updated with the policy and administrative changes or new guidelines issued by BNM and relevant professional bodies.

Board Balance and Meetings

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 the Insurance Act 1996, all directors are appointed and reappointed to the Board after prior approval has been obtained from BNM.

CORPORATE GOVERNANCE (CONT'D.)

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

Board Balance and Meetings (cont'd.)

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 the Company.

The Company's Board of Directors as at 31 December 2008 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 regularly during the financial year and the attendance of the directors was as follows:

Name	Number of meetings Attended	%
Tan Sri Dato' Nasruddin Bin Bahari	8/9	89
Tan Sri Dato' Wong Kum Choon *	3/3	100
David Wong Cheong Fook *	3/3	100
George Lee Lap Wah *	3/3	100
Wong Ah Wah *	3/3	100
Ng Hon Soon	9/9	100
Choi Siew Hong **	6/6	100
Keong Choon Keat **	5/6	83
Lai Wan **	6/6	100

* *Appointed on 26 June 2008.*
** *Resigned on 26 June 2008.*

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 Chairmen of the respective committees report to the Board on matters discussed at the meetings of the committee.

(i) Audit Committee

The Audit Committee ("AC") comprises three members who are independent non-executive directors. The composition of the current 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 regularly during the financial year and the attendance of the members was as follows:

Name	Number of meetings Attended	%
Tan Sri Dato' Nasruddin Bin Bahari	7/7	100
Tan Sri Dato' Wong Kum Choon *	3/3	100
David Wong Cheong Fook *	3/3	100
Keong Choon Keat **	4/4	100
Lai Wan **	4/4	100

** Appointed on 26 June 2008.*
*** Resigned on 26 June 2008.*

CORPORATE GOVERNANCE (CONT'D.)

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

Board Committees (cont'd.)

(i) Audit Committee (con'td.)

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 its scopes and results. The AC reviews the findings of the internal/external auditors and those of the examiners from BNM, as well as monitoring of the management's responses and actions taken to address the findings. The AC also reviews 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 cost effectiveness, independence and objectivity of the external auditors before nominating them to the Board for recommendation to the shareholders on the appointment or reappointment. The AC reviews and approves any outsourcing of non-audit services provided by external auditors and internal audit services 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 current 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 on a periodical basis and the attendance of the members was as follows:

Name	Number of meetings Attended	%
Tan Sri Dato' Nasruddin Bin Bahari	5/5	100
Tan Sri Dato' Wong Kum Choon *	2/2	100
David Wong Cheong Fook *	2/2	100
Keong Choon Keat **	3/3	100
Lai Wan **	3/3	100

* *Appointed on 26 June 2008.*
** *Resigned on 26 June 2008.*

BNM's JPI/GPI 1 (Consolidated) on Minimum Standards for Prudential Management of Insurers 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 and internal capital target.

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 JPI/GPI 1 (Consolidated) on Minimum Standards for Prudential Management of Insurers.

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
Chew Sun Teong	Non-Independent Non-Executive Director
George Lee Lap Wah	Non-Independent Non-Executive Director

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

Name	Number of meetings Attended	%
David Wong Cheong Fook *	2/2	100
Tan Sri Dato' Nasruddin Bin Bahari *	2/2	100
Raja Lope Bin Raja Shahrome *	2/2	100
Chew Sun Teong *	2/2	100
George Lee Lap Wah *	2/2	100
Tan Sri Dato' Wong Kum Choon ***	1/1	100
Choi Siew Hong **	1/1	100
Kol. (B) Dato' Ir. Cheng Wah **	1/1	100
Keong Choon Keat **	1/1	100
Wong Nang Jang **	1/1	100

** Appointed on 26 June 2008.*
*** Resigned on 26 June 2008.*
**** Relinquished the position as Chairman and member on 26 June 2008.*

CORPORATE GOVERNANCE (CONT'D.)

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

Nomination and Remuneration Committees (cont'd.)

(i) Nomination Committee

The NC is entrusted with the responsibility 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. The committee is also responsible to recommend to the Board the appointment of the chief executive officer and evaluate the performance of 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 submission to BNM for approval and subsequently to the 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 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
Dr. Raja Lope Bin Raja Shahrome	Independent Non-Executive Director
George Lee Lap Wah	Non-Independent Non-Executive Director
Brig Jen (B) Dato' Ahmad Zahudi Bin Hj. Salleh	Non-Independent Non-Executive Director

CORPORATE GOVERNANCE (CONT'D.)

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

Nomination and Remuneration Committees (cont'd.)

(i) Remuneration Committee (cont'd.)

The RC met periodically 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
Raja Lope Bin Raja Shahrome *	3/3	100
Sharriffudin Ahmad Taff ***	1/1	100
George Lee Lap Wah *	3/3	100
Brid Jen (B) Dato' Ahmad Zahudi Bin Hj. Salleh **	2/2	100
Choi Siew Hong ****	-	-
Keong Choon Keat ****	-	-
Wong Nang Jang ****	-	-

** Appointed on 26 June 2008.*
*** Appointed on 1 July 2008.*
**** Resigned on 1 July 2008.*
***** Resigned on 26 June 2008 and no meeting was held during their tenure.*

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.

(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.

CORPORATE GOVERNANCE (CONT'D.)

(b) Management Accountability (cont'd.)

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 JPI/GPI19 (Consolidated) on Guidelines of Related Party Transactions. 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 management officers in the Company. The RMU reports to the RMC of the Company.

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.

CORPORATE GOVERNANCE (CONT'D.)

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

(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 financial risk management policies are set out under Note 25 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 Corporate Disaster Recovery Planning Committee is tasked to prepare, review and periodically test the effectiveness of the Company's business continuity plan to support critical business operations. Pursuant to the requirements of the BNM/RH/GL013-13 on Guidelines on Business Continuity Management which came into effect on 1 January 2008, the Company had revamped and updated the Business Resumption and Contingency Plan ("BRCP") which was approved by the Board in June 2008. The BRCP 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 BRCP and the related IT Disaster Recovery Plan during the year.

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

CORPORATE GOVERNANCE (CONT'D.)

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

(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 is in place to manage 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. 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 such as BNM's JPI/GPI 16 (Revised) on Guidelines on Medical and Health Insurance Business and JPI/GPI 32 on Guidelines on Minimum Disclosure Requirements in the Sale of General Insurance Products. 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 impending 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 Secretary and senior management kept 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 on a quarterly basis.

With the permission 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 of Directors with much of the assurance that it requires regarding the adequacy and integrity of the 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 and the internal audit function are in accordance with the Group's Internal Audit Charter and the Bank Negara Malaysia's Guidelines JPI/GPI 13 on Guidelines on Audit Committee and Internal Audit Departments for Insurance Companies.

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. Internal audit independently reviews the risk exposures and control processes on governance, operations and information systems implemented by Management. The internal audit activities are guided by a detailed annual Audit Plan. The annual Audit Plan is approved by the AC before the commencement of the following financial year and thereafter updated as and when necessary after prior approval of the AC.

During the financial year, the internal audit function reported seven times to the AC. The internal audit reports were tabled at the AC meetings, at which the findings were reviewed with the management. Internal auditors conducted follow-up audits to ensure that recommendations to improve controls were implemented by management. The AC met with the external auditors twice a year without management's presence to discuss any 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 external auditors' recommendations for improvement on internal controls noted during their audit, provide reasonable assurance that necessary control procedures are in place. The AC submits regular reports of their deliberations to the Board of Directors for review.

CORPORATE GOVERNANCE (CONT'D.)

(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 JPI/GPI 14 (Consolidated) on Guidelines on Claims Settlement Practices. The bureaus were set up with the view to provide alternative avenues for the policyholders to seek redress against any occurrence of unfair market practices.

The BNM Guideline JPI/GPI 28 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 JPI/GPI 28 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 JPI/GPI 16 (Revised) on Guidelines on Medical and Health Insurance Business and JPI/GPI 32 on Guidelines on Minimum Disclosure Requirements in the Sale of General Insurance Products.

(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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, 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 17, 18 and 24 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 in options in the Company and its related corporations during the financial year were as follows:

Holding company
- PacificMas Berhad

	Number of Ordinary Shares of RM1 Each			
	1 January 2008	**Acquired**	**Disposed**	**31 December 2008**
Ng Hon Soon				
- indirect interest	5,000	-	5,000	-

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

	Number of Ordinary Shares of RM1 Each			
	18 April 2008 [1/] /26 June 2008 [2/]	**Acquired**	**Disposed**	**31 December 2008**
Tan Sri Dato' Nasruddin Bin Bahari [1/]	19,200	-	-	19,200
George Lee Lap Wah [2/]	34,241	11,162	-	45,403
Wong Ah Wah [2/]	-	11,162	-	11,162
David Wong Cheong Fook [2/]	28,400	-	-	28,400

	Ordinary shareholdings in which Directors have deemed interest[3/]			
	26 June 2008 [2/]	**Acquired**	**Disposed**	**31 December 2008**
George Lee Lap Wah	95,023	10,237	11,162	94,098
Wong Ah Wah	18,688	-	11,162	7,526

DIRECTORS' INTERESTS (CONT'D.)

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

	Number of ordinary shares options			
	26 June 2008 2/	**Granted**	**Exercised**	**31 December 2008**
George Lee Lap Wah	428,680	-	-	428,680
Wong Ah Wah	27,700	-	-	27,700

	Number of preference shares			
	26 June 2008 2/	**Acquired**	**Disposed**	**31 December 2008**
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

Subsidiary of OCBC
- OCBC Capital Corporation (2008)

	Number of 5.1% Non-Cumulative Non-Convertible Guaranteed Preference Shares			
	26 June 2008 2/	**Acquired**	**Disposed**	**31 December 2008**
David Wong Cheong Fook	-	200	-	200

DIRECTORS' INTERESTS (CONT'D.)

Subsidiary of OCBC
- OCBC Capital Corporation

	Number of 3.93% Non-Cumulative Non-Convertible Guaranteed OCBC OCC-A Preference Shares			
	26 June 2008 2/	**Acquired**	**Disposed**	**31 December 2008**
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.

1/ At date of completion of the take-over of PacificMas Berhad by OCBC.
2/ At date of appointment as a Director
3/ Deemed interest includes shares granted under the OCBC Deferred Share Plan and acquisition rights under the OCBC Employee Purchase Plan.

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 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 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 EVENT

The significant event of the Company is 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 dated 11 February 2009.

TAN SRI DATO' NASRUDDIN BIN BAHARI

TAN SRI DATO' WONG KUM CHOON

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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 24 to 65 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable 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 2008 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 11 February 2009.

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 24 to 65 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 11 February 2009

TAN SIEW HOCK

Before me,

91603-K

Independent auditors' report to the member 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 balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 65.

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.

91603-K

Independent auditors' report to the member of
The Pacific Insurance Berhad (cont'd)
(Incorporated in Malaysia)

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 2008 and of its financial performance and cash flows for the year then ended.

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 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. 1685/04/09(J)
Partner

Kuala Lumpur, Malaysia
11 February 2009

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 RM	2007 RM
ASSETS			
Property and equipment	3	1,493,261	1,901,353
Intangible assets	4	50,432	54,262
Deferred tax assets	5	766,592	-
Investment properties	6	791,273	815,715
Investments	7	217,780,898	203,158,175
Loans	8	3,147,555	3,404,137
Tax recoverable		270,799	699,248
Receivables	9	20,989,722	29,459,734
Cash and bank balances		2,700,053	2,092,043
TOTAL ASSETS		247,990,585	241,584,667
EQUITY AND LIABILITIES			
Share capital	10	100,000,000	100,000,000
Retained profits		19,932,794	14,995,347
Total equity		119,932,794	114,995,347
Unearned premium reserves	11	43,120,596	42,624,595
Provision for outstanding claims	12	70,236,374	71,449,389
Payables	13	14,700,821	12,063,936
Tax payable		-	371,743
Deferred tax liabilities	5	-	79,657
Total liabilities		128,057,791	126,589,320
TOTAL EQUITY AND LIABILITIES		247,990,585	241,584,667

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 2008

	Note	Share capital RM	Distributable retained profits RM	Total RM
At 1 January 2007		100,000,000	34,161,227	134,161,227
Net profit for the year, representing total recognised income for the year		-	10,034,120	10,034,120
		100,000,000	44,195,347	144,195,347
Dividend	14	-	(29,200,000)	(29,200,000)
At 31 December 2007		100,000,000	14,995,347	114,995,347
At 1 January 2008		100,000,000	14,995,347	114,995,347
Net profit for the year, representing total recognised income for the year		-	4,937,447	4,937,447
At 31 December 2008		100,000,000	19,932,794	119,932,794

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 2008

	Note	2008 RM	2007 RM
Operating revenue	15	154,469,735	139,516,694
Shareholder's fund:			
Investment income	15a	132,082	570,648
Other operating income	16	86,672	103,054
Management expenses	17	(107,961)	(95,089)
Surplus transferred from General Insurance Revenue Account		6,558,060	13,884,346
Profit before taxation		6,668,853	14,462,959
Taxation	19	(1,731,406)	(4,428,839)
Net profit for the year		4,937,447	10,034,120
Earnings per share (sen)	21		
Basic		4.9	10.0

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 2008

	Note	Fire		Motor		Marine, Aviation and Transit		Miscellaneous ("Misc.") Medical & Health		Miscellaneous ("Misc.") Others		Miscellaneous ("Misc.") Total Misc.		Total	
		2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM
Operating revenue	15													154,337,653	138,946,046
Gross premiums		20,594,380	22,008,630	31,995,910	33,784,183	8,617,662	4,831,740	49,974,829	41,743,623	34,209,857	28,050,078	84,184,686	69,793,701	145,392,638	130,418,254
Reinsurance		(9,701,594)	(10,398,287)	(2,932,651)	(2,807,910)	(7,463,745)	(3,819,869)	(3,156,567)	(2,899,201)	(17,601,514)	(10,538,442)	(20,758,081)	(13,437,643)	(40,856,071)	(30,463,709)
Net premium		10,892,786	11,610,343	29,063,259	30,976,273	1,153,917	1,011,871	46,818,262	38,844,422	16,608,343	17,511,636	63,426,605	56,356,058	104,536,567	99,954,545
Decrease/(increase) in unearned premium reserves	11	385,448	232,527	1,233,020	49,415	5,925	(68,452)	(2,776,785)	(500,127)	656,391	367,175	(2,120,394)	(132,952)	(496,001)	80,538
Earned premium		11,278,234	11,842,870	30,296,279	31,025,688	1,159,842	943,419	44,041,477	38,344,295	17,264,734	17,878,811	61,306,211	56,223,106	104,040,566	100,035,083
Net claims incurred	20	(3,001,526)	(7,146,540)	(24,109,277)	(19,845,331)	(60,271)	(160,849)	(33,001,717)	(28,836,609)	(7,473,849)	(6,745,704)	(40,475,566)	(35,582,313)	(67,646,640)	(62,735,033)
Net commission		(1,102,182)	(749,066)	(2,947,949)	(3,006,364)	285,631	253,020	(5,143,015)	(4,527,020)	(2,144,621)	(2,755,118)	(7,287,636)	(7,282,138)	(11,052,136)	(10,784,548)
Underwriting surplus before management expenses		7,174,526	3,947,264	3,239,053	8,173,993	1,385,202	1,035,590	5,896,745	4,980,666	7,646,264	8,377,989	13,543,009	13,358,655	25,341,790	26,515,502
Management expenses	17													(25,190,950)	(25,468,694)
Underwriting surplus														150,840	1,046,808
Investment income	15a													8,945,015	8,527,792
Other operating (expenses)/income	16													(2,537,795)	4,309,746
Profit from operations														6,558,060	13,884,346
Transfer to Income Statement														6,558,060	13,884,346

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 2008

	2008 RM	2007 RM
Cash flows from operating activities		
Profit before taxation	6,668,853	14,462,959
Adjustment for:		
Depreciation of property and equipment	661,714	826,631
Gain on disposal of property and equipment	(16,780)	(34,068)
Loss on disposal of property and equipment	156	-
Write off of property and equipment	16,223	4,682
Write off of intangible assets	1,546	-
Provision for diminution in value of investments	3,104,346	154,776
Depreciation of investment properties	24,442	24,442
Amortisation of premiums, net of accretion of discounts	177,928	540,185
Amortisation of intangible assets	25,617	23,289
Net gain on disposal of investments	(141,749)	(4,206,739)
Investment income	(9,255,025)	(9,638,625)
Other interest income	(90,172)	(106,554)
Interest expense	69	115
Bad debts recovered, net of write off	(224,435)	790,052
Write-back in provision for doubtful debts	(195,694)	(1,476,275)
Short-term accumulating compensated absences	3,690	2,868
Net increase/(decrease) in unearned premium reserves	496,001	(80,538)
Profit from operations before changes in operating assets and liabilities	1,256,730	1,287,200
Purchase of investments	(45,750,068)	(105,887,408)
Proceeds from disposal/maturity of investments	28,830,526	94,630,358
Decrease/(increase) in loans	256,582	(99,169)
Decrease in receivables	8,519,507	1,005,762
(Increase)/decrease in fixed and call deposits	(843,703)	36,734,299
Decrease in outstanding claims	(1,213,015)	(3,029,781)
Increase/(decrease) in payables	2,633,194	(1,422,228)
Cash (used in)/generated from operations	(6,310,247)	23,219,033
Investment income received	9,550,734	9,107,797
Other interest income received	90,172	106,554
Interest expense paid	(69)	(115)
Income tax paid	(2,446,125)	(3,179,000)
Net cash generated from operating activities	884,465	29,254,269

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008 (CONT'D.)

	2008 RM	2007 RM
Cash flows from investing activities		
Purchase of property and equipment	(280,948)	(723,164)
Purchase of intangible assets	(23,489)	(10,134)
Proceeds from disposal of property and equipment	27,982	109,880
Net cash used in investing activities	(276,455)	(623,418)
Cash flows from financing activity		
Dividends paid, representing net cash used in financing activity	-	(29,200,000)
Net decrease in cash and cash equivalents	608,010	(569,149)
Cash and cash equivalents at beginning of financial year	2,092,043	2,661,192
Cash and cash equivalents at end of financial year	2,700,053	2,092,043
Cash and cash equivalents comprise:		
Cash and bank balances	2,700,053	2,092,043

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 2008

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 company of the Company is PacificMas Berhad ("PacificMas"), a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad. The ultimate holding company is Oversea-Chinese Banking Corporation Limited, a public listed company incorporated in Singapore.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 February 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 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 Financial Reporting Standards ("FRS") in Malaysia. In the current financial year, the Company had adopted new and revised Financial Reporting Standards which are mandatory for the current financial year as described in Note 2.3.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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(g).

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	$33^{1}/_{3}$%
Motor vehicles	20%
Furniture and fittings	10%
Office equipment	10%
Computers	20%

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 items 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 profit or loss/revenue account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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(g).

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 each balance sheet date.

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 profit or loss/revenue account in the year in which it arises.

(c) 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_{2004} : General Insurance Business. However, an adjustment is made on a monthly basis to account for premiums by risk assumption dates.

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.)

(c) Underwriting results (cont'd.)

(ii) Unearned premium reserves

The short-term 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 bonds	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

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) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Underwriting results (cont'd.)

(iii) Provision for claims (cont'd.)

Provision is also made for the probable cost of claims, together with related expenses for claims incurred but not enough reported ("IBNER") and incurred but not reported (“IBNR”) at the 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.

(d) 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.

(i) Interest income

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

(ii) 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.

(iii) Rental income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

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

(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 profit or loss/revenue account.

(e) 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 profit or loss/revenue account.

(f) 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. 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 balance sheet date. Deferred tax is recognised as an income or an expense and included in the profit or loss 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.)

(g) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date 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 profit or loss/revenue account 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 profit or loss/revenue account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(h) 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 profit or loss/revenue account as incurred.

(i) 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 recognised directly in 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: Financial Instruments - Disclosure and Presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial instruments (cont'd.)

(i) Cash and cash equivalents

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

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

(ii) 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 profit or loss/revenue account.

(iii) Quoted investments

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments. Cost is determined on the weighted average basis while market value is determined based on quoted market values. 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.

(iv) Government guaranteed bonds and unquoted corporate bonds

Government guaranteed bonds and unquoted corporate bonds which are secured or which carry a minimum rating of “A” or its equivalent by a rating agency established in Malaysia are valued at cost adjusted for amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the dates of purchase to maturity dates. Any corporate bond with a lower rating is valued at the lower of cost or net realisable value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial instruments (cont'd.)

(v) 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 thirty days for motor class and six months for other classes of insurance, from the date on which they become receivable and for all debts which are considered doubtful, as stipulated in the BNM guidelines.

(vi) Payables

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

(vii) 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.

(j) 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(g).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 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 2007, except for the adoption of the following revised FRSs, amendment to FRS and Interpretations of the Issues Committee (“IC Interpretations”) issued by MASB that are mandatory for the financial periods beginning on or after 1 July 2007 as follows:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operation
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

FRS 111, FRS 120, amendment to FRS 121 and the IC Interpretations were not relevant to the operations of the Company while the revised FRS 107, FRS 112, FRS 118 and FRS 137 did not have significant impact on the financial statements of the Company for the current financial year ended 31 December 2008.

The Malaysian Accounting Standards Board ("MASB") announced on 1 August 2008 that FRS 139 - Financial Instruments: Recognition and Measurement will be applicable for entities other than private entities for annual periods beginning on or after 1 January 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

During the year, MASB announced the effective dates for adoption of the following FRSs and IC Interpretations:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

The above FRSs and IC Interpretations will take effect from financial periods beginning on or after 1 January 2010 except for FRS 8 which will be effective for financial periods beginning on or after 1 July 2009.

The impact of applying FRS 4 and FRS 7 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

FRS 8, IC Interpretation 9 and IC Interpretation 10 are not expected to have significant financial impact on the financial statements of the Company.

2.4 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty

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) Uncertainty in accounting estimates for general insurance business

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the provisions of premiums and claims liabilities. The premium liabilities comprise unearned premium reserves while claims liabilities comprise provision for outstanding claims.

Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the Company's projections.

The estimates of premiums and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

3. PROPERTY AND EQUIPMENT

	Office renovations RM	Motor vehicles RM	Furniture, fittings, office equipment and computers RM	Total RM
2008				
Cost				
At 1 January 2008	1,798,201	429,660	7,120,469	9,348,330
Additions	21,600	3,745	255,603	280,948
Disposals	-	(4,028)	(220,366)	(224,394)
Write-offs	(36,416)	-	(119,608)	(156,024)
Adjustments	-	-	4,050	4,050
At 31 December 2008	1,783,385	429,377	7,040,148	9,252,910
Accumulated Depreciation				
At 1 January 2008	1,657,887	60,764	5,728,326	7,446,977
Charge for the year	82,969	41,166	537,579	661,714
Disposals	-	(3,625)	(209,567)	(213,192)
Write-offs	(36,416)	-	(103,385)	(139,801)
Adjustments	-	-	3,951	3,951
At 31 December 2008	1,704,440	98,305	5,956,904	7,759,649
Net Carrying Amount	78,945	331,072	1,083,244	1,493,261
2007				
Cost				
At 1 January 2007	1,734,740	400,668	7,038,346	9,173,754
Additions	130,563	199,590	393,011	723,164
Disposals	(30,987)	(170,598)	(123,257)	(324,842)
Write-offs	(36,115)	-	(187,631)	(223,746)
At 31 December 2007	1,798,201	429,660	7,120,469	9,348,330
Accumulated Depreciation				
At 1 January 2007	1,609,607	120,016	5,358,817	7,088,440
Charge for the year	115,176	40,548	670,907	826,631
Disposals	(30,987)	(99,800)	(118,243)	(249,030)
Write-offs	(35,909)	-	(183,155)	(219,064)
At 31 December 2007	1,657,887	60,764	5,728,326	7,446,977
Net Carrying Amount	140,314	368,896	1,392,143	1,901,353

3. PROPERTY AND EQUIPMENT(CONT'D.)

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

	2008 RM	2007 RM
Office renovations	1,604,227	1,582,312
Furniture, fittings, office equipment and computers	4,495,747	4,064,516
	6,099,974	5,646,828

(b) **Change in Accounting Estimate**

During the current financial year, the Company amended its depreciation rate for renovation from 50% to $33^1/3$%.

The effect of this change in accounting estimate has resulted in lower depreciation by RM28,612 for the year ended 31 December 2008.

4. INTANGIBLE ASSETS

	Computer software	
	2008 RM	2007 RM
Cost		
At 1 January	167,346	158,292
Additions	23,489	10,134
Disposals	(413)	-
Write-offs	(3,542)	(1,080)
At 31 December	186,880	167,346
Accumulated Amortisation and Impairment		
At 1 January	113,084	90,875
Charge for the year	25,617	23,289
Disposals	(257)	-
Write-offs	(1,996)	(1,080)
At 31 December	136,448	113,084
Net Carrying Amount	50,432	54,262

5. DEFERRED TAX ASSETS/(LIABILITIES)

	2008 RM	2007 RM
At 1 January	(79,657)	18,760
Recognised in the income statement (Note 19)	846,249	(98,417)
At 31 December	766,592	(79,657)

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

2008	Accelerated capital allowances RM	Total RM
Deferred Tax Liabilities		
At 1 January 2008	(319,727)	(319,727)
Recognised in the income statement	50,216	50,216
At 31 December 2008	(269,511)	(269,511)

	Receivables RM	Investments RM	Others RM	Total RM
Deferred Tax Assets				
At 1 January 2008	230,464	-	9,606	240,070
Recognised in the income statement	(38,039)	833,519	553	796,033
At 31 December 2008	192,425	833,519	10,159	1,036,103
Net Deferred Tax Assets				766,592

2007	Accelerated capital allowances RM	Total RM
Deferred Tax Liabilities		
At 1 January 2007	(325,562)	(325,562)
Recognised in the income statement	5,835	5,835
At 31 December 2007	(319,727)	(319,727)

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

	Receivables RM	Investments RM	Others RM	Total RM
Deferred Tax Assets				
At 1 January 2007	335,121	-	9,201	344,322
Recognised in the income statement	(104,657)	-	405	(104,252)
At 31 December 2007	230,464	-	9,606	240,070
Net Deferred Tax Liabilities				(79,657)

6. INVESTMENT PROPERTIES

	2008 RM	2007 RM
Cost		
1 January/31 December	1,006,700	1,006,700
Accumulated Depreciation		
1 January	190,985	166,543
Charge for the year	24,442	24,442
31 December	215,427	190,985
Net Carrying Amount	791,273	815,715
Fair Value	1,328,000	1,232,000

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

7. INVESTMENTS

	2008		2007	
	Carrying value RM	Market/ indicative value* RM	Carrying value RM	Market/ indicative value* RM
Malaysian Government Securities ("MGS")	18,550,280		17,057,490	
Amortisation of premiums net of accretion of discounts	(10,095)		(165,508)	
	18,540,185	19,037,699	16,891,982	16,844,935
Government Investment Issue ("GII")	10,127,000		10,127,000	
Amortisation of premiums net of accretion of discounts	(42,955)		(21,954)	
	10,084,045	10,202,000	10,105,046	10,164,000
Quoted in Malaysia:				
Shares, warrants and other securities (N1)	12,619,289		4,251,725	
Provision for diminution in value	(3,052,803)		(229,731)	
	9,566,486	9,566,486	4,021,994	4,021,994
Unit trusts (N2)	14,905,872		14,752,116	
Provision for diminution in value	(281,274)		-	
	14,624,598	14,624,598	14,752,116	14,883,073
Unquoted:				
Corporate bonds (N3)	47,571,583		40,726,861	
Amortisation of premiums net of accretion of discounts	(235,870)		(125,989)	
	47,335,713	46,143,303	40,600,872	40,632,141
Fixed and call deposits with licensed financial institutions:				
Commercial banks (N4)	83,714,187		90,711,307	
Other financial institutions (N5) and (N6)	33,915,684		26,074,858	
	117,629,871		116,786,165	
Total investments	217,780,898		203,158,175	

7. INVESTMENTS (CONT'D.)

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

N1 Includes an amount of RM8,574,976 (2007: RM4,076,413) managed by a fellow subsidiary.

N2 Includes an amount of RM7,408,903 (2007: RM7,178,279) managed by a fellow subsidiary.

N3 All unquoted corporate bonds carry a minimum rating of “A" or its equivalent by a rating agency established in Malaysia.

N4 Includes an amount of RM17,018,401 (2007: RM25,406,734) placed with a subsidiary of a substantial shareholder of the holding company and an amount of RMNil (2007: RM212,000) managed by a fellow subsidiary.

N5 Includes an amount of RM3,130,779 (2007: RM981,240) managed by a fellow subsidiary.

N6 Other financial institutions are investment banks and development financial institutions.

The maturity structure of investments, at cost (excluding equity investments and unit trusts) 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
2008					
MGS	-	1,125,824	13,547,666	3,876,790	18,550,280
GII	4,969,500	5,157,500	-	-	10,127,000
Unquoted corporate bonds	-	16,718,640	16,807,840	14,045,103	47,571,583
Fixed and call deposits	117,629,871	-	-	-	117,629,871
	122,599,371	23,001,964	30,355,506	17,921,893	193,878,734

7. INVESTMENTS (CONT'D.)

	Within 1 year RM	More than 1 to < 3 years RM	3 to 5 years RM	More than 5 years RM	Total RM
2007					
MGS	2,384,000	-	4,663,590	10,009,900	17,057,490
GII	-	4,969,500	5,157,500	-	10,127,000
Unquoted corporate bonds	1,541,850	10,981,535	8,072,520	20,130,956	40,726,861
Fixed and call deposits	116,786,165	-	-	-	116,786,165
	120,712,015	15,951,035	17,893,610	30,140,856	184,697,516

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

	Weighted average rate of return (% per annum) 2008	2007	Average remaining maturity (Days) 2008	2007
MGS	3.98	4.10	2,308	776
GII	4.26	4.26	514	880
Unquoted corporate bonds	6.54	6.34	1,674	2,160
Fixed and call deposits:				
Commercial banks	3.61	3.76	213	242
Other financial institutions	3.42	3.58	59	56

8. LOANS

	2008 RM	2007 RM
Staff loans:		
Secured	3,122,375	3,323,198
Unsecured	25,180	80,939
	3,147,555	3,404,137
Receivable after 12 months	2,621,215	2,764,351

8. LOANS (CONT'D.)

The weighted average effective interest rate for staff loans as at 31 December 2008 was 3.00% (2007: 3.03%) per annum on the basis of monthly rest.

9. RECEIVABLES

	2008 RM	2007 RM
Trade Receivables:		
Due premiums including agents/brokers and co-insurers balances	11,396,691	16,972,206
Allowance for doubtful debts	(1,468,677)	(1,693,247)
	9,928,014	15,278,959
Amount due from reinsurers/ceding companies	3,105,743	3,535,589
Allowance for doubtful debts	(562,341)	(533,466)
	2,543,402	3,002,123
Total trade receivables	12,471,416	18,281,082
Other Receivables:		
Other receivables, deposits and prepayments	4,084,969	6,875,412
Share of net assets in Malaysian Motor Insurance Pool ("MMIP")	2,366,668	1,974,151
Income due and accrued	2,066,669	2,329,089
Total other receivables	8,518,306	11,178,652
Total receivables	20,989,722	29,459,734

10. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2008	2007	2008 RM	2007 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. UNEARNED PREMIUM RESERVES

	Fire	Motor	Marine, Aviation and Transit	Misc.			Total
				Medical & Health	Others	Total Misc.	
	RM	RM	RM	RM	RM	RM	RM
2008							
At 1 January	4,691,631	14,087,352	315,974	16,483,125	7,046,513	23,529,638	42,624,595
(Decrease)/ increase	(385,448)	(1,233,020)	(5,925)	2,776,785	(656,391)	2,120,394	496,001
At 31 December	4,306,183	12,854,332	310,049	19,259,910	6,390,122	25,650,032	43,120,596
2007							
At 1 January	4,924,158	14,136,767	247,522	15,982,998	7,413,688	23,396,686	42,705,133
(Decrease)/ increase	(232,527)	(49,415)	68,452	500,127	(367,175)	132,952	(80,538)
At 31 December	4,691,631	14,087,352	315,974	16,483,125	7,046,513	23,529,638	42,624,595

12. PROVISION FOR OUTSTANDING CLAIMS

	2008 RM	2007 RM
Provision for outstanding claims	107,700,494	126,672,209
Recoverable from reinsurers	(37,464,120)	(55,222,820)
Net outstanding claims	70,236,374	71,449,389

13. PAYABLES

	2008 RM	2007 RM
Trade Payables:		
Amount due to reinsurers/ceding companies	4,297,559	3,392,262
Amount due to brokers, co-insurers and insureds	5,893,491	3,116,340
	10,191,050	6,508,602
Other Payables:		
Other payables and accrued liabilities	4,509,771	5,555,334
Total payables	14,700,821	12,063,936

14. DIVIDEND

	Dividend in respect of Year		Dividend Recognised in year	
	2008 RM	2007 RM	2008 RM	2007 RM
Interim dividend on 100,000,000 ordinary shares at 40.0 sen per share less 27% taxation	-	29,200,000	-	29,200,000

The directors do not propose any final dividend for the financial year ended 31 December 2008.

15. OPERATING REVENUE

	Shareholder's fund RM	General business RM	Total RM
2008			
Gross premiums	-	145,392,638	145,392,638
Investment income (Note 15a)	132,082	8,945,015	9,077,097
	132,082	154,337,653	154,469,735
2007			
Gross premiums	-	130,418,254	130,418,254
Investment income (Note 15a)	570,648	8,527,792	9,098,440
	570,648	138,946,046	139,516,694

15a. INVESTMENT INCOME

	Shareholder's fund		General business	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest income from:				
MGS	-	-	1,122,033	1,524,275
Corporate bonds	-	-	2,761,028	2,301,298
Cagamas bonds	-	-	-	33,133
Fixed and call deposits	107,482	546,648	4,113,463	4,555,319
Gross dividends/distribution from:				
Investments quoted in Malaysia				
- Shares	-	-	445,027	391,279
- Unit trusts	-	-	627,608	209,585
Rental of properties	24,600	24,000	53,784	53,088
Amortisation of premiums, net of accretion of discounts	-	-	(177,928)	(540,185)
	132,082	570,648	8,945,015	8,527,792

16. OTHER OPERATING INCOME/(EXPENSES)

	Shareholder's fund		General business	
	2008 RM	2007 RM	2008 RM	2007 RM
Other Operating Income:				
Gain on disposal of investments	-	-	961,155	5,148,641
Gain on disposal of property and equipment	-	-	19,689	34,068
Interest income from staff loans	90,172	106,554	-	-
Sundry income	-	-	475,905	251,598
	90,172	106,554	1,456,749	5,434,307

16. OTHER OPERATING INCOME/(EXPENSES) (CONT'D.)

	Shareholder's fund		General business	
	2008	2007	2008	2007
	RM	RM	RM	RM
Other Operating Expenses:				
Loss on disposal of investments	-	-	(819,406)	(941,902)
Loss on disposal of property and equipment	-	-	(2,909)	-
Loss on disposal of intangible assets	-	-	(156)	-
Provision for diminution in value of investments	-	-	(3,104,346)	(154,776)
Depreciation of investment properties	(3,500)	(3,500)	(20,942)	(20,942)
Write off of property and equipment	-	-	(16,223)	(4,682)
Write off of intangible assets	-	-	(1,546)	-
Interest expenses	-	-	(69)	(115)
Sundry expenses	-	-	(28,947)	(2,144)
	(3,500)	(3,500)	(3,994,544)	(1,124,561)
Net other operating income/(expenses)	86,672	103,054	(2,537,795)	4,309,746

17. MANAGEMENT EXPENSES

	Shareholder's fund		General business	
	2008	2007	2008	2007
	RM	RM	RM	RM
Staff costs:				
Salaries, bonus, allowances and other related costs	-	-	13,831,031	14,139,155
Employee Provident Fund	-	-	1,939,428	1,953,195
Provision for staff retirement gratuities	-	-	-	-
Short-term accumulating compensated absences	-	-	3,690	2,868
Directors' fees (Note 18)	-	-	164,828	160,500
Auditors' remuneration				
Auditors' fee	-	-	70,000	67,000
Others	-	-	9,000	9,000
Bad debts recovered net of write-off	-	-	(224,435)	790,052
Write-back of provision for doubtful debts	-	-	(195,694)	(1,476,275)
Office rental	-	-	1,543,245	1,563,190
Office equipment rental	-	-	379,860	201,850
Depreciation of property and equipment	-	-	661,714	826,631
Amortisation of intangible assets	-	-	25,617	23,289
Computer maintenance	-	-	684,521	767,136
Entertainment	-	-	467,305	369,403
Transport and travelling	-	-	398,138	333,612
Printing and stationery	-	-	379,824	430,734
Padunet networking charges	-	-	347,151	326,521
Shared services expenses	47,724	43,925	1,409,654	1,524,691
Bank charges	78	2,618	1,080,934	973,326
Other expenses	60,159	48,546	2,215,139	2,482,816
	107,961	95,089	25,190,950	25,468,694

18. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

	2008 RM	2007 RM
Non-executive directors' fees	164,828	160,500

The remuneration attributable to the Chief Executive Officer ("CEO") of the Company included in staff costs in Note 17 amounted to RM519,140 (2007: RM520,300). The estimated monetary value of benefits-in-kind of the CEO not included therein was RM10,912 (2007: RM10,874).

The number of directors whose remuneration during the year falls within the following band is as follows:

	Number of directors 2008	2007
Non-executive directors:		
Below RM50,000	6	5

19. TAXATION

	2008 RM	2007 RM
Income tax:		
Malaysian income tax	2,449,928	3,642,861
Foreign tax on foreign dividend received	-	-
Under provision in respect of prior years	127,727	687,561
	2,577,655	4,330,422
Deferred tax relating to origination and reversal of temporary differences (Note 5)	(846,249)	98,417
Tax expense for the year	1,731,406	4,428,839

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) on the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

19. 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:

	2008 RM	2007 RM
Profit before taxation	6,668,853	14,462,959
Taxation at Malaysian statutory income tax rate of 26% (2007: 27%)	1,733,902	3,904,999
Effect of different tax rate in a foreign country	-	-
Expenses not deductible for tax purposes	123,442	129,001
Income not subject to tax	(224,599)	(372,917)
Under provision of income tax in prior years	127,727	687,561
(Over)/under provision of deferred tax in prior years	(59,730)	77,132
Effect of changes in tax rates on opening balance of deferred tax	30,664	3,063
Tax expense for the year	1,731,406	4,428,839

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 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2008 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2008 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2008, the Company has sufficient credit in the Section 108 balance and tax exempt income to pay franked dividends out of its entire retained earnings. As at 31 December 2008, the Company has tax exempt income available for distribution of approximately RM2,045,000 (2007: RM1,741,000).

20. NET CLAIMS INCURRED

	Fire RM	Motor RM	Marine, Aviation and Transit RM	Misc. Medical & Health RM	Misc. Others RM	Total Misc. RM	Total RM
2008							
Gross claims paid less salvage	21,007,646	26,050,172	1,224,519	32,573,091	11,066,906	43,639,997	91,922,334
Reinsurance recoveries	(15,902,445)	(2,498,947)	(770,616)	(1,465,257)	(2,425,414)	(3,890,671)	(23,062,679)
Net claims paid	5,105,201	23,551,225	453,903	31,107,834	8,641,492	39,749,326	68,859,655
Net outstanding claims:							
At 31 December	5,199,460	43,253,519	1,030,635	7,718,018	13,034,742	20,752,760	70,236,374
At 1 January	(7,303,135)	(42,695,467)	(1,424,267)	(5,824,135)	(14,202,385)	(20,026,520)	(71,449,389)
Net claims incurred	3,001,526	24,109,277	60,271	33,001,717	7,473,849	40,475,566	67,646,640
2007							
Gross claims paid less salvage	11,307,419	24,529,698	1,363,967	29,646,353	11,983,105	41,629,458	78,830,542
Reinsurance recoveries	(5,089,922)	(1,656,347)	(751,473)	(1,188,723)	(4,379,263)	(5,567,986)	(13,065,728)
Net claims paid	6,217,497	22,873,351	612,494	28,457,630	7,603,842	36,061,472	65,764,814
Net outstanding claims:							
At 31 December	7,303,135	42,695,467	1,424,267	5,824,135	14,202,385	20,026,520	71,449,389
At 1 January	(6,374,092)	(45,723,487)	(1,875,912)	(5,445,156)	(15,060,523)	(20,505,679)	(74,479,170)
Net claims incurred	7,146,540	19,845,331	160,849	28,836,609	6,745,704	35,582,313	62,735,033

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 RM4,937,447 (2007: RM10,034,120) over the number of shares in issue during the year of 100,000,000 (2007: 100,000,000).

22. SEGMENT INFORMATION ON CASH FLOW

	Shareholder's fund RM	General business RM	Total RM
2008			
Cash flows from:			
Operating activities	741,310	4,327,241	5,068,551
Investing activities	-	(276,455)	(276,455)
Financing activities	-	-	-
	741,310	4,050,786	4,792,096
Net decrease in cash and cash equivalents:			
At beginning of financial year	352,371	1,739,672	2,092,043
At end of financial year	388,939	2,311,114	2,700,053
	741,310	4,050,786	4,792,096
2007			
Cash flows from:			
Operating activities	29,399,955	(145,684)	29,254,271
Investing activities	-	(623,420)	(623,420)
Financing activities	(29,200,000)	-	(29,200,000)
	199,955	(769,104)	(569,149)
Net decrease in cash and cash equivalents:			
At beginning of financial year	(152,416)	(2,508,776)	(2,661,192)
At end of financial year	352,371	1,739,672	2,092,043
	199,955	(769,104)	(569,149)

23. CAPITAL COMMITMENTS

	2008 RM	2007 RM
Approved and contracted for:		
Property and equipment	-	7,279

24. 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		Carrying value	
	2008	2007	2008	2007
	RM	RM	RM	RM
Holding company:				
Insurance premium received	67,712	-	-	-
Management fees paid for shared services	(1,457,377)	(1,568,616)	-	-
Fellow subsidiaries:				
Insurance premium received	247,945	206,866	-	-
Claims paid	(92,055)	(55,175)	-	-
Insurance commission paid	(487,614)	(572,533)	-	-
Rental expense paid	(901,294)	(896,182)	-	-
Rental and utility deposits	-	-	262,792	262,052
Investment management fees paid	(58,290)	(80,953)		-
Funds under management	-	-	19,114,658	12,447,932
Associated company:				
Insurance premium received	93,099	-	-	-
Substantial shareholders of the holding company:				
Insurance premium received	211,108	165,502	-	-
Claims paid	(134,754)	-	-	-
Insurance commission paid	(65,009)	(68,309)	-	-

24. 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	
	2008 RM	2007 RM	2008 RM	2007 RM
Subsidiaries of ultimate holding company:				
Insurance premium paid	(166,425)	(175,258)	-	-
Net reinsurance premium received	61,695	-	-	-
Current account and deposits	-	-	17,869,594	27,303,452
Income from fixed and call deposits received and receivable	814,297	1,293,558	235,317	251,430
Subsidiaries of substantial shareholders of the holding company:				
Insurance premium received	295,680	354,663	-	-
Insurance commission paid	-	(78,900)	-	-
Associated companies of substantial shareholders of the holding company:				
Insurance premium received	-	202,215	-	-
Claims paid	-	(58,013)	-	-
Purchase of motor vehicle	-	(199,590)	-	-
Key management of the company:				
Insurance premium received	-	50,007	-	-
Secured staff loans outstanding	-	-	-	50,800

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

(b) Compensation of key management personnel

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

	2008 RM	2007 RM
Short-term employee benefits	1,270,307	1 ,469,645
Defined contribution plan	167,800	199,245
	1,438,107*	1,668,890*

* Includes compensation payable to key management personnel as at balance sheet date of RM389,288 (2007: RM517,948).

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, General Manager and Head of Finance.

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, MGS, Cagamas bonds, GII and bonds issued by corporations in Malaysia. The interest rate risk arises from the interest rate movements affecting the investment and 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.

25. FINANCIAL INSTRUMENTS (CONT'D.)

(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 MGS, Cagamas bonds, GII and corporate bonds, equities and unit trusts, are subject to fluctuations in market prices on the secondary bond market and listed stock exchanges. 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 licensed unit trust management companies which are governed by the unit trust guidelines and regulations stipulated by the Securities Commission. The Company monitors the performance of the unit trust investments against the relevant performance benchmarks established by the Company.

The unit trusts held by the Company are invested with licensed unit trust management companies which are governed by the unit trust guidelines and regulations stipulated by the Securities Commission. The Company monitors the performance of the unit trust investments against the relevant performance benchmarks established by the Company.

(e) Credit risk

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 internal control measures to minimise this credit risk.

25. FINANCIAL INSTRUMENTS (CONT'D.)

(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 2008:			
Investments:	7		
MGS		18,540,185	19,037,699
GII		10,084,045	10,202,000
Quoted shares, warrants and other securities		9,566,486	9,566,486
Quoted unit trusts		14,624,598	14,624,598
Unquoted corporate bonds		47,335,713	46,143,303
At 31 December 2007:			
Investments:	7		
MGS		16,891,982	16,844,935
GII		10,105,046	10,164,000
Quoted shares, warrants and other securities		4,021,994	4,021,994
Quoted unit trusts		14,752,116	14,883,073
Unquoted corporate bonds		40,600,872	40,632,141

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 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.

25. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair values (cont'd.)

(ii) Investments (cont'd.)

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

26. SIGNIFICANT EVENT

OCBC Capital (Malaysia) Sdn Bhd (“OCSB”) completed its take-over offer ("the Offer") to acquire all the voting shares in the Company's holding company, PacificMas Berhad ("PacificMas"), not already owned by OCSB (“Offer Shares”) for a cash consideration of RM4.30 per Offer Share on 18 April 2008. OCSB is a wholly owned subsidiary of Oversea -Chinese Banking Corporation Limited (“OCBC”) and secured a controlling interest of 67.07% in PacificMas. Consequently, the Company's ultimate holding company is Oversea-Chinese Banking Corporation Limited, a public listed company incorporated in Singapore.

The Minister of Finance (“MOF”) via Bank Negara Malaysia (“BNM”) had approved the take-over of PacificMas by OCSB subject to the following conditions:

(i) OCBC is required to resolve its holdings in The Pacific Insurance Berhad (“PIB”) 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 OACM and PIB, 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

The Board of Directors of PacificMas has agreed to dispose of all the issued and paid-up share capital of PIB. The proposed disposal is subject to the prior approval of the MOF, with the recommendation of BNM.