



MUI Continental Insurance Berhad

Company No: 29123 - D



MUI Continental Insurance Berhad

Annual Report 2010



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CORPORATE PROFILE

MUI Continental Insurance Berhad (MCI) was established in 1976 as a Malaysian joint venture general insurance company between Malayan United Industries Berhad (MUI) and CNA Financial Corporation (CNA), USA. MCI has 13 branches offices throughout Malaysia and offers a variety of products including fire, marine, health, engineering, motor, liability and other classes of insurance. For the financial year ended 31 December 2010, MCI reported a gross written premium of RM243.0 million compared with RM214.6 million last year.

The company reported a pre-tax profit of RM31.1 million.

MUI, owns a majority stake in MUI Continental Insurance Berhad, is a Malaysian conglomerate with extensive local and international operations. The MUI Group's diversified businesses include retailing, hotels, food and confectionery, property, financial services, travel and tourism. For the year under review, the MUI Group recorded higher revenue of RM927.4 million compared with RM908.0 million in the previous year.

As at 31 December 2010, its total assets and shareholders' funds stood at RM2.8 billion and RM670.0 million respectively.

The MUI Group's strategic investments have expanded beyond Malaysia giving the Group an extensive international presence with operations in the United Kingdom, Europe, United States of America and Asia Pacific.

The Continental Corporation is a wholly owned subsidiary of CNA Financial Corporation (CNA). CNA is the country's seventh largest commercial insurer and the 13th largest property and casualty insurer. CNA's insurance products include standard commercial lines, specialty lines, surety, marine and other property and casualty coverage. CNA's services include risk management, information services, underwriting, risk control and claims administration. For more information, please visit CNA at www.cna.com. CNA is a registered service mark trade name and domain name of CNA Financial Corporation.



CORPORATE INFORMATION

Board of Directors

Tan Sri Datuk Seri Abu Talib bin Othman, P.M.N., P.S.M., S.I.M.P., S.S.S.A., D.G.S.M., D.P.M.S., D.M.P.N., D.C.S.M., J.S.M., K.M.N., P.P.T.,

Chairman

Tan Sri Dato' Khoo Kay Peng, PSM., D.P.M.J., J.P., Hon DLitt, Hon LLD

Tan Sri Dato' Paduka Dr. Mazlan bin Ahmad

Dato' Tee Tiam Lee

Dato' Leong Kok Wah

Dr Ngui Chon Hee, J.S.M., K.M.N., S.M.T.

Tan Lian Tee

Lai Chee Leong

Company Secretary

Leong Park Yip

Audit Committee

Tan Sri Dato' Paduka Dr. Mazlan bin Ahmad

Dato' Leong Kok Wah

Lai Chee Leong

Auditors

BDO

Head Office

Mezzanine & 1st Floor, Plaza See Hoy Chan

Jalan Raja Chulan

50200 Kuala Lumpur, Malaysia

Tel: 03-20709226 Fax: 03-20704226/5226

Registered Office

5th Floor, Menara PMI

No. 2, Jalan Changkat Ceylon

50200 Kuala Lumpur, Malaysia

Key Management

Su Tieng Teck, *Chief Executive Officer*

Sabtu Jalil, *Assistant General Manager, Broking Division*

Wu Siew Nam, *Assistant General Manager, Finance*

Brian Lim, *Senior Manager, Property, Casualty & Liability (PCL)*

Ho Boon Men, *Senior Manager, Marine, Engineering & Bond (MEB)*



BRANCHES NETWORK

Head Office/

Kuala Lumpur Branch

Mezzanine & 1st Floor,
Plaza See Hoy Chan
Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Tel: 03-20709226
Fax: 03-20704226/5226

Customer Service Center

Mezzanine Floor,
Plaza See Hoy Chan
Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Tel: 03-20709226
Fax: 03-20704226/5226

Claims Department

10th Floor, Menara PMI
No. 2, Jalan Changkat Ceylon,
50200 Kuala Lumpur
Tel: 03-26170099
Fax: 03-26170098

Ipoh Branch

C-1-6 & C-1-7, Greentown Square
Jalan Dato Seri Ahmad Said
30450 Ipoh, Perak
Tel: 05-2428900, 2428901, 2428902
Fax: 05-2427900

Penang Branch

Suite 11.01, 11th Floor, MWE Plaza,
No. 8, Lebuh Farquhar
10200 Penang
Tel: 04-2619373, 2619473
Fax: 04-2628067

Johor Bahru Branch

No. 8, Jalan Sulam
Taman Sentosa
80150 Johor Bahru
Tel: 07-3343305, 3343329
Fax: 07-3343294

Kota Kinabalu Branch

Lot 31-2, 2nd Floor, Block E
Damai Plaza Phase 3
Lorong Pokok Kayu Manis
Jalan Damai
88300 Kota Kinabalu
Tel: 088-266239, 265239
Fax: 088-252239

Kuching Branch

No. 176, 1st Floor,
Jalan Song Thian Cheok,
93100 Kuching
Tel: 082-410092, 410093
Fax: 082-412092

Kuantan Branch

No. A-167, Ground Floor,
Sri Dagang Business Centre
Jalan Tun Ismail,
25000 Kuantan
Pahang Darul Makmur
Tel: 09-5138733, 5139788
Fax: 09- 5137989

Kota Bahru Branch

No. 1328, Ground Floor,
Taman Koperatif, Tanjung Chat,
Jalan Long Yunus
15400 Kota Bahru
Tel: 09-7432687, 7432646
Fax: 09-7432761

Batu Pahat Branch

No. 6, Ground Floor,
Jalan Merah, Taman Bukit Pasir
83000 Batu Pahat
Tel: 07-4349895, 4349896
Fax: 07-4333897

Melaka Branch

No. 33A, Jalan Melaka Raya 24,
Taman Melaka Raya
75000 Melaka
Tel: 06-2821008, 2829699
Fax: 06-2812100

Mentakab Branch

No. 63A, Jalan Tun Razak,
28400 Mentakab,
Pahang Darul Makmur
Tel: 09-2776169, 2776170
Fax: 09-2776003

Seremban Branch

No. 120-1, 1st Floor, Jalan Toman 6,
Kemayan Square,
70200 Seremban,
Negeri Sembilan
Tel: 06-7611533, 7611599
Fax: 06-7611566

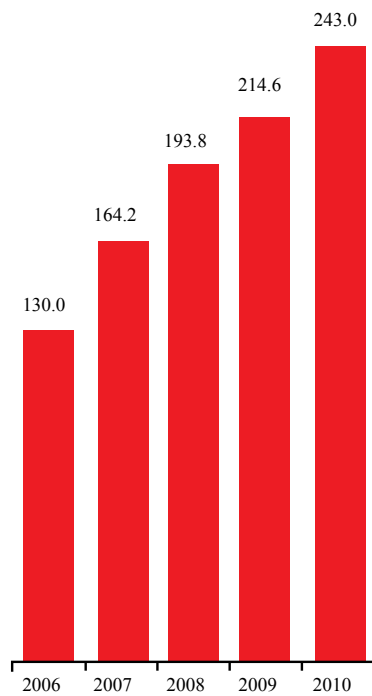
Klang Branch

No. 18A, Jalan Goh Hock Huat,
41400 Klang,
Selangor
Tel: 03-33436977, 33426988
Fax: 03-33429789

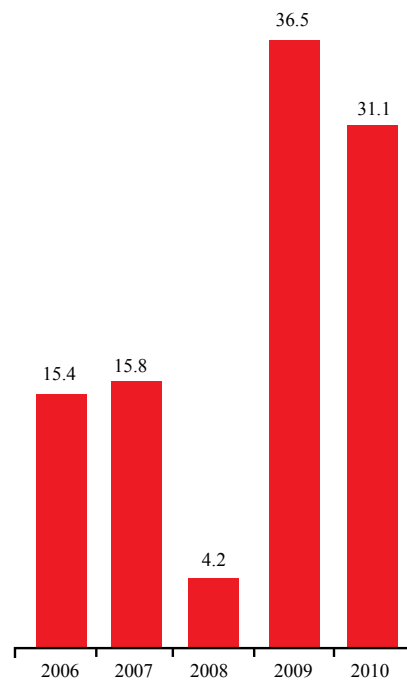


FINANCIAL HIGHLIGHTS

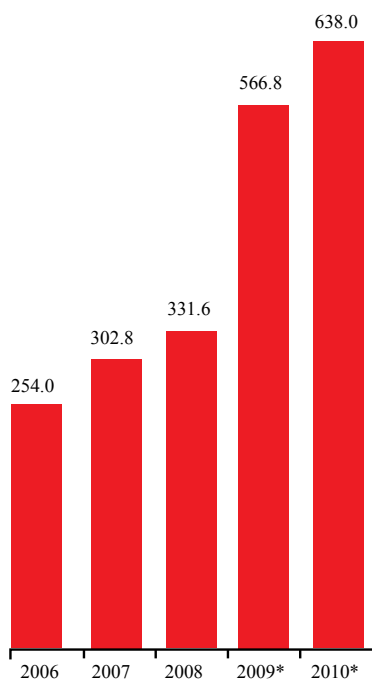
GROSS WRITTEN PREMIUM
(RM million)



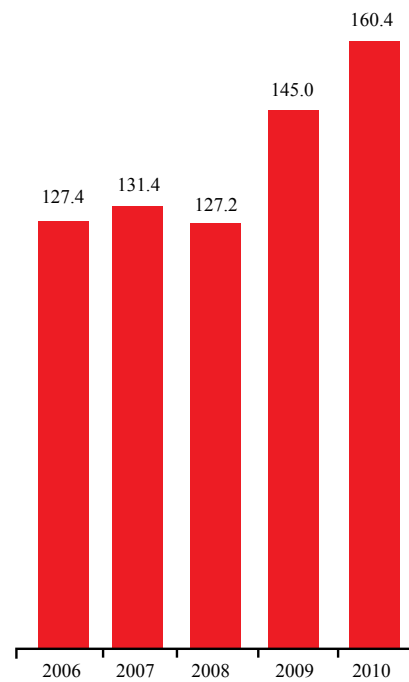
GROUP PROFIT BEFORE TAX
(RM million)



GROUP TOTAL ASSETS
(RM million)



GROUP SHAREHOLDERS' FUNDS
(RM million)



* Total assets for 2009 and 2010 were presented on gross basis to comply with the new FRSs requirements. Prior to 2009, the amounts were presented on net basis



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual report and Financial Statements of MUI Continental Insurance Berhad for the financial year ended 31 December 2010.

REVIEW OF PERFORMANCE AND OPERATIONS

For the year under review, the Group continued to report strong growth in gross written premiums to RM243.0 million from RM214.6 million for its financial year ended 31 December 2010, representing a growth of 13.2% compared with 10.8% in the previous year. For 2010, the growth in premium income also compared favourably against a growth of 8.6% reported by the general insurance industry. As the Group emerged yet again stronger in 2010 which was evidenced by a larger market share, the Group was able to sustain its financial performance by reporting a profit before tax of RM31.1 million for the year under review compared with RM36.5 million in the previous year.

Underpinning the strong overall financial performance was the positive contributions from both underwriting and investment activities which was also aided by favourable economic conditions which have prevailed throughout the year. For the year under review, the Group's sustained underwriting performance reflected the Group's prudent underwriting practices which were as discerning and selective as in the previous year. For the year under review, the Group registered an underwriting surplus before management expenses of RM24.8 million compared with RM26.5 million in the previous year. The marginal drop in underwriting surplus was partly impacted by higher claims reserve required to meet the adequacy of its claims liabilities as part of its strategy of further strengthening its capital resilience under the Risk-Based Capital Framework, resulting in a higher loss experience ratio of 71%, compared with 63% in the previous year. However, sound financial discipline practices which saw an improved management expenses ratio of 11.5% expressed over earned premiums compared with 18.0% in the previous year, helped negate the said impact.

The Group's continuous prudent investment philosophy and policy also resulted in positive returns of RM21.4 million compared with RM27.7 million in the previous year, of which realised gains from disposal of equities accounted for some RM11.1 million compared with RM2.9 million in the previous year.

In tandem with the strong financial performance, the shareholders' equity has also registered a further growth

to RM160.4 million for the year ended 31 December 2010 from RM145.0 million in the previous year.

PROSPECTS

Going forward, the Group is committed to ensuring that the stakeholders' interests are always being protected whilst upholding its objective of maximising the returns to shareholders through the effective use of its resources, without compromising on the capital adequacy level requirements.

In order to stay competitive, the Group will continue to review its business strategies and risk management practices including implementing effective risk mitigation programmes as part of its capital management plan. For instance, the Group has taken steps to prune off loss-making products and accounts. By way of replacement, new products will be launched and new accounts acquired. Steps are also being taken to enhance its claims management support capability for a better customer service and as a means of containing its costs. The Group will also embark on replacing its IT back-end system in 2011 towards achieving a more robust system.

Barring any unforeseen circumstances, the Group is confident of overcoming new challenges and competition which may stifle our growth and profitability in year 2011.

NEW APPOINTMENT

I am pleased to welcome Mr Su Tieng Teck who has assumed the position of the Chief Executive Officer of the Company. His vast experience will be an asset to the Company and I look forward to working with him to take the Company to the next level of growth.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend our appreciation and thanks to the management and staff for their contribution and commitment. I also wish to express my heartfelt thanks to our business associates, agents, brokers, reinsurers and policyholders for their continuous support, trust and confidence in us and also to Bank Negara Malaysia for their assistance and guidance.

Last but not least, my gratitude and sincere appreciation to my fellow Directors for their advice and support.

Tan Sri Datuk Seri Abu Talib bin Othman
Chairman



Directors' Reports

For the financial year ended 31 December 2010

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The Company is principally engaged in the general insurance business of all classes. There has been no change in the principal activity of the Company during the financial year. The principal activity of the subsidiary is disclosed in Note 8 to the financial statements.

Results

	Group RM'000	Company RM'00
Profit for the financial year	<u>22,900,826</u>	<u>22,862,690</u>

Dividend

Since the end of the previous financial year, the Board of Directors paid a final dividend of 10% less 25% tax amounting to RM7,501,762 for the financial year ended 31 December 2009 on 5 May 2010.

No final dividend has been proposed for the financial year ended 31 December 2010 as of the date of this report.

Reserves and provisions

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

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Provision for insurance liabilities

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation bases specified in Bank Negara Malaysia's Risk-Based Capital Framework.



Directors' Reports

For the financial year ended 31 December 2010

Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any material extent.

Current assets

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business at their values as shown in the financial statements of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities in the financial statements of the Group and of the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report there does not exist:-

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year, which in the opinion of the Directors will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and of the Company.



Directors' Reports

For the financial year ended 31 December 2010

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

Items of an unusual nature

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Board of Directors

The Directors in office since the date of the last report and their attendance record for the six Board meetings held during the year are as follows:-

<u>Director</u>	<u>No. of Board Meetings Attended</u>
Tan Sri Datuk Seri Abu Talib bin Othman (Chairman)	6/6
Tan Sri Dato' Khoo Kay Peng	6/6
Tan Sri Dato' Paduka Dr Mazlan bin Ahmad	6/6
Dato' Tee Tiam Lee	6/6
Dato' Leong Kok Wah	6/6
Dr Ngui Chon Hee	6/6
Tan Lian Tee	6/6
Lai Chee Leong	6/6
Chan Choung Yau (resigned on 6 December 2010)	3/6



Directors' Reports

For the financial year ended 31 December 2010

Directors' interests in shares and/or securities

The interests in the shares and/or securities of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:-

	Nominal value per share	Balance as at 1.1.2010	Number of ordinary shares		Balance as at 31.12.2010
			Bought	Sold	
Shareholdings in which Directors have direct interests					
Interest of Tan Sri Datuk Seri Abu Talib bin Othman in: Company	RM1.00	4,340,000	-	-	4,340,000
Interest of Dato' Tee Tiam Lee in: Company	RM1.00	20,004,700	-	-	20,004,700
Interest of Tan Sri Dato' Paduka Dr Mazlan bin Ahmad in: Malayan United Industries Berhad ("MUI")	RM1.00	100,000	-	-	100,000
Interest of Dr Ngui Chon Hee in: MUI Properties Berhad ("MPB")	RM0.20	30,000	-	-	30,000
Shareholdings in which Directors have deemed/indirect interests					
Deemed interest of Tan Sri Dato' Khoo Kay Peng in: Company	RM1.00	52,226,568	-	-	52,226,568
MUI	RM1.00	978,624,927	33,199,800	(37,500,000)	974,324,727
MPB	RM0.20	550,862,661	-	-	550,862,661
Pan Malaysia Corporation Berhad	RM0.50	428,544,500	-	-	428,544,500
Pan Malaysia Holdings Berhad	RM0.10	643,330,487	-	-	643,330,487
Metrojaya Berhad	RM1.00	118,073,133	-	-	118,073,133
Indirect interest of Dato' Leong Kok Wah in: Company	RM1.00	4,501,057	-	-	4,501,057
Indirect interest of Dr Ngui Chon Hee in: MPB	RM0.20	84,000	-	-	84,000



Directors' Reports

For the financial year ended 31 December 2010

Directors' interests in shares and/or securities (continued)

	Nominal Value			Balance as at 31.12.2010 RM
	Balance as at 1.1.2010 RM	Bought RM	Sold RM	
Deemed interest of Tan Sri Dato'				
Khoo Kay Peng in:				
Irredeemable Convertible Unsecured				
Loan Stocks ("ICULS") of MUI				
Class A1 ICULS	173,429,917	-	-	173,429,917
Class A2 ICULS	215,172,917	-	-	215,172,917
Class A3 ICULS *	-	50,990,825	-	50,990,825
Direct interest of Dr Ngui Chon Hee in:				
ICULS of MUI				
Class A1 ICULS	13,013	-	-	13,013
Class A2 ICULS	13,013	-	-	13,013
Class A3 ICULS *	-	3,414	-	3,414
Indirect interest of Dr Ngui Chon Hee in:				
ICULS of MUI				
Class A1 ICULS	36,436	-	-	36,436
Class A2 ICULS	36,436	-	-	36,436
Class A3 ICULS *	-	9,560	-	9,560

* Received as an entitlement in respect of the unconverted Class A1 and Class A2 ICULS of MUI held as at 30 June 2010.

By virtue of Tan Sri Dato' Khoo Kay Peng's deemed interest in MUI, he is deemed to have an interest in the shares of all other subsidiaries and associates of MUI (including the Company and its subsidiary) to the extent that MUI has an interest.

Other than as disclosed above, none of the other Directors holding office at the end of the financial year held or dealt in the securities of the Company and its related corporations at any time during the financial year.

Directors' benefits

Since the end of the previous financial year, no Directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except where certain Directors may benefit from transactions as disclosed in Note 34 to the financial statements.



Directors' Reports

For the financial year ended 31 December 2010

Directors' benefits (continued)

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Statement on corporate governance and internal controls

The Group and Company are committed to uphold good corporate governance practices in conformity with the Bank Negara Malaysia ("BNM") Guidelines JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers. Towards this end, the Group and Company have generally complied with the prescriptive applications and adopted management practices which are consistent with the above guidelines.

The Board has established specialised Board Committees to assist it to effectively carry out its responsibilities and to provide an oversight over the Group's and Company's operation. These Board Committees, established on 25 June 2003, were namely, the Risk Management Committee, the Nominating Committee and the Remuneration Committee.

Risk Management Committee

The Risk Management Committee is responsible for overseeing the senior management's activities in managing key risk areas of the Group and Company and to ensure that the risk management process is functioning effectively by aligning it with accepted best practices.

Composition of the Risk Management Committee is as follows:-

Tan Sri Datuk Seri Abu Talib bin Othman - Chairman
Independent Non-Executive Director

Dato' Tee Tiam Lee
Non-Independent Non-Executive Director

Dr Ngui Chon Hee
Non-Independent Non-Executive Director

Through its risk management framework and overall business strategies, the Group and Company seek to effectively manage the core risks which arise directly from its commercial activities in the ordinary course of business.

The Group's and Company's risk management framework is guided by the following risk management practices:-

- assigning various levels of approving authorities and adherence to strict controls such as segregation of duties, establishment of performance measurement and formulating a system of internal controls;
- abiding by all applicable laws, regulations and governance standards; and
- managing risks within quantifiable parameters, risk tolerance and control standards, whenever possible.



Directors' Reports

For the financial year ended 31 December 2010

Statement on corporate governance and internal controls (continued)

Risk Management Committee (continued)

In addition to the above, the financial risk management objectives and policies are disclosed in Note 36 to Note 39 to the financial statements.

The Risk Management Committee provides an objective oversight of the above risk management functions.

During the financial year ended 31 December 2010, five (5) Risk Management Committee Meetings were held. Dato' Tee Tiam Lee attended all the five (5) meetings whereas Tan Sri Datuk Seri Abu Talib bin Othman and Dr Ngui Chon Hee attended four (4) of them.

Nominating Committee

The Nominating Committee is responsible for proposing new appointments of Directors, Board Committees and key senior officers, as well as developing an objective and transparent mechanism for the formal assessment of the effectiveness of the Board as a whole, the contribution of individual Directors and performance evaluation of key senior officers. The Committee will also carry out assessment of retiring Directors and duly recommend them to the Board for their reappointments and to cause the necessary applications to be made to Bank Negara Malaysia.

Composition of the Nominating Committee is as follows:-

Tan Sri Datuk Seri Abu Talib bin Othman - Chairman
Independent Non-Executive Director

Tan Sri Dato' Khoo Kay Peng
Non-Independent Non-Executive Director

Dr Ngui Chon Hee
Non-Independent Non-Executive Director

Tan Lian Tee
Non-Independent Non-Executive Director

Chan Choung Yau
Non-Independent Non-Executive Director (resigned as a member on 3 November 2010)

Lai Chee Leong
Non-Independent Non-Executive Director (appointed as a member on 3 November 2010)

During the financial year ended 31 December 2010, four (4) Nominating Committee Meetings were held. Tan Sri Datuk Seri Abu Talib bin Othman, Tan Sri Dato' Khoo Kay Peng, Dr Ngui Chon Hee, Ms Tan Lian Tee attended all the meetings, whereas Mr Chan Choung Yau attended three (3) of the meetings. Mr Lai Chee Leong attended one (1) meeting since his appointment.



Directors' Reports

For the financial year ended 31 December 2010

Statement on corporate governance and internal controls (continued)

Remuneration Committee

The Remuneration Committee is to recommend a framework of remuneration including remuneration packages for Directors and the Chief Executive Officer.

Composition of the Remuneration Committee is as follows:-

Tan Sri Datuk Seri Abu Talib bin Othman - Chairman
Independent Non-Executive Director

Tan Sri Dato' Khoo Kay Peng
Non-Independent Non-Executive Director

Dr Ngui Chon Hee
Non-Independent Non-Executive Director

Dato' Tee Tiam Lee
Non-Independent Non-Executive Director

Chan Choung Yau
Non-Independent Non-Executive Director (resigned as a member on 3 November 2010)

Lai Chee Leong
Non-Independent Non-Executive Director (appointed as a member on 3 November 2010)

During the financial year ended 31 December 2010, one (1) Remuneration Committee Meeting was held, which was attended by Tan Sri Datuk Seri Abu Talib bin Othman, Dato' Tee Tiam Lee, Dr Ngui Chon Hee and Mr Chan Choung Yau.

Audit Committee

The Audit Committee's Terms of Reference are in compliance with JPI/GPI 13: Guidelines on Audit Committee and Internal Audit Departments for Insurance Companies. It assists the Board in fulfilling the oversight of the Group's and Company's financial statements, financial reporting process, the system of internal audit process and also the Group's and Company's process for monitoring compliance with legal and regulatory requirements. The Audit Committee also reviews the performance of the internal auditor and evaluates the independence and objectivity of the external auditors including the yearly audit plan.

Composition of the Audit Committee is as follows:-

Tan Sri Dato' Paduka Dr Mazlan bin Ahmad – Chairman
Independent Non-Executive Director

Dato' Leong Kok Wah
Independent Non-Executive Director



Directors' Reports

For the financial year ended 31 December 2010

Statement on corporate governance and internal controls (continued)

Audit Committee (continued)

Chan Choung Yau

Non-Independent Non-Executive Director (resigned as a member on 3 November 2010)

Lai Chee Leong

Non-Independent Non-Executive Director (appointed as a member on 3 November 2010)

During the financial year ended 31 December 2010, six (6) Audit Committee Meetings were held. Tan Sri Dato' Paduka Dr Mazlan bin Ahmad and Dato' Leong Kok Wah attended all the meetings, whereas Mr Chan Choung Yau attended four (4) of the meetings. Mr Lai Chee Leong attended one (1) meeting since his appointment.

Holding and ultimate holding companies

The Directors regard Malayan United Industries Berhad, a company listed on the main market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), and Novimax (M) Sdn. Bhd., as the ultimate and immediate holding company respectively.

Auditors

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Tan Sri Datuk Seri Abu Talib bin Othman
Director

Lai Chee Leong
Director

Kuala Lumpur
1 March 2011



Statement by Directors

Pursuant to Section 169 (15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 19 to 123 have been drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Tan Sri Datuk Seri Abu Talib bin Othman
Director

Lai Chee Leong
Director

Kuala Lumpur
1 March 2011

Statutory Declaration

Pursuant to Section 169 (15) of the Companies Act, 1965

I, Su Tieng Teck, being the officer primarily responsible for the financial management of MUI Continental Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 19 to 123 are, to the best of my knowledge and belief, 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 at Kuala Lumpur this
1 March 2011

Su Tieng Teck

Before me:



Independent Auditors' Report

To The Members of MUI Continental Insurance Berhad (Company No: 29123-D) (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of MUI Continental Insurance Berhad, which comprise the statements of financial positions as at 31 December 2010 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 123.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of 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.



Independent Auditors' Report (cont'd)

To The Members of MUI Continental Insurance Berhad (Company No: 29123-D) (Incorporated in Malaysia)

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2010 and their financial performance and cash flows for the financial 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 the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) 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.

BDO
AF : 0206
Chartered Accountants

Lim Seng Siew
2894/08/11(J)
Chartered Accountant

Kuala Lumpur
1 March 2011



Group Statement of Financial Position

as at 31 December 2010

	Note	2010 RM	Group 2009 RM
Assets			
Property, plant and equipment	7	1,818,932	1,595,535
Goodwill on consolidation		145,887	145,887
Investment properties	9	24,517,092	24,717,092
Investments:			
- Financial assets at fair value through profit or loss	10 (a)	50,002,163	59,569,469
- Held-to-maturity	10 (b)	40,133,946	45,024,172
- Loans and receivables	10 (c)	224,653,265	193,866,197
		314,789,374	298,459,838
Reinsurance assets	11	184,457,662	159,014,334
Insurance receivables	12	47,145,657	49,320,675
Other receivables	13	14,029,004	5,381,406
Tax recoverable		-	6,770
Cash and cash equivalents	14	51,125,460	28,110,429
Total assets		638,029,068	566,751,966
Liabilities			
Insurance contract liabilities	15	382,598,377	314,484,692
Insurance payables	18	55,724,470	57,868,485
Other financial liabilities	17	25,703,761	38,146,483
Other payables	19	7,716,521	7,704,779
Staff retirement gratuity	20	714,039	987,349
Deferred tax liability	16	1,872,000	1,812,000
Tax payable		3,310,330	757,672
Total liabilities		477,639,498	421,761,460
Shareholders' equity:			
Share capital	21	100,023,500	100,023,500
Reserves	22	60,366,070	44,967,006
		160,389,570	144,990,506
Total liabilities and shareholders' equity		638,029,068	566,751,966

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



Group Income Statement

For the financial year ended 31 December 2010

		Group	
	Note	2010 RM	2009 RM
Operating revenue	24	<u>253,599,033</u>	<u>224,202,764</u>
Gross earned premiums	25 (a)	232,122,051	202,336,531
Premium ceded to reinsurers	25 (b)	<u>(100,506,701)</u>	<u>(103,026,597)</u>
Net earned premiums		<u>131,615,350</u>	<u>99,309,934</u>
Investment income	26	10,593,607	9,562,119
Realised gains and losses	27	11,131,017	2,940,851
Fair value gains and losses	28	<u>(290,006)</u>	<u>15,281,020</u>
Other revenue		<u>21,434,618</u>	<u>27,783,990</u>
Commission expense		<u>(31,049,555)</u>	<u>(26,796,555)</u>
Less : Reinsurance commission income		<u>17,758,693</u>	<u>16,693,948</u>
Net commission		(13,290,862)	(10,102,607)
Management expenses	30	<u>(15,178,327)</u>	<u>(17,792,199)</u>
Other expenses		<u>(28,469,189)</u>	<u>(27,894,806)</u>
Gross claims paid	29	(127,936,108)	(85,016,892)
Claims ceded to reinsurers	29	67,022,485	41,486,310
Gross change to insurance contract liabilities	29	(57,230,310)	5,530,937
Change in insurance contract liabilities ceded to reinsurers	29	<u>24,654,547</u>	<u>(24,708,140)</u>
Net claims incurred		<u>(93,489,386)</u>	<u>(62,707,785)</u>
Profit before tax		31,091,393	36,491,333
Tax expense	31	<u>(8,190,567)</u>	<u>(9,807,863)</u>
Profit for the financial year		<u>22,900,826</u>	<u>26,683,470</u>
Earnings per share (sen)			
Basic and fully diluted	32	22.9	26.7

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



Group Statement of Comprehensive Income

For the financial year ended 31 December 2010

	Group	
	2010	2009
	RM	RM
Profit for the financial year	22,900,826	26,683,470
Other comprehensive income	-	-
Total comprehensive income for the year	<u>22,900,826</u>	<u>26,683,470</u>

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



Group Statement of Changes in Equity

For the financial year ended 31 December 2010

Group

	Share capital RM	<u>Non distributable</u> Share premium RM	<u>Distributable</u> Retained earnings RM	Total RM
Balance as at 1 January 2009	100,023,500	980,000	21,804,594	122,808,094
Total comprehensive income for the year	-	-	26,683,470	26,683,470
Transaction with owners				
Dividend paid (Note 33)	-	-	(4,501,058)	(4,501,058)
Balance as at 31 December 2009	100,023,500	980,000	43,987,006	144,990,506
Total comprehensive income for the year	-	-	22,900,826	22,900,826
Transaction with owners				
Dividend paid (Note 33)	-	-	(7,501,762)	(7,501,762)
Balance as at 31 December 2010	100,023,500	980,000	59,386,070	160,389,570

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



Group Statement of Cash Flows

For the financial year ended 31 December 2010

	Note	2010 RM	Group 2009 RM
Cash flows from operating activities			
Profit before tax		31,091,393	36,491,333
Adjustments for:			
Impairment of receivables	30	270,755	204,112
Bad debts recovered	30	(40,134)	-
Depreciation of property, plant and equipment	30	428,877	431,815
Realised gain on disposal of investments	27	(11,123,326)	(2,938,829)
Realised gain on disposal of property, plant and equipment	27	(7,691)	(2,022)
Increase in premium liabilities		10,094,594	17,818,534
Investment income	26	(10,593,607)	(9,562,119)
Property, plant and equipment written off	30	107	1,467
(Write-back of)/Provision for retirement gratuity	30	(250,687)	52,249
Fair value loss/(gain) on financial assets at fair value through profit or loss	28	290,006	(15,281,020)
Profit from operations before changes in operating assets and liabilities		20,160,287	27,215,520
Decrease/(Increase) in receivables		6,219,275	(1,692,942)
Increase in outstanding claims		32,575,763	19,177,203
(Decrease)/Increase in payables		(26,957,196)	12,813,492
Staff retirement benefits paid	20	(22,623)	(43,662)
Cash generated from operations		31,975,506	57,469,611
Tax paid		(5,315,990)	(1,810,715)
Net cash from operating activities		26,659,516	55,658,896



Group Statement of Cash Flows (cont'd)

For the financial year ended 31 December 2010

	Note	2010 RM	Group 2009 RM
Cash flows from investing activities			
Purchase of investments		(18,549,033)	(45,123,452)
Proceeds from redemption and disposal of investments		38,949,659	15,190,922
Increase in fixed deposits		(30,787,068)	(45,558,939)
Proceeds from maturity of investments in Malaysian Government Securities		5,000,000	7,500,000
Investment income received:-			
- Dividend		2,515,888	1,302,678
- Interest		6,997,480	8,016,599
- Rental income, net of rates and maintenance		375,041	1,010,221
Proceeds from disposal of property, plant and equipment		80,949	4,840
Purchase of property, plant and equipment	7	(725,639)	(430,997)
Net cash from/(used in) investing activities		<u>3,857,277</u>	<u>(58,088,128)</u>
Cash flow from financing activity			
Dividends paid		(7,501,762)	(4,501,058)
Net cash used in financing activity		<u>(7,501,762)</u>	<u>(4,501,058)</u>
Net increase/(decrease) in cash and cash equivalents		23,015,031	(6,930,290)
Cash and cash equivalents at beginning of financial year		28,110,429	35,040,719
Cash and cash equivalents at end of financial year	14	<u><u>51,125,460</u></u>	<u><u>28,110,429</u></u>

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



Statement of Financial Position

as at 31 December 2010

		Company	
	Note	2010 RM	2009 RM
Assets			
Property, plant and equipment	7	1,818,932	1,595,535
Investment in a subsidiary	8	1,810,000	1,810,000
Investment properties	9	24,517,092	24,717,092
Investments:			
- Financial assets at fair value through profit or loss	10 (a)	50,002,163	59,569,469
- Held-to-maturity	10 (b)	40,133,946	45,024,172
- Loans and receivables	10 (c)	224,653,265	193,866,197
		314,789,374	298,459,838
Reinsurance assets	11	184,457,662	159,014,334
Insurance receivables	12	47,145,657	49,320,675
Other receivables	13	14,022,603	5,377,226
Cash and cash equivalents	14	49,359,909	26,378,234
Total assets		637,921,229	566,672,934
Liabilities			
Insurance contract liabilities	15	382,598,377	314,484,692
Insurance payables	18	55,724,470	57,868,485
Other financial liabilities	17	25,703,761	38,146,483
Other payables	19	7,714,421	7,691,095
Staff retirement gratuity	20	714,039	987,349
Deferred tax liability	16	1,872,000	1,812,000
Tax payable		3,259,565	709,162
Total liabilities		477,586,633	421,699,266
Shareholders' equity:			
Share capital	21	100,023,500	100,023,500
Reserves	22	60,311,096	44,950,168
		160,334,596	144,973,668
Total liabilities and shareholders' equity		637,921,229	566,672,934

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



Income Statement

For the financial year ended 31 December 2010

	Note	Company	
		2010 RM	2009 RM
Operating revenue	24	<u>253,561,655</u>	<u>226,519,128</u>
Gross earned premiums	25 (a)	232,122,051	202,336,531
Premium ceded to reinsurers	25 (b)	<u>(100,506,701)</u>	<u>(103,026,597)</u>
Net earned premiums		<u>131,615,350</u>	<u>99,309,934</u>
Investment income	26	10,556,229	11,878,483
Realised gains and losses	27	11,131,017	2,940,851
Fair value gains and losses	28	<u>(290,006)</u>	<u>15,281,020</u>
Other revenue		<u>21,397,240</u>	<u>30,100,354</u>
Commission expense		<u>(31,049,555)</u>	<u>(26,796,555)</u>
Less : Reinsurance commission income		<u>17,758,693</u>	<u>16,693,948</u>
Net commission		(13,290,862)	(10,102,607)
Management expenses	30	<u>(15,205,357)</u>	<u>(17,777,682)</u>
Other expenses		<u>(28,496,219)</u>	<u>(27,880,289)</u>
Gross claims paid	29	(127,936,108)	(85,016,892)
Claims ceded to reinsurers	29	67,022,485	41,486,310
Gross change to insurance contract liabilities	29	(57,230,310)	5,530,937
Change in insurance contract liabilities ceded to reinsurers	29	<u>24,654,547</u>	<u>(24,708,140)</u>
Net claims incurred		<u>(93,489,386)</u>	<u>(62,707,785)</u>
Profit before tax		31,026,985	38,822,214
Tax expense	31	<u>(8,164,295)</u>	<u>(9,791,258)</u>
Profit for the financial year		<u>22,862,690</u>	<u>29,030,956</u>
Earnings per share (sen)			
Basic and fully diluted	32	22.9	29.0

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



Statement of Comprehensive Income

For the financial year ended 31 December 2010

	Company	
	2010 RM	2009 RM
Profit for the financial year	22,862,690	29,030,956
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>22,862,690</u></u>	<u><u>29,030,956</u></u>

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



Statement of Changes in Equity

For the financial year ended 31 December 2010

Company

	Share capital RM	<u>Non distributable</u> Share premium RM	<u>Distributable</u> Retained earnings RM	Total RM
Balance as at 1 January 2009	100,023,500	980,000	19,440,270	120,443,770
Total comprehensive income for the year	-	-	29,030,956	29,030,956
Transaction with owners				
Dividend paid (Note 33)	-	-	(4,501,058)	(4,501,058)
Balance as at 31 December 2009	100,023,500	980,000	43,970,168	144,973,668
Total comprehensive income for the year	-	-	22,862,690	22,862,690
Transaction with owners				
Dividend paid (Note 33)	-	-	(7,501,762)	(7,501,762)
Balance as at 31 December 2010	100,023,500	980,000	59,331,096	160,334,596

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



Statement of Cash Flows

For the financial year ended 31 December 2010

		Company	
	Note	2010 RM	2009 RM
Cash flows from operating activities			
Profit before tax		31,026,985	38,822,214
Adjustments for:			
Impairment of receivables	30	270,755	204,112
Depreciation of property, plant and equipment	30	428,877	431,815
Realised gain on disposal of investments	27	(11,123,326)	(2,938,829)
Realised gain on disposal of property, plant and equipment	27	(7,691)	(2,022)
Increase in premium liabilities		10,094,594	17,818,534
Investment income	26	(10,556,229)	(11,878,483)
Property, plant and equipment written off	30	107	1,467
(Write-back of)/ Provision for retirement gratuity	30	(250,687)	52,249
Fair value loss/(gain) on financial assets at fair value through profit or loss	28	290,006	(15,281,020)
Profit from operations before changes in operating assets and liabilities		20,173,391	27,230,037
Decrease/(Increase) in receivables		6,181,361	(1,769,875)
Increase in outstanding claims		32,575,763	19,177,203
(Decrease)/Increase in payables		(26,945,611)	12,813,492
Staff retirement benefits paid	20	(22,623)	(43,662)
Cash generated from operations		31,962,281	57,407,195
Tax paid		(5,298,743)	(1,786,662)
Net cash from operating activities		26,663,538	55,620,533



Statement of Cash Flows (cont'd)

For the financial year ended 31 December 2010

	Note	Company	
		2010 RM	2009 RM
Cash flows from investing activities			
Purchase of investments		(18,549,033)	(45,123,452)
Proceeds from redemption and disposal of investments		38,949,659	15,190,923
Increase in fixed deposits		(30,787,068)	(45,558,939)
Proceeds from maturity of investments in Malaysian Government Securities		5,000,000	7,500,000
Investment income received:-			
- Dividend		2,515,888	3,702,678
- Interest		6,960,102	7,932,963
- Rental income, net of rates and maintenance		375,041	1,010,221
Proceeds from disposal of property, plant and equipment		80,949	4,840
Purchase of property, plant and equipment	7	(725,639)	(430,997)
Net cash from/(used in) investing activities		<u>3,819,899</u>	<u>(55,771,763)</u>
Cash flow from financing activity			
Dividends paid		(7,501,762)	(4,501,058)
Net cash used in financing activity		<u>(7,501,762)</u>	<u>(4,501,058)</u>
Net increase/(decrease) in cash and cash equivalents		22,981,675	(4,652,288)
Cash and cash equivalents at beginning of financial year		<u>26,378,234</u>	<u>31,030,522</u>
Cash and cash equivalents at end of financial year	14	<u><u>49,359,909</u></u>	<u><u>26,378,234</u></u>

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



Notes to the Financial Statements

1. Corporate information

MUI Continental Insurance Berhad is a public limited liability company, incorporated and domiciled in Malaysia.

The address of its registered office is 5th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur, Malaysia.

The address of its principal place of business is Mezzanine & 1st Floor, Plaza See Hoy Chan, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.

The Directors regard Malayan United Industries Berhad, a company listed on the main market of Bursa Malaysia, and Novimax (M) Sdn. Bhd., as the ultimate and immediate holding company respectively.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 1 March 2011.

2. Principal activities

The Company is principally engaged in the general insurance business of all classes. There has been no change in the principal activity of the Company during the financial year. The principal activity of the subsidiary is disclosed in Note 8 to the financial statements.

3. Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ('FRSs') and the provisions of the Companies Act 1965, the Insurance Act, 1996 and Insurance Regulations, 1996 in Malaysia as well as the Guidelines/Circulars issued by Bank Negara Malaysia.

At the beginning of the current financial year, the Group and Company have also adopted new and revised FRSs which are relevant and mandatory for financial periods beginning on or after 1 January 2010 as described in Note 5.1.

4. Significant accounting policies

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except those financial instruments that have been measured at their fair values and insurance liabilities measured in accordance with the valuation methods specified in the Risk-Based Capital Framework for insurers issued by Bank Negara Malaysia ('the Framework').

The Group and Company have met the minimum capital requirements as prescribed by the Framework as at the end of reporting period.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.1 Basis of accounting (continued)

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

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary made up to the end of the financial year using the purchase method of accounting.

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets acquired, liabilities assumed and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

- (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination; and
- (b) recognise immediately in profit or loss any excess remaining after that reassessment.

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.2 Basis of consolidation (continued)

The subsidiary is consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiary. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently convertible or exercisable are taken into consideration.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated statement of comprehensive income.

4.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group and Company are obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Furniture and fittings	6.0% - 7.5%
Office equipment	7.5% - 20.0%
Motor vehicles	20.0%



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.3 Property, plant and equipment and depreciation (continued)

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of assets).

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, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on 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 carrying amount is included in profit or loss.

4.4 Intangible assets

Goodwill

Goodwill acquired in a business combination is recognised as an asset at the acquisition date and is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4.5 Investment properties

Investment properties are properties which are held to earn rentals or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.6 Investments

Investment in subsidiary

A subsidiary is an entity in which the Group and the Company have power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group and Company.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group and Company.

(a) Financial instruments recognised on the statement of financial position

Financial instruments are recognised on the statement of financial position when the Group and Company have become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(i) Investments

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



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.7 Financial instruments (continued)

(a) Financial instruments recognised on the statement of financial position (continued)

(i) Investments (continued)

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets are classified as fair value through profit or loss where the Group's and Company's documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group and Company commit to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

The said classification is as follows:-

(a) FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

(b) HTM

An investment with a fixed or determinable maturity date is categorised as held-to-maturity if the Group and Company have the positive intention and ability to hold the investment to its maturity.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.7 Financial instruments (continued)

(a) Financial instruments recognised on the statement of financial position (continued)

(i) Investments (continued)

These investments are initially recognised at purchase price plus transaction costs. Subsequent measurements are stated at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the future cash payments or receipts through the expected life of the financial instrument to its carrying amount, less impairment. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(c) LAR

Investments with fixed or determinable payments that are not quoted in an active market are categorised as loans and receivables. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. All transaction costs directly attributable to the acquisition are also included in the cost of the investments. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less impairment. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(d) AFS

An investment which is neither of the three preceding categories is categorised as available for sale.

These investments are initially recognised at fair value. Subsequent measurements are stated at fair values with changes in fair values being recognised in equity, except for impairment losses which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in equity is reclassified from equity to profit or loss.

(ii) Insurance receivables and other receivables

Insurance receivables and other receivables, including amounts owing by related parties, are classified as loans and receivables.

Insurance receivables and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables and other receivables are measured at amortised cost using the effective interest method.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.7 Financial instruments (continued)

(a) Financial instruments recognised on the statement of financial position (continued)

(iii) Cash and cash equivalents and investments in deposits with financial institutions

Cash and cash equivalents include cash and bank balances, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value. These exclude fixed deposits with maturities exceeding three (3) months, which are held for investment purpose and are classified as investments in deposits with financial institutions.

(iv) Insurance payables and other financial liabilities

Insurance payables and other financial liabilities, including amounts owing to related parties, are initially recognised at fair value of the consideration to be paid in the future for goods and services received, and subsequently measured at amortised cost using the effective interest method.

(v) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Dividends to shareholders are recognised in equity in the period in which they are declared.

(b) Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group and Company have also transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.7 Financial instruments (continued)

(b) Derecognition of financial assets and liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4.8 Impairment of assets

All assets, except for financial assets at FVTPL, are reviewed for impairment at the end of each reporting period as follows:-

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recognised in profit or loss.

The Group and Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period.

A reversal of impairment loss occurs when it can be objectively related to an event occurring after the impairment was recognised to the extent that the carrying amount does not exceed its amortised cost had the impairment not been recognised at the date the impairment is reversed. Such reversal is recognised in profit or loss.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.8 Impairment of assets (continued)

(b) Available for sale (“AFS”) financial assets

Impairment losses on assets classified as AFS are recognised when the current fair values are lower than the acquisition costs by transferring the differences between the acquisition costs and the current fair values of the financial instrument from equity to profit or loss, even though the asset has not been derecognised.

Reversals of impairment losses on debt instruments classified as AFS are recognised in profit or loss if the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(c) Non-financial assets

The carrying amount of non-financial assets (excluding investment in subsidiary) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

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

The recoverable amount of an asset is estimated for an individual asset. Where it is not probable to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit (“CGU”) to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.8 Impairment of assets (continued)

(c) Non-financial assets

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

4.9 Product classification

The Group and Company issue contracts that transfer insurance risk or financial risk or both.

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

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

4.10 General insurance underwriting results

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

(a) Gross premium

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.10 General insurance underwriting results (continued)

(b) Reinsurance premium

Inward facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inward treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specific treaty period, the inward facultative reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

(c) Reinsurance

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

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

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

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

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



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.10 General insurance underwriting results (continued)

(c) Reinsurance (continued)

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(d) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premium is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs or ceding income which are not recoverable or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

4.11 General insurance contract liabilities

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

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

(a) Premium liabilities

Premium liabilities are stated at the higher of the aggregate of the Unearned Premium Reserves for all classes of insurance and the best estimate value of the Unexpired Risk Reserves maintained at the required risk margin for adverse deviation. The Unexpired Risk Reserves was established pursuant to the Framework which came into force on 1 January 2009.

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



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.11 General insurance contract liabilities (continued)

(a) Premium liabilities (continued)

(i) Unearned Premium Reserves (“UPR”)

UPR represent the portion of the net premiums of insurance policies written that relates to the unexpired period of the policies at the end of the reporting period.

In determining the UPR at the end of reporting period, the method that most accurately reflects the actual unearned premium is as follows:-

- (1) 25% method for Malaysian marine and aviation cargo business.
- (2) 1/24th method for all other classes of Malaysian general policies business.
- (3) 1/8th method for all other classes of overseas inward treaty business.
- (4) Non-annual policies are time-apportioned over the period of the risks.

The UPR calculation is adjusted for additional UPR as required under the guidelines issued by Bank Negara Malaysia in respect of premiums ceded to overseas and other non-qualifying reinsurers.

(ii) Unexpired Risk Reserves (“URR”)

The URR is the prospective estimate of the expected future payments arising from future events under the policies in force as at the valuation date and also includes allowance for the Group’s and Company’s expenses, such as overheads and cost of reinsurance which are expected to occur during the unexpired period of the policies and settling the relevant claims, and expected refunds on premiums.

(b) Claims liabilities

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the end of reporting period, whether reported or not, together with related claims handling costs and the reduction for expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these claims cannot be known with certainty at the end of reporting period.

The liability is calculated at the reporting date by an independent actuary using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation, which is maintained at no less than 75% confidence level of adequacy.

The liability is not discounted for the time value of money. The liability is derecognised when the contract expires, is discharged or is cancelled. No provision for equalisation or catastrophe reserves is recognised.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.11 General insurance contract liabilities (continued)

(b) Claims liabilities (continued)

Estimating the outstanding claims provision involves projection of the Group's and Company's future claims experience based on current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

4.12 Other revenue recognition

Other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income on deposits and other interest-bearing investments are recognised on an accruals basis.

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the right to receive payment is established. Dividend income from the subsidiary company is recognised when the right to receive payment is established.

Rental income is recognised in profit or loss as it accrues based on the terms of the agreements.

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gain and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

4.13 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statement of comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current taxes for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of the reporting period.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.13 Income taxes (continued)

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax will be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

4.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group and Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.14 Provisions (continued)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group and Company have a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.15 Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

The Group's and Company's contribution to the Employees' Provident Fund are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

(ii) Defined benefit plans

The Group and Company operate an unfunded defined benefit scheme. Benefits are payable upon retirement age of 50 and 55 with a minimum vesting period of 20 and 10 years service, respectively; and based on a percentage of eligible employees' salaries over the period of their employment. Contributions to the scheme are charged to profit or loss so as to accrue for the cost of the scheme over the employees' working lives in the Group and Company.

The retirement benefit is calculated based on the current emoluments of all eligible employees and the length of their service to the extent of the Group's and Company's contractual liability at year end. Full provision is maintained for all eligible employees in the absence of an independent actuarial valuation. This is not in compliance with the requirements of FRS 119 Employee Benefits but the Directors are of the opinion that the effect is not material.

4.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group and Company do not recognise a contingent liability but discloses its existence in the financial statements.



Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (continued)

4.16 Contingent liabilities and contingent assets (continued)

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company. The Group and Company do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

4.17 Foreign currencies

The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transactions. At the end of each reporting period, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date.

Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rates that existed when the values were determined. All exchange rate differences are taken to profit or loss.

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations")

5.1 Adoption of new and revised FRSs and Amendments to FRSs with impact on the financial statements of the Group and Company

- (a) FRS 4 *Insurance Contracts* and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202₂₀₀₄ *General Insurance Business* and FRS 203₂₀₀₄ *Life Insurance Business*.

This Standard applies to all insurance contracts, including reinsurance contracts that an entity issues and to reinsurance contracts that it holds. This Standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. This Standard also requires an insurer to keep insurance liabilities in its statement of financial position until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

The impact upon adoption of this Standard is disclosed in Note 41 to the financial statements.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.1 Adoption of new and revised FRSs and Amendments to FRSs with impact on the financial statements of the Group and Company (continued)

- (b) FRS 7 *Financial Instruments: Disclosures* and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 *Financial Instruments: Disclosure and Presentation*.

This Standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity’s financial position and performance.

Following the adoption of this Standard, the Group and Company reflected the additional disclosures warranted in the relevant notes to the financial statements.

- (c) FRS 101 *Presentation of Financial Statements* is mandatory for annual periods beginning on or after 1 January 2010.

FRS 101 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

This Standard introduces the titles ‘statement of financial position’ and ‘statement of cash flows’ to replace the current titles ‘statement of financial position’ and ‘cash flow statement’ respectively. A new statement known as the ‘statement of comprehensive income’ is also introduced in this Standard whereby all non-owner changes in equity are required to be presented in either one statement of comprehensive income or in two statements (i.e. a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

This Standard also introduces a new requirement to present a statement of financial position as at the beginning of the earliest comparative period if there are applications of retrospective restatements that are defined in FRS 108 *Accounting Policies, Change in Accounting Estimates and Errors*, or when there are reclassifications of items in the financial statements.

Additionally, FRS 101 requires the disclosure of reclassification adjustments and income tax relating to each component of other comprehensive income, and the presentation of dividends recognised as distributions to owners together with the related amounts per share in the statement of changes in equity or in the notes to the financial statements.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.1 Adoption of new and revised FRSs and Amendments to FRSs with impact on the financial statements of the Group and Company (continued)

- (c) FRS 101 *Presentation of Financial Statements* is mandatory for annual periods beginning on or after 1 January 2010. (continued)

This Standard introduces a new requirement to disclose information on the objectives, policies and processes for managing capital based on information provided internally to key management personnel as defined in FRS 124 *Related Party Disclosures*. Additional disclosures are also required for puttable financial instruments classified as equity instruments.

Following the adoption of this Standard, the Group and Company have reflected the new format of presentation and additional disclosures warranted in the primary financial statements and relevant notes to the financial statements.

5.2 Adoption of new and revised FRSs and IC Interpretations that do not have any impact on the financial statements of the Group and Company

On 1 January 2010, the Group and Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2010:

- (a) FRS 139 *Financial Instruments: Recognition and Measurement* and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010.

The standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted.

- (b) Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives* are mandatory for annual periods beginning on or after 1 January 2010.

These amendments permit reclassifications of non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) out of the fair value through profit or loss category in rare circumstances. Reclassifications from the available-for-sale category to the loans and receivables category are also permitted provided there is intention and ability to hold that financial asset for the foreseeable future. All of these reclassifications shall be subjected to subsequent reassessments of embedded derivatives.

These amendments also clarify the designation of one-sided risk in eligible hedged items and streamline the terms used throughout the Standards in accordance with the changes resulting from FRS 101 *Presentation of Financial Statements*.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.2 Adoption of new and revised FRSs and IC Interpretations that do not have any impact on the financial statements of the Group and Company (continued)

- (c) Amendments to FRS 132 *Financial Instruments: Presentation* is mandatory for annual periods beginning on or after 1 January 2010.

These amendments require certain puttable financial instruments, and financial instruments that impose an obligation to deliver to counterparties a pro rata share of the net assets of the entity only on liquidation to be classified as equity.

Puttable financial instruments are defined as financial instruments that give the holder the right to put the instrument back to the issuer for cash, or another financial asset, or are automatically put back to the issuer upon occurrence of an uncertain future event or the death or retirement of the instrument holder.

- (d) Improvements to FRSs (2009) are mandatory for annual periods beginning on or after 1 January 2010.

Amendment to FRS 107 *Statement of Cash Flows* clarifies the classification of cash flows arising from operating activities and investing activities. Cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale, and the related cash receipts, shall be classified as cash flows from operating activities. Expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.

Amendment to FRS 108 *Accounting Policies, Change in Accounting Estimates and Errors* clarifies that only Implementation Guidance issued by the MASB that are integral parts of FRSs is mandatory.

Amendment to FRS 110 *Events after the Reporting Period* clarifies the rationale for not recognising dividends declared after the reporting date but before the financial statements are authorised for issue.

Amendment to FRS 116 *Property, Plant and Equipment* removes the definition pertaining the applicability of this Standard to property that is being constructed or developed for future use as investment property but do not yet satisfy the definition of ‘investment property’ in FRS 140 *Investment Property*. This amendment also replaces the term ‘net selling price’ with ‘fair value less costs to sell’, and clarifies that proceeds arising from routine sale of items of property, plant and equipment shall be recognised as revenue in accordance with RS 118 *Revenue* rather than FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Amendment to FRS 118 *Revenue* clarifies reference made on the term ‘transaction costs’ to the definition in FRS 139 *Financial Instruments: Recognition and Measurement*.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.2 Adoption of new and revised FRSs and IC Interpretations that do not have any impact on the financial statements of the Group and Company (continued)

- (d) Improvements to FRSs (2009) are mandatory for annual periods beginning on or after 1 January 2010. (continued)

Amendment to *FRS 119 Employee Benefits* clarifies the definitions in this Standard between short-term employee benefits and other long-term employee benefits. This amendment also provides additional explanations on negative past service cost and curtailments.

Amendment to *FRS 127 Consolidated and Separate Financial Statements* clarifies that investments measured at cost shall be accounted for in accordance with *FRS 5 Non-current Assets Held for Sale and Discontinued Operations* when they are held for sale in accordance with *FRS*.

Amendment to *FRS 136 Impairment of Assets* clarifies the determination of allocation of goodwill to each cash-generating unit whereby each unit shall not be larger than an operating segment as defined in *FRS 8 Operating Segments* before aggregation. This amendment also requires additional disclosures if the fair value less costs to sell is determined using discounted cash flow projections.

Amendment to *FRS 140 Investment Property* clarifies that properties that are being constructed or developed for future use as investment property are within the definition of ‘investment property’. This amendment further clarifies that if the fair value of such properties cannot be reliably determinable but it is expected that the fair value would be readily determinable when construction is complete, the properties shall be measured at cost until either its fair value becomes reliably determinable or construction is completed, whichever is earlier.

- (e) Amendments to *FRS 132* is mandatory for annual periods beginning on or after 1 January 2010 in respect of the transitional provisions in accounting for compound financial instruments.

These amendments remove the transitional provisions in respect of accounting for compound financial instruments issued before 1 January 2003 pursuant to *FRS 132₂₀₀₄ Financial Instruments: Disclosure and Presentation*. Such compound financial instruments shall be classified into its liability and equity components when *FRS 139* first applies.

- (f) Amendments to *FRS 139* is mandatory for annual periods beginning on or after 1 January 2010.

These amendments remove the scope exemption on contracts for contingent consideration in a business combination. Accordingly, such contracts shall be recognised and measured in accordance with the requirements of *FRS 139*.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.3 New and revised FRSs and IC Interpretations that are deemed not relevant to the operations of the Group and Company

- (a) Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* is mandatory for annual periods beginning on or after 1 January 2010.

These amendments allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The cost method of accounting for an investment has also been removed pursuant to these amendments.

- (b) FRS 8 *Operating Segments* and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 8 sets out the requirements for disclosure of information on an entity’s operating segments, products and services, the geographical areas in which it operates and its customers.

The requirements of this Standard are based on the information about the components of the entity that management uses to make decisions about operating matters. This Standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group’s chief operating decision maker in order to allocate resources to the segment and assess its performance.

- (c) FRS 123 *Borrowing Costs* and the consequential amendments resulting from FRS 123 are mandatory for annual periods beginning on or after 1 January 2010.

This Standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

- (d) Amendments to FRS 2 *Share-based Payments* is mandatory for annual periods beginning on or after 1 January 2010.

These amendments clarify that vesting conditions comprise service conditions and performance conditions only. Cancellations by parties other than the Group are accounted for in the same manner as cancellations by the Group itself and features of a share-based payment that are non-vesting conditions are included in the grant date fair value of the share-based payment.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.3 New and revised FRSs and IC Interpretations that are deemed not relevant to the operations of the Group and Company (continued)

- (e) IC Interpretation 9 *Reassessment of Embedded Derivatives* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms of the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

- (f) IC Interpretation 10 *Interim Financial Reporting and Impairment* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

- (g) IC Interpretation 11 - FRS 2 *Group and Treasury Share Transactions* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation requires share-based payment transactions in which the entity receives services from employees as consideration for its own equity instruments to be accounted for as equity-settled, regardless of the manner of satisfying the obligations to the employees.

If the Company grants rights to its equity instruments to the employees of its subsidiaries, this Interpretation requires the Company to recognise the equity reserve for the obligation to deliver the equity instruments when needed whilst the subsidiaries shall recognise the remuneration expense for the services received from employees.

If the subsidiaries grant rights to equity instruments of the Company to its employees, this Interpretation requires the Company to account for the transaction as cash-settled, regardless of the manner the subsidiaries obtain the equity instruments to satisfy its obligations.

The Group would like to draw attention to the withdrawal of this Interpretation for annual periods beginning on or after 1 January 2011 as disclosed in Note 5.4 (l).

- (h) IC Interpretation 13 *Customer Loyalty Programmes* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation requires the separation of award credits as a separately identifiable component of sales transactions involving the award of free or discounted goods or services in the future. The fair value of the consideration received or receivable from the initial sale shall be allocated between the award credits and the other components of the sale.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.3 New and revised FRSs and IC Interpretations that are deemed not relevant to the operations of the Group and Company (continued)

- (h) IC Interpretation 13 *Customer Loyalty Programmes* is mandatory for annual periods beginning on or after 1 January 2010. (continued)

If the Group supplies the awards itself, the consideration allocated to the award credits shall only be recognised as revenue when the award credits are redeemed. If a third party supplies the awards, the Group shall assess whether it is acting as a principal or agent in the transaction.

If the Group is acting as the principal in the transaction, it shall measure its revenue as the gross consideration allocated to the award credits. If the Group is acting as an agent, it shall measure its revenue as the net amount retained on its own account, and recognise the net amount as revenue when the third party becomes obliged to supply the awards and entitled to receive the consideration for doing so.

- (i) IC Interpretation 14 - FRS 119 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. This Interpretation clarifies that an economic benefit is available if the Group can realise it at some point during the life of the plan or when the plan liabilities are settled, and that it does not depend on how the Group intends to use the surplus.

A right to refund is available to the Group in stipulated circumstances and the economic benefit available shall be measured as the amount of the surplus at the end of reporting period less any associated costs. If there are no minimum funding requirements, the economic benefit available shall be determined as a reduction in future contributions as the lower of the surplus in the plan and the present value of the future service cost to the Group. If there is a minimum funding requirement for contributions relating to the future accrual of benefits, the economic benefit available shall be determined as a reduction in future contributions at the present value of the estimated future service cost less the estimated minimum funding required in each financial year.

- (j) Improvements to FRSs (2009) are mandatory for annual periods beginning on or after 1 January 2010.

Amendment to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* clarifies that the disclosure requirements of this Standard specifically apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations.

Amendment to FRS 8 *Operating Segments* clarifies the consistency of disclosure requirement for information about profit or loss, assets and liabilities.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.3 New and revised FRSs and IC Interpretations that are deemed not relevant to the operations of the Group and Company (continued)

- (j) Improvements to FRSs (2009) are mandatory for annual periods beginning on or after 1 January 2010. (continued)

Amendment to FRS 117 *Leases* removes the classification of leases of land and of buildings, and instead, requires assessment of classification based on the risks and rewards of the lease itself. The reassessment of land elements of unexpired leases shall be made prospectively in accordance with FRS 108 *Accounting Policies, Change in Accounting Estimates and Errors*.

Amendment to FRS 120 *Accounting for Government Grants and Disclosure of Government Assistance* streamlines the terms used in this Standard in accordance with the new terms used in FRS 101 *Presentation of Financial Statements*.

Amendment to FRS 123 *Borrowing Costs* clarifies that interest expense calculated using the effective interest rate method described in FRS 139 *Financial Instruments: Recognition and Measurement* qualifies for recognition as borrowing costs.

Amendment to FRS 128 *Investments in Associates* clarifies that investments in associates held by venture capital organisations, or mutual funds, unit trusts and similar entities shall make disclosures on the nature and extent of any significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances. This amendment also clarifies that impairment loss recognised in accordance with FRS 136 *Impairment of Assets* shall not be allocated to any asset, including goodwill, that forms the carrying amount of the investment. Accordingly, any reversal of that impairment loss shall be recognised in accordance with FRS 136.

Amendment to FRS 129 *Financial Reporting in Hyperinflationary Economies* streamlines the terms used in this Standard in accordance with the new terms used in FRS 101 *Presentation of Financial Statements*. This amendment also clarifies that assets and liabilities that are measured at fair value are exempted from the requirement to apply historical cost basis of accounting.

Amendment to FRS 131 *Interests in Joint Ventures* clarifies that venturers' interests in jointly controlled entities held by venture capital organisations, or mutual funds, unit trusts and similar entities shall make disclosures on related capital commitments. This amendment also clarifies that a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities shall be made.

Amendment to FRS 138 *Intangible Assets* clarifies the examples provided in this Standard in measuring the fair value of an intangible asset acquired in a business combination. This amendment also removes the statement on the rarity of situations whereby the application of the amortisation method for intangible assets results in a lower amount of accumulated amortisation than under the straight line method.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective

- (a) Amendments to FRS 132 is mandatory for annual periods beginning on or after 1 March 2010 in respect of classification of rights issues.

The amendments also clarify that rights, options or warrants to acquire a fixed number of the Group’s own equity instruments for a fixed amount of any currency shall be classified as equity instruments rather than financial liabilities if the Group offers the rights, options or warrants pro rata to all of its own existing owners of the same class of its own non-derivative equity instruments.

The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

- (b) FRS 1 *First-time Adoption of Financial Reporting Standards* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 1 and shall be applied when the Group adopts FRSs for the first time via the explicit and unreserved statement of compliance with FRSs. An opening FRS statement of financial position shall be prepared and presented at the date of transition to FRS, whereby:-

- All assets and liabilities shall be recognised in accordance with FRSs;
- Items of assets and liabilities shall not be recognised if FRSs do not permit such recognition;
- Items recognised in accordance with previous GAAP shall be reclassified in accordance with FRSs; and
- All recognised assets and liabilities shall be measured in accordance with FRSs.

All resulting adjustments shall therefore be recognised directly in retained earnings at the date of transition to FRSs.

The Group does not expect any impact on the financial statements arising from the adoption of this Standard.

- (c) FRS 3 *Business Combinations* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 3 and now includes business combinations involving mutual entities and those achieved by way of contract alone. Any non-controlling interest in an acquiree shall be measured at fair value or as the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (c) FRS 3 *Business Combinations* is mandatory for annual periods beginning on or after 1 July 2010. (continued)

The time limit on the adjustment to goodwill due to the available of new information on the crystallisation of deferred tax benefits shall be restricted to the measurement period resulting from the available of the new information. Contingent liabilities acquired arising from present obligations shall be recognised, regardless of the probability of outflow of economic resources.

Acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred and the services are received. Consideration transferred in a business combination, including contingent consideration, shall be measured and recognised at fair value at acquisition date.

In business combinations achieved in stages, the acquirer shall remeasure its previously held equity interest at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

The Group does not expect any impact on the financial statements arising from the adoption of this Standard.

- (d) FRS 127 *Consolidated and Separate Financial Statements* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 127 and replaces the current term ‘minority interest’ with a new term ‘non-controlling interest’ which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group loses control of a subsidiary, any gains or losses are recognised in profit or loss and any investment retained in the former subsidiary shall be measured at its fair value at the date when control is lost.

The Group does not expect any impact on the financial statements arising from the adoption of this Standard.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (e) Amendments to FRSs are mandatory for annual periods beginning on or after 1 July 2010.

Amendments to FRS 2 *Share-based Payments* clarifies that transactions in which the Group acquired goods as part of the net assets acquired in a business combination or contribution of a business on the formation of a joint venture are excluded from the scope of this Standard. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* clarifies that non-current asset classified as held for distribution to owners acting in their capacity as owners are within the scope of this Standard. The amendment also clarifies that in determining whether a sale is highly probable, the probability of shareholders’ approval, if required in the jurisdiction, shall be considered. In a sale plan involving loss of control of a subsidiary, all assets and liabilities of that subsidiary shall be classified as held for sale, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Discontinued operations information shall also be presented. Non-current asset classified as held for distribution to owners shall be measured at the lower of its carrying amount and fair value less costs to distribute. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 138 *Intangible Assets* clarifies that the intention of separating an intangible asset is irrelevant in determining the identifiability of the intangible asset. In a separate acquisition and acquisition as part of a business combination, the price paid by the Group reflects the expectations of the Group of an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. Accordingly, the probability criterion is always considered to be satisfied for separately acquired intangible assets. The useful life of a reacquired right recognised as an intangible asset in a business combination shall be the remaining contractual period of the contract in which the right was granted, and do not include renewal periods. In the case of a reacquired right in a business combination, if the right is subsequently reissued to a third party, the related carrying amount shall be used in determining the gain or loss on reissue. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to IC Interpretation 9 clarifies that embedded derivatives in contracts acquired in a business combination, combination of entities or business under common controls, or the formation of a joint venture are excluded from this Interpretation. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (f) IC Interpretation 12 *Service Concession Arrangements* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to operators for public-to-private service concession arrangements, whereby infrastructure within the scope of this Interpretation shall not be recognised as property, plant and equipment of the operator. The operator shall recognise and measure revenue in accordance with FRS 111 Construction Contracts and FRS 118 for the services performed. The operator shall also account for revenue and costs relating to construction or upgrade services in accordance with FRS 111.

Consideration received or receivable by the operator for the provision of construction or upgrade services shall be recognised at its fair value. If the consideration consists of an unconditional contractual right to receive cash or another financial asset from the grantor, it shall be classified as a financial asset. Conversely, if the consideration consists of a right to charge users of the public service, it shall be classified as an intangible asset. The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation.

- (g) IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to hedges undertaken on foreign currency risk arising from net investments in foreign operations, if any, and the Group wishes to qualify for hedge accounting in accordance with FRS 139 *Financial Instruments: Recognition and Measurement*.

Hedge accounting is applicable only to the foreign exchange differences arising between the functional currency of the foreign operation, if any, and the functional currency of any parent (immediate, intermediate or ultimate parent) of that foreign operation. An exposure to foreign currency risk arising from a net investment in a foreign operation, if any, may qualify for hedge accounting only once in the consolidated financial statements.

Hedging instruments designated in the hedge of a net investment in a foreign operation, if any, may be held by any companies within the Group, as long as the designation, documentation and effectiveness requirements of FRS 139 are met. The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation.

- (h) IC Interpretation 17 *Distributions of Non-cash Assets to Owners* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to non-reciprocal distributions of non-cash assets by the Group to its owners in their capacity as owners, as well as distributions that give owners a choice of receiving either non-cash assets or a cash alternative. This Interpretation also applies to distributions in which all owners of the same class of equity instruments are treated equally.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (h) IC Interpretation 17 *Distributions of Non-cash Assets to Owners* is mandatory for annual periods beginning on or after 1 July 2010. (continued)

The liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the Group. The liability shall be measured at the fair value of the assets to be distributed.

If the Group gives its owners a choice of receiving either a non-cash asset or a cash alternative, the dividend payable shall be estimated by considering the fair value of both alternatives and the associated probability of the owners' selection.

At the end of each reporting period, the carrying amount of the dividend payable shall be remeasured and any changes shall be recognised in equity. At the settlement date, any difference between the carrying amounts of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation.

- (i) Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters* is mandatory for annual periods beginning on or after 1 January 2011.

This amendment permits a first-time adopter of FRSs to apply the exemption of not restating comparatives for the disclosures required in Amendments to FRS 7.

The Group does not expect any impact on the financial statements arising from the adoption of this amendment.

- (j) Amendments to FRS 1 *Additional Exemptions for First-time Adopters* are mandatory for annual periods beginning on or after 1 January 2011.

These amendments permits a first-time adopter of FRSs to apply the exemption of not restating the carrying amounts of oil and gas assets determined under previous GAAP.

The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

- (k) Amendments to FRS 7 *Improving Disclosures about Financial Instruments* are mandatory for annual periods beginning on or after 1 January 2011.

These amendments require enhanced disclosures of fair value of financial instruments based on the fair value hierarchy, including the disclosure of significant transfers between Level 1 and Level 2 of the fair value hierarchy as well as reconciliations for fair value measurements in Level 3 of the fair value hierarchy.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (k) Amendments to FRS 7 *Improving Disclosures about Financial Instruments* are mandatory for annual periods beginning on or after 1 January 2011. (continued)

By virtue of the exemption provided under paragraph 44G of FRS 7, the impact of applying these amendments on the financial statements upon first adoption of FRS 7 as required by paragraph 30(b) of FRS 108 are not disclosed.

- (l) Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions* are mandatory for annual periods beginning on or after 1 January 2011.

These amendments clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction.

Consequently, IC Interpretation 8 *Scope of FRS 2* and IC Interpretation 11 have been superseded and withdrawn.

The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

- (m) IC Interpretation 4 *Determining whether an Arrangement contains a Lease* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation requires the determination of whether an arrangement is, or contains, a lease based on an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset. This assessment shall be made at the inception of the arrangement and subsequently reassessed if certain condition(s) in the Interpretation is met.

The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation because there are no arrangements dependent on the use of specific assets in the Group.

- (n) IC Interpretation 18 *Transfers of Assets from Customers* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation applies to agreements in which an entity receives from a customer an item of property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The entity receiving the transferred item is required to assess whether the transferred item meets the definition of an asset set out in the Framework. The credit entry would be accounted for as revenue in accordance with FRS 118.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (n) IC Interpretation 18 *Transfers of Assets from Customers* is mandatory for annual periods beginning on or after 1 January 2011.(continued)

The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation because there are no such arrangements in the Group.

- (o) IC Interpretation 15 *Agreements for the Construction of Real Estate* is mandatory for annual periods beginning on or after 1 January 2012.

This Interpretation applies to the accounting for revenue and associated expenses by entities undertaking construction or real estate directly or via subcontractors. Within a single agreement, the entity may contract to deliver goods or services in addition to the construction of real estate. Such an agreement shall therefore, be split into separately identifiable components.

An agreement for the construction of real estate shall be accounted for in accordance with FRS 111 *Construction Contracts* if the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Accordingly, revenue shall be recognised by reference to the stage of completion of the contract.

An agreement for the construction of real estate in which buyers only have limited ability to influence the design of the real estate or to specify only minor variations to the basic designs is an agreement for the sale of goods in accordance with FRS 118 Revenue. Accordingly, revenue shall be recognised by reference to the criteria in paragraph 14 of FRS 118 (e.g. transfer of significant risks and rewards, no continuing managerial involvement nor effective control, reliable measurement, etc.).

The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation.

- (p) Improvements to *FRSs (2010)* are mandatory for annual periods beginning on or after 1 January 2011.

Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* clarify that FRS 108 does not apply to changes in accounting policies made upon adoption of FRSs until after the first FRS financial statements have been presented. If changes in accounting policies or exemptions in this FRS are used, an explanation of such changes together with updated reconciliations shall be made in each interim financial report. Entities whose operations are subject to rate regulation are permitted the use of previously revalued amounts as deemed cost. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (p) Improvements to *FRSs (2010)* are mandatory for annual periods beginning on or after 1 January 2011. (continued)

Amendments to *FRS 3 Business Combinations* clarifies that for each business combination, the acquirer shall measure at the acquisition date non-controlling interests that consists of the present ownership interests and entitle holders to a proportionate share of the entity’s net assets in the event of liquidation. Un-replaced and voluntarily replaced share-based payment transactions shall be measured using the market-based measurement method in accordance with *FRS 2* at the acquisition date. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to *FRS 7 Financial Instruments: Disclosures* clarifies that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to *FRS 101* clarify that a statement of changes in equity shall be presented as part of a complete set of financial statements. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to *FRS 121 The Effects of Changes in Foreign Exchange Rates* clarify that the accounting treatment for cumulative foreign exchange differences in other comprehensive income for the disposal or partial disposal of a foreign operation shall be applied prospectively. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to *FRS 128 Investment in Associates* clarifies that the accounting treatment for the cessation of significant influence over an associate shall be applied prospectively. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to *FRS 131 Interest in Joint Ventures* clarifies that the accounting treatment for the cessation of joint control over an entity shall be applied prospectively. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to *FRS 132* clarify that contingent consideration from a business combination that occurred before the effective date of the revised *FRS 3* of 1 July 2010 shall be accounted for prospectively. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (p) Improvements to *FRSs (2010)* are mandatory for annual periods beginning on or after 1 January 2011. (continued)

Amendments to FRS 134 *Interim Reporting* clarifies that updated information on significant events and transactions since the end of the last annual reporting period shall be included in the Group’s interim financial report. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 139 *Financial Instruments: Recognition and Measurement* clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to IC Interpretation 13 clarify that the fair value of award credits takes into account, amongst others, the amount of the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

- (q) Amendments to IC Interpretation 14 - FRS 119 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is mandatory for annual periods beginning on or after 1 July 2011.

These amendments clarify that if there is a minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions shall include any amount that reduces future minimum funding requirement contributions for future service because of the prepayment made.

The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

- (r) IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* is mandatory for annual periods beginning on or after 1 July 2011.

This Interpretation applies to situations when equity instruments are issued to a creditor to extinguish all or part of a recognised financial liability. Such equity instruments shall be measured at fair value, and the difference between the carrying amount of the financial liability extinguished and the consideration paid shall be recognised in profit or loss.

The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation.



Notes to the Financial Statements (Cont'd)

5. Change in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”) (continued)

5.4 Standards and IC Interpretations issued but not yet effective (continued)

- (s) FRS 124 *Related Party Disclosures* is mandatory for annual periods beginning on or after 1 January 2012.

This revised Standard simplifies the definition of a related party and eliminates certain inconsistencies within the superseded version. In addition to this, transactions and balances with government-related entities are broadly exempted from the disclosure requirements of the Standard.

The Group does not expect any impact on the financial statements arising from the adoption of this Standard.

6. Significant accounting judgements, estimates and assumptions

The preparation of Group’s and Company’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

6.1 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful lives of property, plant and equipment

The Group and the Company estimates the useful lives of property, plant and equipment at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to changes in factors mentioned above. Changes in these factors could impact the useful lives and the residual values of the assets, therefore future depreciation charges could be revised.

(b) Impairment of receivables

The Group and the Company make impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.



Notes to the Financial Statements (Cont'd)

6. Significant accounting judgements, estimates and assumptions (continued)

6.1 Key sources of estimation uncertainty (continued)

(c) Valuation of general insurance contract liabilities

For general insurance, estimates have to be made for both the expected ultimate cost of claims reported at the end of reporting period and for the expected ultimate cost of claims incurred but yet reported at the end of reporting period (“IBNR”).

Estimating the provision for IBNR claims involves projection of the Group’s and Company’s future claims experience based on current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience.

These uncertainties arise from changes in underlying risks, changes in spread of risks, claims settlement as well as uncertainties in the projection model and underlying assumptions.

At the end of each reporting period, the adequacy of the unearned premium liability is assessed by comparing the unearned premium reserves (UPR) calculated on time apportioned method, such as the 1/24th method and the expected future cash flows of potential future claims (taking into consideration current loss ratio) in relation to the policies in force to arrive at the unearned risk reserves (URR) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. The URR includes the actuarial valuation of the risk margin for adverse deviation. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in profit or loss as an expense and by setting up a provision for liability adequacy.

(d) The methods and assumptions used by the management to determine fair values of financial instruments are as follows:

(i) Quoted investments

The fair value of quoted investments is the closing market price at the end of reporting period.

(ii) Unquoted investments

The fair value, in the absence of an active market, is estimated by using discounted cash flow analysis. Estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yield, credit quality and maturity characteristics. Estimated future cash flow are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.



Notes to the Financial Statements (Cont'd)

7. Property, plant and equipment

Group and Company	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Total RM
Cost				
Balance as at 1 January 2009	1,465,443	5,030,763	237,676	6,733,882
Additions	29,888	396,106	5,003	430,997
Disposals	-	(8,338)	(4,745)	(13,083)
Written-off	-	(944,237)	-	(944,237)
<hr/>				
Balance as at 31 December 2009/ 1 January 2010	1,495,331	4,474,294	237,934	6,207,559
Additions	57,642	667,997	-	725,639
Disposals	-	(8,620)	(227,000)	(235,620)
Written-off	-	(380)	-	(380)
<hr/>				
Balance as at 31 December 2010	<u>1,552,973</u>	<u>5,133,291</u>	<u>10,934</u>	<u>6,697,198</u>
Accumulated depreciation				
Balance as at 1 January 2009	683,300	4,348,468	101,476	5,133,244
Charge for the financial year	93,791	291,623	46,401	431,815
Disposals	-	(5,520)	(4,745)	(10,265)
Written-off	-	(942,770)	-	(942,770)
<hr/>				
Balance as at 31 December 2009/ 1 January 2010	777,091	3,691,801	143,132	4,612,024
Charge for the financial year	95,627	313,333	19,917	428,877
Disposals	-	(7,245)	(155,117)	(162,362)
Written-off	-	(273)	-	(273)
<hr/>				
Balance as at 31 December 2010	<u>872,718</u>	<u>3,997,616</u>	<u>7,932</u>	<u>4,878,266</u>
Net book value				
Balance as at 31 December 2009	<u>718,240</u>	<u>782,493</u>	<u>94,802</u>	<u>1,595,535</u>
Balance as at 31 December 2010	<u>680,255</u>	<u>1,135,675</u>	<u>3,002</u>	<u>1,818,932</u>



Notes to the Financial Statements (Cont'd)

8. Investment in a subsidiary

	Company	
	2010 RM	2009 RM
Unquoted shares, at cost	1,810,000	1,810,000

Details of the subsidiary are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2010 %	2009 %
United Continental Properties Sdn. Bhd.	Investment Holding	Malaysia	100	100

9. Investment properties

Group and Company	Balance as at 1.1.2010 RM	Additions RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.12.2010 RM
Carrying amount					
Freehold land	15,117,092	-	-	-	15,117,092
Building	9,600,000	-	-	(200,000)	9,400,000
	24,717,092	-	-	(200,000)	24,517,092

	Cost RM	At 31.12.2010 Accumulated depreciation RM	Carrying amount RM
Freehold land	15,117,092	-	15,117,092
Building	10,000,000	(600,000)	9,400,000
	25,117,092	(600,000)	24,517,092



Notes to the Financial Statements (Cont'd)

9. Investment properties (continued)

Group and Company	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.12.2009 RM
Carrying amount					
Freehold land	15,117,092	-	-	-	15,117,092
Building	9,800,000	-	-	(200,000)	9,600,000
	24,917,092	-	-	(200,000)	24,717,092

	Cost RM	At 31.12.2009 Accumulated depreciation RM	Carrying amount RM
Freehold land	15,117,092	-	15,117,092
Building	10,000,000	(400,000)	9,600,000
	25,117,092	(400,000)	24,717,092

The fair value of investment properties at 31 December 2010 amounted to approximately RM24,517,092 (2009: RM25,117,000).

Direct operating expenses arising from investment properties generating rental income during the financial year are as follows:

	Group and Company	
	2010 RM	2009 RM
Quit rent and assessment	31,217	31,217
Maintenance	91,489	106,219
Utilities	21,072	13,843
Depreciation on building	200,000	200,000
Service charges	66,000	72,000
Others	70,195	81,900
	479,973	505,179



Notes to the Financial Statements (Cont'd)

10. Investments

	Group and Company	
	2010	2009
	RM	RM
Malaysian Government Securities	15,043,122	14,988,203
Debt securities	25,090,824	30,035,969
Equity securities	47,062,163	57,181,469
Unit and property trust funds	2,940,000	2,388,000
Deposits with financial institutions	224,653,265	193,866,197
	<u>314,789,374</u>	<u>298,459,838</u>

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

Financial assets at fair value through profit or loss ("FVTPL")	50,002,163	59,569,469
Held-to-maturity ("HTM")	40,133,946	45,024,172
Loans and receivables ("LAR")	224,653,265	193,866,197
	<u>314,789,374</u>	<u>298,459,838</u>

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

	Group and Company	
	2010	2009
	RM	RM
Fair value		
Quoted in Malaysia:		
Shares	22,276,042	32,774,587
Warrants	678,817	295,867
Real Estate Investment Trusts ("REITs")	2,940,000	2,388,000
	25,894,859	35,458,454
Quoted outside Malaysia:		
Shares	24,107,304	24,111,015
	<u>50,002,163</u>	<u>59,569,469</u>



Notes to the Financial Statements (Cont'd)

10. Investments (continued)

(b) Held-to-maturity

	Group and Company	
	2010 RM	2009 RM
Amortised cost		
Malaysian Government Securities	15,043,122	14,988,203
Cagamas bonds	5,020,359	5,011,698
Corporate bonds	20,070,465	25,024,271
	<u>40,133,946</u>	<u>45,024,172</u>
Fair value		
Malaysian Government Securities	15,270,500	15,337,000
Cagamas bonds	5,118,500	5,134,000
Corporate bonds	20,620,000	26,876,000
	<u>41,009,000</u>	<u>47,347,000</u>

(c) Loans and receivables

	Group and Company	
	2010 RM	2009 RM
Fixed deposits with licensed banks in Malaysia	<u>224,653,265</u>	<u>193,866,197</u>

(d) Carrying values of financial instruments

Group and Company	HTM RM	FVTPL RM	LAR RM	Total RM
At 1 January 2009	52,459,287	11,171,749	148,307,258	211,938,294
Purchases	-	45,123,452	300,959,879	346,083,331
Maturities	(7,471,000)	-	(255,400,940)	(262,871,940)
Disposals	-	(12,006,752)	-	(12,006,752)
Fair value gains	-	15,281,020	-	15,281,020
Amortisation adjustment	35,885	-	-	35,885
At 31 December 2009	<u>45,024,172</u>	<u>59,569,469</u>	<u>193,866,197</u>	<u>298,459,838</u>



Notes to the Financial Statements (Cont'd)

(d) Carrying values of financial instruments (continued)

Group and Company	HTM RM	FVTPL RM	LAR RM	Total RM
At 31 December 2009	45,024,172	59,569,469	193,866,197	298,459,838
Purchases	-	18,549,033	322,963,118	341,512,151
Maturities	(4,963,500)	-	(292,176,050)	(297,139,550)
Disposals	-	(27,826,333)	-	(27,826,333)
Fair value losses	-	(290,006)	-	(290,006)
Amortisation adjustment	73,274	-	-	73,274
At 31 December 2010	<u>40,133,946</u>	<u>50,002,163</u>	<u>224,653,265</u>	<u>314,789,374</u>

11. Reinsurance assets

(a) Carrying amounts

	Group and Company	
	2010 RM	2009 RM
Provision for outstanding claims	106,874,924	91,417,776
Provision for claims incurred but not reported ("IBNR")	39,488,572	30,291,173
Unearned premium reserves	146,363,496	121,708,949
	38,094,166	37,305,385
Total	<u>184,457,662</u>	<u>159,014,334</u>

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



Notes to the Financial Statements (Cont'd)

11. Reinsurance assets (continued)

(b) Movements

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

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

	Group and Company	
	2010	2009
	RM	RM
Carrying amount at 1 January	121,708,949	146,417,089
Reinsurers' share of claim losses and expenses		
Incurred in current year	90,684,646	11,231,799
Incurred in prior years	992,386	5,546,041
	91,677,032	16,777,840
Less: Reinsurance recoveries received on claims		
Incurred in current year	(45,106,458)	(5,885,195)
Incurred in prior years	(21,916,027)	(35,600,785)
	(67,022,485)	(41,485,980)
Carrying amount at 31 December	146,363,496	121,708,949

(ii) Reinsurers' share of unearned premium reserves

	Group and Company	
	2010	2009
	RM	RM
Carrying amount at 1 January	37,305,385	42,819,805
Premium ceded to reinsurers in the year	101,295,482	97,512,177
Less: Reinsurers' share of premium earned during the year	(100,506,701)	(103,026,597)
	788,781	(5,514,420)
Carrying amount at 31 December	38,094,166	37,305,385



Notes to the Financial Statements (Cont'd)

12. Insurance receivables

	Group and Company	
	2010	2009
	RM	RM
Outstanding premium, including agents and brokers balances	34,417,557	40,365,197
Impairment loss	(3,719,073)	(3,687,340)
	<u>30,698,484</u>	<u>36,677,857</u>
Amounts due from reinsurers, ceding companies and co-insurers	18,559,482	14,497,028
Impairment loss	(2,471,782)	(2,524,188)
	<u>16,087,700</u>	<u>11,972,840</u>
Amount due from ultimate holding company	3,540	293,293
Impairment loss	-	(91)
	<u>3,540</u>	<u>293,202</u>
Amounts due from related companies	405,245	453,480
Impairment loss	(49,312)	(76,704)
	<u>355,933</u>	<u>376,776</u>
	<u><u>47,145,657</u></u>	<u><u>49,320,675</u></u>

The amounts receivable from the ultimate holding company and related companies are unsecured, interest-free and repayable on demand in cash and cash equivalents.

During the year, RM318,911 (2009: RM386,309) were written off as bad debts against impairment loss.

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

Information on age analysis of insurance receivables is disclosed in Note 37(i) to the financial statements.



Notes to the Financial Statements (Cont'd)

13. Other receivables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other receivables, deposits and prepayments	12,030,926	3,923,603	12,024,525	3,919,423
Interest income due and accrued	1,998,078	1,457,803	1,998,078	1,457,803
	<u>14,029,004</u>	<u>5,381,406</u>	<u>14,022,603</u>	<u>5,377,226</u>

Included in other receivables of the Group and the Company are the following:

- (i) Group's and Company's share of the Malaysian Motor Insurance Pool ("MMIP") net assets of RM9,923,973 (2009: RM2,674,420); and
- (ii) proceeds from sale of investments pending receipt of RM696,349 (2009: RM185,899).

Other receivables of the Group and the Company as at the end of the reporting period are denominated in Ringgit Malaysia.

14. Cash and cash equivalents

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Call deposits with licensed banks	46,151,000	23,294,230	46,151,000	23,294,230
Cash and bank balances	3,561,660	3,423,755	3,208,909	3,084,004
Fixed deposits with licensed banks with maturities of 3 months or less	1,412,800	1,392,444	-	-
	<u>51,125,460</u>	<u>28,110,429</u>	<u>49,359,909</u>	<u>26,378,234</u>

The cash and cash equivalents of the Group and the Company as at the end of the reporting period are denominated in Ringgit Malaysia.

Notes to the Financial Statements (Cont'd)

15. Insurance contract liabilities

Group and Company	2010			2009		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	193,109,249	(106,874,924)	86,234,325	161,113,842	(91,417,776)	69,696,066
Provision for incurred but not reported claims ("IBNR")	85,291,705	(39,488,572)	45,803,133	60,056,802	(30,291,173)	29,765,629
Provision for outstanding claims (i)	278,400,954	(146,363,496)	132,037,458	221,170,644	(121,708,949)	99,461,695
Unearned premium reserves (ii)	104,197,423	(38,094,166)	66,103,257	93,314,048	(37,305,385)	56,008,663
	382,598,377	(184,457,662)	198,140,715	314,484,692	(159,014,334)	155,470,358

(i) Provision for outstanding claims/claims liabilities

Group and Company	2010			2009		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
At 1 January	221,170,644	(121,708,949)	99,461,695	226,701,581	(146,417,089)	80,284,492
Claims incurred in the current accident year	140,731,349	(81,487,247)	59,244,102	65,874,066	(20,832,361)	45,041,705
Additional/(write-back of) provision for incurred but not reported claims ("IBNR")	25,234,903	(9,197,399)	16,037,504	(2,245,000)	9,600,563	7,355,563
Other movements in claims incurred in prior accident years	19,200,166	(992,386)	18,207,780	15,856,889	(5,546,042)	10,310,847
Claims paid during the year	(127,936,108)	67,022,485	(60,913,623)	(85,016,892)	41,485,980	(43,530,912)
At 31 December	278,400,954	(146,363,496)	132,037,458	221,170,644	(121,708,949)	99,461,695





Notes to the Financial Statements (Cont'd)

15. Insurance contract liabilities (continued)

(ii) Unearned premium reserves/premium liabilities

Group and Company	2010			2009		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
At 1 January	93,314,048	(37,305,385)	56,008,663	81,009,934	(42,819,805)	38,190,129
Premium written in the year	243,005,426	(101,295,482)	141,709,944	214,640,645	(97,512,177)	117,128,468
Premium earned during the year	(232,122,051)	100,506,701	(131,615,350)	(202,336,531)	103,026,597	(99,309,934)
At 31 December	104,197,423	(38,094,166)	66,103,257	93,314,048	(37,305,385)	56,008,663

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



Notes to the Financial Statements (Cont'd)

16. Deferred tax liability

- (a) The deferred tax liability is made up of the following:

	Group and Company	
	2010	2009
	RM	RM
Balance as at 1 January	(1,812,000)	3,934,000
Recognised in profit or loss (Note 31)	<u>(60,000)</u>	<u>(5,746,000)</u>
Balance as at 31 December	<u><u>(1,872,000)</u></u>	<u><u>(1,812,000)</u></u>

- (b) The components and movements of deferred tax liability during the financial year are as follows:

	Property, plant and equipment RM	Allowances RM	Investments RM	Total RM
As at 1 January 2009	(180,000)	4,114,000	-	3,934,000
Recognised in profit or loss	<u>(36,000)</u>	<u>(2,188,000)</u>	<u>(3,522,000)</u>	<u>(5,746,000)</u>
At 31 December 2009	(216,000)	1,926,000	(3,522,000)	(1,812,000)
Recognised in profit or loss	<u>(68,000)</u>	<u>(65,000)</u>	<u>73,000</u>	<u>(60,000)</u>
At 31 December 2010	<u><u>(284,000)</u></u>	<u><u>1,861,000</u></u>	<u><u>(3,449,000)</u></u>	<u><u>(1,872,000)</u></u>

17. Other financial liabilities

	Group and Company	
	2010	2009
	RM	RM
Cash collaterals retained for bond policies	25,514,121	37,332,799
Deposits received from reinsurers	189,640	600,988
Outstanding purchases of investment securities	<u>-</u>	<u>212,696</u>
	<u><u>25,703,761</u></u>	<u><u>38,146,483</u></u>

The carrying amounts disclosed above approximate fair value at the end of reporting period.

Other financial liabilities of the Group and the Company as at the end of the reporting period are denominated in Ringgit Malaysia



Notes to the Financial Statements (Cont'd)

18. Insurance payables

	Group and Company	
	2010	2009
	RM	RM
Amounts due to reinsurers, ceding companies and co-insurers	46,786,203	49,329,445
Amounts due to agents, brokers and insureds	<u>8,938,267</u>	<u>8,539,040</u>
	<u><u>55,724,470</u></u>	<u><u>57,868,485</u></u>

The carrying amounts disclosed above approximate fair value at the end of reporting period. All amounts are payable within one year.

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

19. Other payables

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Other payables and accrued liabilities	7,612,288	7,610,708	7,610,188	7,597,024
Amount due to ultimate holding company	37,331	14,139	37,331	14,139
Amounts due to related companies	<u>66,902</u>	<u>79,932</u>	<u>66,902</u>	<u>79,932</u>
	<u><u>7,716,521</u></u>	<u><u>7,704,779</u></u>	<u><u>7,714,421</u></u>	<u><u>7,691,095</u></u>

The amounts due to ultimate holding company and related companies arose from non-trade transactions which are unsecured, interest-free and repayable on demand in cash and cash equivalents.

The carrying amounts disclosed above approximate fair value at the end of reporting period. All amounts are payable within one year.

Other payables of the Group and the Company as at the end of the reporting period are denominated in Ringgit Malaysia.



Notes to the Financial Statements (Cont'd)

20. Staff retirement gratuity

	Group and Company	
	2010	2009
	RM	RM
Balance as at 1 January	987,349	978,762
(Write-back)/Provision for the financial year	(250,687)	52,249
Retirement benefits paid	(22,623)	(43,662)
	<u>714,039</u>	<u>987,349</u>

21. Share capital

	Group and Company			
	2010		2009	
	No. of shares	RM	shares	No. of RM
Authorised:				
Ordinary shares of RM1.00 each	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid:				
Ordinary shares of RM1.00 each	<u>100,023,500</u>	<u>100,023,500</u>	<u>100,023,500</u>	<u>100,023,500</u>

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

22. Reserves

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Non-distributable:				
Share premium	980,000	980,000	980,000	980,000
Distributable:				
Retained earnings (Note 23)	<u>59,386,070</u>	<u>43,987,006</u>	<u>59,331,096</u>	<u>43,970,168</u>
	<u>60,366,070</u>	<u>44,967,006</u>	<u>60,311,096</u>	<u>44,950,168</u>



Notes to the Financial Statements (Cont'd)

23. Retained earnings

Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or to continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest, by 31 December 2013.

The Company has decided not to make this election. However, there will not be any additional tax liability resulting from franking the payment of dividends out of the Company's retained earnings at the end of reporting period. Upon full utilisation of tax credit under Section 108 of the Income Tax Act, 1967, the Company could move to single tier system.

24. Operating revenue

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Gross premium (Note 25)	243,005,426	214,640,645	243,005,426	214,640,645
Investment income (Note 26)	10,593,607	9,562,119	10,556,229	11,878,483
	<u>253,599,033</u>	<u>224,202,764</u>	<u>253,561,655</u>	<u>226,519,128</u>

25. Net earned premiums

	Group and Company	
	2010 RM	2009 RM
(a) Gross premiums	243,005,426	214,640,645
Change in unearned premiums provision	<u>(10,883,375)</u>	<u>(12,304,114)</u>
Gross earned premiums	<u>232,122,051</u>	<u>202,336,531</u>
(b) Premium ceded	(101,295,482)	(97,512,177)
Change in unearned premiums provision	<u>788,781</u>	<u>(5,514,420)</u>
Premium ceded to reinsurers	<u>(100,506,701)</u>	<u>(103,026,597)</u>
Net earned premiums	<u>131,615,350</u>	<u>99,309,934</u>



Notes to the Financial Statements (Cont'd)

26. Investment income

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
HTM financial assets				
interest income from:				
Malaysian Government				
Securities	606,770	693,744	606,770	693,744
Cagamas bond	218,584	217,298	218,584	217,298
Corporate bonds	1,116,355	1,237,354	1,116,355	1,237,354
Financial assets at FVTPL				
Dividends/distribution				
income from:				
Equities securities				
quoted in Malaysia	2,108,973	1,094,909	2,108,973	1,094,909
Equities securities				
quoted outside				
Malaysia	642,687	230,329	642,687	230,329
Unit and property				
trusts	-	114,080	-	114,080
Subsidiary	-	-	-	2,400,000
Others	19,377	17,156	19,377	17,156
Rental income from				
investment property, net of				
rates, maintenance, and				
depreciation of RM200,000				
(2009: RM200,000)	175,041	721,221	175,041	721,221
LAR - Fixed deposits				
interest income	4,974,637	4,684,291	4,974,637	4,600,655
Cash and cash equivalents				
interest income	522,815	492,795	485,437	492,795
Others	208,368	58,942	208,368	58,942
	<u>10,593,607</u>	<u>9,562,119</u>	<u>10,556,229</u>	<u>11,878,483</u>



Notes to the Financial Statements (Cont'd)

27. Realised gains and losses

	Group and Company	
	2010	2009
	RM	RM
Property, plant and equipment		
Realised gains	7,691	2,022
Financial assets at fair value through profit or loss		
Realised gains/(losses) from:		
Equities securities quoted in Malaysia	10,885,956	2,940,945
Unit and property trusts	237,370	(2,116)
	<u>11,123,326</u>	<u>2,938,829</u>
Total realised gain and losses	<u>11,131,017</u>	<u>2,940,851</u>

28. Fair value gains and losses

	Group and Company	
	2010	2009
	RM	RM
Financial assets at fair value through profit or loss		
Fair value (losses)/gains	<u>(290,006)</u>	<u>15,281,020</u>

29. Net claims incurred

	Group and Company	
	2010	2009
	RM	RM
Gross claims paid less salvage	127,936,108	85,016,892
Claims ceded to reinsurers	<u>(67,022,485)</u>	<u>(41,486,310)</u>
Net claims paid	<u>60,913,623</u>	<u>43,530,582</u>
Gross outstanding claims		
Balance as at 1 January	221,170,644	226,701,581
Change to outstanding claims	<u>57,230,310</u>	<u>(5,530,937)</u>
Balance as at 31 December	<u>278,400,954</u>	<u>221,170,644</u>
Claims ceded to reinsurers		
Balance as at 1 January	(121,708,949)	(146,417,089)
Change to outstanding claims ceded to reinsurers	<u>(24,654,547)</u>	<u>24,708,140</u>
Balance as at 31 December	<u>(146,363,496)</u>	<u>(121,708,949)</u>



Notes to the Financial Statements (Cont'd)

29. Net claims incurred (continued)

	Group and Company	
	2010	2009
	RM	RM
Net outstanding claims		
Balance as at 1 January	99,461,695	80,284,492
Change to outstanding claims	32,575,763	19,177,203
	<u>132,037,458</u>	<u>99,461,695</u>
Balance as at 31 December		
Net claims incurred	<u>93,489,386</u>	<u>62,707,785</u>

30. Management expenses

		Group		Company	
	Note	2010	2009	2010	2009
		RM	RM	RM	RM
Employee benefits expenses	(a)	8,025,360	9,634,523	8,025,360	9,634,523
Directors' remuneration	(b)				
- fees		200,000	120,000	200,000	120,000
- under provision in 2009		80,000	-	80,000	-
- other remuneration		96,000	96,000	96,000	96,000
Auditors' remuneration		102,100	72,100	100,000	70,000
Rental of offices and premises		932,591	888,621	932,591	888,621
Depreciation of property, plant and equipment	7	428,877	431,815	428,877	431,815
Hire of equipment		277,703	256,011	277,703	256,011
Property, plant and equipment written off		107	1,467	107	1,467
Loss on foreign exchange		65,299	83,018	65,299	83,018
(Write-back of)/Provision for staff retirement gratuity		(250,687)	52,249	(250,687)	52,249
Impairment of receivables		270,755	204,112	270,755	204,112
Bad debts recovered		(40,134)	-	-	-
Other expenses		4,990,356	5,952,283	4,979,352	5,939,866
		<u>15,178,327</u>	<u>17,792,199</u>	<u>15,205,357</u>	<u>17,777,682</u>



Notes to the Financial Statements (Cont'd)

30. Management expenses (continued)

(a) Employee benefits expenses

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Wages and salaries	6,943,090	8,393,384	6,943,090	8,393,384
Social security contributions	86,048	76,343	86,048	76,343
Contributions to Employee Provident Fund (EPF)	792,355	1,001,406	792,355	1,001,406
Other benefits	203,867	163,390	203,867	163,390
	<u>8,025,360</u>	<u>9,634,523</u>	<u>8,025,360</u>	<u>9,634,523</u>

(b) Directors' Remuneration

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-executive:				
Fees				
- current year	200,000	120,000	200,000	120,000
- under provision in 2009	80,000	-	80,000	-
Other remuneration	96,000	96,000	96,000	96,000
	<u>376,000</u>	<u>216,000</u>	<u>376,000</u>	<u>216,000</u>
Directors' fees	<u>280,000</u>	<u>120,000</u>	<u>280,000</u>	<u>120,000</u>

31. Income tax expense

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Income tax expense				
- Current	8,101,237	4,135,168	8,079,116	4,118,563
- Under/(Over) provision in prior years	29,330	(73,305)	25,179	(73,305)
	<u>8,130,567</u>	<u>4,061,863</u>	<u>8,104,295</u>	<u>4,045,258</u>



Notes to the Financial Statements (Cont'd)

31. Income tax expense (continued)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Deferred tax (Note 16)				
- Relating to reversal of temporary differences	10,000	5,452,000	10,000	5,452,000
- Deferred tax liabilities under recognised in prior years	50,000	294,000	50,000	294,000
	<u>60,000</u>	<u>5,746,000</u>	<u>60,000</u>	<u>5,746,000</u>
	<u>8,190,567</u>	<u>9,807,863</u>	<u>8,164,295</u>	<u>9,791,258</u>

The Malaysian income tax is calculated at the statutory tax rate of 25% (2009:25%) of the estimated taxable profits for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	2010 RM'000	2009 RM'000
Group		
Profit before tax	<u>31,091</u>	<u>36,491</u>
Income tax based on Malaysian statutory tax rate	7,773	9,123
Non-deductible expenses	477	670
Tax exempt income	(138)	(202)
Others	<u>-</u>	<u>(4)</u>
	8,112	9,587
Income tax under/(over) provided in prior years	29	(73)
Deferred tax liabilities under recognised in prior years	<u>50</u>	<u>294</u>
Tax expense	<u>8,191</u>	<u>9,808</u>



Notes to the Financial Statements (Cont'd)

31. Income tax expense (continued)

Company	2010 RM'000	2009 RM'000
Profit before tax	31,027	38,822
Income tax based on Malaysian statutory tax rate	7,757	9,705
Non-deductible expenses	470	667
Tax exempt income	(138)	(802)
8,089	9,570	
Income tax under/(over) provided in prior years	25	(73)
Deferred tax liabilities under recognised in prior years	50	294
Tax expense	8,164	9,791

32. Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit attributable to equity holders of the parent	22,900,826	26,683,470	22,862,690	29,030,956
Weighted average number of shares in issue	100,023,500	100,023,500	100,023,500	100,023,500
Basic earnings per share (sen)	22.9	26.7	22.9	29.0

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.



Notes to the Financial Statements (Cont'd)

33. Dividends

	Group and Company	
	2010	2009
	RM	RM
Ordinary share		
Final dividend paid of 10%, less 25% tax	<u>7,501,762</u>	<u>-</u>
Final dividend paid of 6%, less 25% tax	<u>-</u>	<u>4,501,058</u>

No final dividend has been proposed for the financial year ended 31 December 2010 as of the date of this report.

34. Related parties disclosures

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationships with its subsidiary and its holding and ultimate holding companies.

(b) Significant transactions with related parties are as follows:

	Group and Company	
	2010	2009
	RM	RM
Holding company:		
Premium income received	763,590	1,006,228
Major shareholder of holding company:		
Premium income received	123,212	123,270
Associate of related company:		
Management fees payable	(547,148)	(428,464)
Related companies:		
Premium income received	1,210,522	1,253,094
Internal audit and secretarial services charges	(74,055)	(107,577)
Hotel facilities and accommodation charges	(58,066)	(40,984)
Travelling expenses	(24,993)	(2,096)
Website development cost	(64,000)	(1,080)
Gift vouchers	(6,013)	(15,275)
Security services	<u>(72,000)</u>	<u>(66,000)</u>

The Directors are of the opinion that the above transactions have been transacted in the normal course of business and have been established under normal negotiated commercial terms and conditions.



Notes to the Financial Statements (Cont'd)

34. Related parties disclosures (continued)

(c) Compensation of key management personnel

The remuneration of key management personnel during the financial year was as follows:

	Group and Company	
	2010	2009
	RM	RM
Short term employee benefits	898,426	834,881
Post-employment benefits	71,816	240,173
	<u>970,242</u>	<u>1,075,054</u>

Members of key management comprise those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

35. Risk management framework

The Group and Company recognise the importance of monitoring and managing risks of the insurance business, insurance risk, financial risk and operational risk which the Group and Company undertake as these are increasingly becoming an integral part of the Group's and Company's business and operations processes. Towards this end, the Group and Company have established a risk management framework.

The Group's and Company's risk management scope, process and approach, strategies, policies, governance structure, roles and responsibilities, organisational chart and core competency requirements are defined in the Risk Management Framework. Risk management practices are adopted within the ambit of the framework which permeates across the Group and Company at all levels.

The framework is intended to set out clear accountability of the various operating units or departments within the Group and Company for the implementation of the risk management processes.

Spearheading the risk management processes is the Risk Management Committee, which is tasked to provide strategic objectives and risk strategies of the Group and Company and also responsible for an oversight of the Group's and Company's capital management plan. An independent risk management compliance unit is being formed to assist the said Committee to draw up the risk policies and strategies, such as helping the committee in identifying the potential risks and also to evaluate adequacy of controls. The scope of risk management compliance unit is complementary to the Internal Audit Department and also the Audit Committee.

Major operating units of the Group and Company comprising the underwriting department, claims department, and finance department are subject to the established risk policies, procedures and preset risk limits.



Notes to the Financial Statements (Cont'd)

35. Risk management framework (continued)

Pursuant to the Risk-Based Capital Framework, the Group and Company carry out scenario and stress testing twice a year which is intended to evaluate the extent to which the Group's and Company's capital position could be impacted by change of conditions and adverse events. This has led to the Group and Company in formulating a capital management plan, which will help enable the Group and Company to pre-emptively respond to these risks should they occur. The plan is also to assist the Group and Company to employ its capital efficiently to commensurate with its risk profile with a view to reduce the overall risk exposure and also to avoid any concentration of risk.

36. Insurance risk

This category relates to the risks inherent in the business activities of insurance business. Such risks include the pricing risk, reserve risk, claims ratio, underwriting risk and reinsurance risk.

In consideration of a premium, the Group and Company (insurer) underwrite general insurance contracts with the policyholders under which the Group and Company have agreed to indemnify the policyholders against losses arising from specified adverse events until the obligations under the policies expire or become extinguished.

The Group and Company are thereby exposed to various kinds of insurance risks in the ordinary course of business arising from fluctuations in the timing, frequency and severity of future claims which may differ from expectations. It could also suffer from the consequences of inappropriate underwriting of risks, or inadequate premiums or as a result of inadequate reinsurance protection and other risk transfer techniques.

In order to protect or minimise these insurance risks, the Group and Company adopt the following measures to manage them:-

- (a) Selective acceptance of risks is probably the most important tool used by the Group and Company to protect itself from excessive exposure to insurance risks. Underwriting of risk is guided by a set of underwriting guidelines and policies such as setting preset limits for each class of insurance which is aimed at avoiding any misallocation of capital that could result from acceptance of a particular class of insurance. Ongoing monitoring and assessment of risk exposure is also put in place, together with proper authority levels of individuals.
- (b) The Group's and Company's claim management policies are aimed at reducing risk exposure to the Group and Company. These include proper claims handling procedures which, among others, include prompt settlement of claims, prompt registration of claims and periodic review of claims development. In addition, there are guidelines being drawn up to curb any incidence of fraudulent claims.
- (c) As part of its risk mitigation programme, the Group and Company purchase reinsurance protection on both proportional and non-proportional basis in order to not only increase the Group's and Company's capacity to underwrite but also to protect the Group's and Company's net retention.



Notes to the Financial Statements (Cont'd)

36. Insurance risk (continued)

The table below sets out the concentration of the Group's and Company's general insurance contracts by type of product.

Group and Company	2010		
	Gross RM	Reinsurance RM	Net RM
Motor	106,377,472	(11,823,557)	94,553,915
Fire	37,800,341	(25,010,624)	12,789,717
Marine Cargo, Aviation & Transit	20,145,583	(18,739,235)	1,406,348
Miscellaneous	78,682,030	(45,722,066)	32,959,964
Total	<u>243,005,426</u>	<u>(101,295,482)</u>	<u>141,709,944</u>

Group and Company	2009		
	Gross RM	Reinsurance RM	Net RM
Motor	83,929,135	(10,038,758)	73,890,377
Fire	39,299,851	(26,074,484)	13,225,367
Marine Cargo, Aviation & Transit	19,981,703	(18,550,473)	1,431,230
Miscellaneous	71,429,956	(42,848,462)	28,581,494
Total	<u>214,640,645</u>	<u>(97,512,177)</u>	<u>117,128,468</u>

The table below sets out the concentration of the Group's and Company's general insurance contracts liabilities by type of product.

Group and Company	2010		
	Gross RM	Reinsurance RM	Net RM
Motor	162,427,147	(15,835,551)	146,591,596
Fire	72,523,387	(63,888,576)	8,634,811
Marine Cargo, Aviation & Transit	52,740,144	(50,140,073)	2,600,071
Miscellaneous	94,907,699	(54,593,462)	40,314,237
Total	<u>382,598,377</u>	<u>(184,457,662)</u>	<u>198,140,715</u>



Notes to the Financial Statements (Cont'd)

36. Insurance risk (continued)

Group and Company	Gross RM	2009 Reinsurance RM	Net RM
Motor	118,146,456	(13,226,583)	104,919,873
Fire	49,371,854	(38,499,186)	10,872,668
Marine Cargo, Aviation & Transit	53,832,518	(51,023,316)	2,809,202
Miscellaneous	93,133,864	(56,265,249)	36,868,615
Total	<u>314,484,692</u>	<u>(159,014,334)</u>	<u>155,470,358</u>

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's and Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude of claiming, economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.



Notes to the Financial Statements (Cont'd)

36. Insurance risk (continued)

Sensitivities

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

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

	Change in assumptions	Impact on Gross Liabilities RM	Impact on Net Liabilities RM	Impact on Profit before Tax RM	Impact on Equity RM
31 December 2010					
Average claim cost	+10%	17,145,230	8,220,726	(8,220,726)	(6,165,545)
Average number of claims	+10%	15,328,872	7,344,415	(7,344,415)	(5,508,311)
Average claim settlement period	Increase by 12 months	5,644,295	5,102,860	(5,102,860)	(3,827,145)
31 December 2009					
Average claim cost	+10%	9,312,567	5,807,076	(5,807,076)	(4,355,307)
Average number of claims	+10%	8,988,988	5,599,324	(5,599,324)	(4,199,493)
Average claim settlement period	Increase by 12 months	3,696,155	3,397,664	(3,397,664)	(2,548,248)

The method used for deriving sensitivity information and significant assumptions had not changed from the previous period.

Notes to the Financial Statements (Cont'd)

36. Insurance risk (continued)

Claim development table

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

Gross loss development tables for 2010 before the effect of reinsurance is as follows:

Accident Year	Prior to 2004*	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		*	*	*	*	130,168	93,154	171,429	
One year later		*	*	*	114,272	124,797	88,669		
Two years later		*	*	62,535	116,438	126,144			
There years later		*	63,236	62,067	110,924				
Four years later		56,370	63,132	60,217					
Five years later		56,413	68,904						
Six years later		59,787							
Current estimate of cumulative claims incurred		59,787	68,904	60,217	110,924	126,144	88,669	171,429	686,074
At end of accident year		20,976	21,957	20,756	24,806	40,669	23,374	64,888	
One year later		39,261	48,866	41,924	55,601	82,895	55,462		
Two years later		45,096	53,988	46,857	61,944	97,535			
There years later		47,690	56,825	49,898	68,384				
Four years later		52,971	63,082	52,874					
Five years later		54,132	64,876						
Six years later		55,222							
Cumulative payments to-date		55,222	64,876	52,874	68,384	97,535	55,462	64,888	459,241

* the relevant information are not available from existing records.





Notes to the Financial Statements (Cont'd)

36. Insurance risk (continued)

Claim development table (continued)

Gross loss development tables for 2010 before the effect of reinsurance is as follows (continued):

	Prior to 2004	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross general insurance contract liabilities (direct and facultative inwards)	8,634	4,565	4,028	7,343	42,540	28,608	33,207	106,541	235,466
Gross general insurance contract liabilities (treaty inwards)									2,693
Best estimate of claim liabilities									238,159
Claim handling expenses									959
Provision of Risk Margin for Adverse Deviation ('PRAD') at 75% confidence level									39,283
Gross general insurance contract liabilities per statement of financial position									278,401

Notes to the Financial Statements (Cont'd)

36. Insurance risk (continued)

Claim development table (continued)

Net loss development tables for 2010 after the effect of reinsurance is as follows:

Accident Year	Prior to 2004*	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		30,174	36,921	38,677	44,747	54,148	58,020	82,126	
One year later		29,666	34,460	37,665	45,796	56,685	60,695		
Two years later		30,197	34,501	38,677	47,054	58,813			
There years later		31,249	34,513	39,804	47,325				
Four years later		31,203	34,691	40,156					
Five years later		31,366	35,735						
Six years later		32,830							
Current estimate of cumulative claims incurred		32,830	35,735	40,156	47,325	58,813	60,695	82,126	357,680
At end of accident year		14,409	13,530	15,126	18,006	21,261	17,489	19,782	
One year later		24,056	25,918	28,430	32,048	38,003	38,921		
Two years later		26,868	28,721	31,630	35,532	46,184			
There years later		28,210	30,728	34,196	40,269				
Four years later		29,581	32,260	36,315					
Five years later		30,471	33,659						
Six years later		31,475							
Cumulative payments to-date		31,475	33,659	36,315	40,269	46,184	38,921	19,782	246,605

* the relevant information are not available from existing records.





Notes to the Financial Statements (Cont'd)

36. Insurance risk (continued)

Claim development table (continued)

Net loss development tables for 2010 after the effect of reinsurance is as follows (continued):d)

	Prior to 2004	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net general insurance contract liabilities (direct and facultative inwards)	6,139	1,355	2,076	3,841	7,056	12,629	21,774	62,344	117,214
Net general insurance contract liabilities (treaty inwards)									2,693
Best estimate of claim liabilities									119,907
Claim handling expenses									959
PRAD at 75% confidence level									11,171
Net general insurance contract liabilities per statement of financial position									132,037



Notes to the Financial Statements (Cont'd)

37. Financial risk

Financial risks relate to credit risk, market risk and liquidity risks. Exposure to credit, market and liquidity risk arise in the normal course of the Group's and the Company's business. The Group and the Company have risk management policies and guidelines which set out its overall business strategies, risk tolerance and general risk management philosophy.

Financial risk management objectives and policies

(i) Credit risk

Credit risk is the risk of loss if counterparties to insurance, reinsurance and investment transactions failed to perform or meet payment obligations as contracted. The Group and Company have credit policies in place and the exposure to credit risk is monitored by management on an ongoing basis. At the end of reporting period, there were no significant concentrations of credit risks.

The Group's and Company's exposure to credit risk arises from its investment in fixed income securities, cash and bank deposits, account receivables and reinsurance assets balances.

As part of its overall risk management framework, the investment in fixed income securities is subject to a preset limit. To qualify as an investment, it must exceed the minimum investment grade.

When selecting a particular investment in question, the finance department will also undertake to evaluate the potential issuer's credit quality (such as yield, yield curve risk, credit rating) before recommending to the Investment Committee for approval. Once the investment is approved, ongoing monitoring and assessment of the issuers' credit qualities is being carried out to ensure they are not being impaired by default. As the Group and Company practice portfolio diversification, at the end of the reporting period, there was no significant concentration of risks and neither was there any incidence of defaults.

The Group's and Company's cash and deposits are placed only with financial institutions licensed under the Banking and Financial Institutions Act 1989 (BAFIA) which are regulated by Bank Negara Malaysia.

Receivables arising from reinsurance contracts and insurance contracts are being monitored by the credit control unit of the finance department. Before the Group and Company enter into any reinsurance arrangements, the reinsurance department evaluates the financial conditions of the reinsurers and advises the management on the counterparties' limits. Thereafter, the reinsurers' financial conditions are being periodically reviewed.

Finally, the Group's and Company's risk exposure to insurance receivables arises from agents, brokers and other intermediaries. The credit control unit in its monthly meetings monitors the outstanding positions and advises the management should there be any unusual accumulation of debts.



Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the end of reporting period and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Note	←----- Group -----→		←----- Company -----→		
		Insurance Fund RM	Shareholders' Fund RM	Insurance Fund RM	Shareholders' Fund RM	Total RM
31 December 2010						
Held-to-maturity						
• Malaysian government securities	10 (b)	15,043,122	-	15,043,122	-	15,043,122
• Cagamas bonds	10 (b)	5,020,359	-	5,020,359	-	5,020,359
• Corporate bonds	10 (b)	20,070,465	-	20,070,465	-	20,070,465
Financial assets at fair value through profit or loss						
Quoted in Malaysia:						
• Shares	10 (a)	21,213,600	1,062,442	22,276,042	1,062,442	22,276,042
• Warrants	10 (a)	652,000	26,817	678,817	652,000	678,817
• REITs	10 (a)	2,940,000	-	2,940,000	2,940,000	2,940,000
Quoted outside Malaysia:						
• Shares	10 (a)	24,107,304	-	24,107,304	24,107,304	24,107,304
Loans and receivables						
• Fixed deposits	10 (c)	205,011,297	19,641,968	224,653,265	205,011,297	224,653,265
Reinsurance assets	11 (a)	184,457,662	-	184,457,662	184,457,662	184,457,662
Insurance receivables	12	47,145,657	-	47,145,657	47,145,657	47,145,657
Other receivables	13	13,896,455	132,549	14,029,004	13,896,455	14,022,603
Cash and cash equivalents	14	49,123,905	2,001,555	51,125,460	49,123,905	49,359,909
		588,681,826	22,865,331	611,547,157	588,681,826	609,775,205

Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

Credit exposure (continued)

31 December 2009

Held-to-maturity

- Malaysian government securities
- Cagamas bonds
- Corporate bonds

Financial assets at fair value through profit or loss

Quoted in Malaysia:

- Shares
- Warrants
- REITs

Quoted outside Malaysia:

- Shares

Loans and receivables

- Fixed deposits

Reinsurance assets

Insurance receivables

Other receivables

Cash and cash equivalents

Note	Insurance Fund		Group Shareholders' Fund		Insurance Fund		Company Shareholders' Fund		Total RM
	RM	RM	RM	RM	RM	RM	RM		
10 (b)	14,988,203	-	14,988,203	-	14,988,203	-	14,988,203	-	14,988,203
10 (b)	5,011,698	-	5,011,698	-	5,011,698	-	5,011,698	-	5,011,698
10 (b)	25,024,271	-	25,024,271	-	25,024,271	-	25,024,271	-	25,024,271
10 (a)	31,836,736	937,851	32,774,587	937,851	31,836,736	937,851	32,774,587	937,851	32,774,587
10 (a)	263,300	32,567	295,867	32,567	263,300	32,567	295,867	32,567	295,867
10 (a)	2,388,000	-	2,388,000	-	2,388,000	-	2,388,000	-	2,388,000
10 (a)	24,111,015	-	24,111,015	-	24,111,015	-	24,111,015	-	24,111,015
10 (c)	175,247,832	18,618,365	193,866,197	18,618,365	175,247,832	18,618,365	193,866,197	18,618,365	193,866,197
11 (a)	159,014,334	-	159,014,334	-	159,014,334	-	159,014,334	-	159,014,334
12	49,320,675	-	49,320,675	-	49,320,675	-	49,320,675	-	49,320,675
13	5,277,100	104,306	5,381,406	104,306	5,278,951	98,275	5,377,226	98,275	5,377,226
14	25,621,648	2,488,781	28,110,429	2,488,781	25,621,648	756,586	26,378,234	756,586	26,378,234
	<u>518,104,812</u>	<u>22,181,870</u>	<u>540,286,682</u>	<u>22,181,870</u>	<u>518,106,663</u>	<u>20,443,644</u>	<u>538,550,307</u>	<u>20,443,644</u>	<u>538,550,307</u>



Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

Credit exposure by credit rating (continued)

Note	Group			Company			
	Neither past due nor impaired/ Investment grade RM	Past due but not impaired RM	Past due and impaired RM	Neither past due nor impaired/ Investment grade RM	Past due but not impaired RM	Past due and impaired RM	Total RM
31 December 2010							
Impairment loss	-	-	(6,240,167)	-	-	(6,240,167)	(6,240,167)
	576,649,914	34,897,243	-	574,877,962	34,897,243	-	609,775,205





Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

Credit exposure (continued)

Age analysis of financial assets past-due but not impaired

Group and Company	< 30	31 to 60	61 to 90	91 to 180	> 180	Total
	Days	Days	Days	Days	Days	
	RM	RM	RM	RM	RM	RM
31 December 2010						
Insurance receivables	<u>(36,591)</u>	<u>(22,040)</u>	<u>4,896,869</u>	<u>14,120,604</u>	<u>15,938,401</u>	<u>34,897,243</u>
31 December 2009						
Insurance receivables	<u>(45,770)</u>	<u>213,370</u>	<u>7,028,653</u>	<u>10,257,674</u>	<u>21,527,458</u>	<u>38,981,385</u>

Past due and impaired financial assets

At 31 December 2010, based on the total insurance receivables exceeding 6 months of RM22,087,857, RM6,240,167 (2009: RM6,288,323) has been impaired and the balance of RM15,938,401 is reflected as past due and not impaired as they are mainly subject to instalment payments. For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months. No collateral is held as security for any past due or impaired assets.

A reconciliation of the impairment on insurance receivables is as follows:

Group and Company	Insurance receivables	
	2010	2009
	RM	RM
At 1 January	6,288,323	6,470,520
Charge for the year, net of recoveries	270,755	204,112
Written-off	<u>(318,911)</u>	<u>(386,309)</u>
At 31 December	<u>6,240,167</u>	<u>6,288,323</u>

Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and Company by classifying assets according to the Rating Agency of Malaysia (“RAM”) credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA and BBB are classified as speculative grade.

Group	Note	Rating Credit					Total RM
		AAA RM	AA RM	A RM	B RM	Unrated RM	
31 December 2010							
Held-to-maturity							
• Malaysian government securities	10 (b)	-	-	-	-	15,043,122	15,043,122
• Cagamas bonds	10 (b)	5,020,359	-	-	-	-	5,020,359
• Corporate bonds	10 (b)	5,067,686	14,902,779	-	-	100,000	20,070,465
Financial assets at fair value through profit or loss							
Quoted in Malaysia:							
• Shares	10 (a)	-	-	-	-	22,276,042	22,276,042
• Warrants	10 (a)	-	-	-	-	678,817	678,817
• REITs	10 (a)	-	-	-	-	2,940,000	2,940,000
Quoted outside Malaysia:							
• Shares	10 (a)	-	-	-	-	24,107,304	24,107,304
Loans and receivables							
• Fixed deposits	10 (c)	-	-	-	-	224,653,265	224,653,265
Reinsurance assets							
Insurance receivables	11 (a)	9,585,161	-	23,788,642	13,501	73,487,620	106,874,924
Other receivables	12	1,679,975	-	3,821,752	38,250	41,605,680	47,145,657
	13	-	-	-	-	14,029,004	14,029,004
	14	-	-	-	-	51,125,460	51,125,460
Cash and cash equivalents							
		21,353,181	14,902,779	27,610,394	51,751	470,046,314	533,964,419





Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

Credit exposure by credit rating (continued)

Group	Note	Rating Credit					Total RM
		AAA RM	AA RM	A RM	B RM	Unrated RM	
31 December 2010							
Held-to-maturity							
• Malaysian government securities	10 (b)	-	-	-	-	14,988,203	14,988,203
• Cagamas bonds	10 (b)	5,011,698	-	-	-	-	5,011,698
• Corporate bonds	10 (b)	5,007,639	19,916,632	-	-	100,000	25,024,271
Financial assets at fair value through profit or loss							
Quoted in Malaysia:							
• Shares	10 (a)	-	-	-	-	32,774,587	32,774,587
• Warrants	10 (a)	-	-	-	-	295,867	295,867
• REITs	10 (a)	-	-	-	-	2,388,000	2,388,000
Quoted outside Malaysia:							
• Shares	10 (a)	-	-	-	-	24,111,015	24,111,015
Loans and receivables							
• Fixed deposits	10 (c)	-	-	-	-	193,866,197	193,866,197
Reinsurance assets	11 (a)	551,250	-	26,611,179	15,750	64,239,597	91,417,776
Insurance receivables	12	-	-	3,075,883	40,572	46,204,220	49,320,675
Other receivables	13	-	-	-	-	5,381,406	5,381,406
Cash and cash equivalents	14	-	-	-	-	28,110,429	28,110,429
		10,570,587	19,916,632	29,687,062	56,322	412,459,521	472,690,124

Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

Credit exposure by credit rating (continued)

Company	Note	Rating Credit					Total RM
		AAA RM	AA RM	A RM	B RM	Unrated RM	
31 December 2010							
Held-to-maturity							
• Malaysian government securities	10 (b)	-	-	-	-	15,043,122	15,043,122
• Cagamas bonds	10 (b)	5,020,359	-	-	-	-	5,020,359
• Corporate bonds	10 (b)	5,067,686	14,902,779	-	-	100,000	20,070,465
Financial assets at fair value through profit or loss							
Quoted in Malaysia:							
• Shares	10 (a)	-	-	-	-	22,276,042	22,276,042
• Warrants	10 (a)	-	-	-	-	678,817	678,817
• REITs	10 (a)	-	-	-	-	2,940,000	2,940,000
Quoted outside Malaysia:							
• Shares	10 (a)	-	-	-	-	24,107,304	24,107,304
Loans and receivables							
• Fixed deposits	10 (c)	-	-	-	-	224,653,265	224,653,265
Reinsurance assets	11 (a)	9,585,161	-	23,788,642	13,501	73,487,620	106,874,924
Insurance receivables	12	1,679,975	-	3,821,752	38,250	41,605,680	47,145,657
Other receivables	13	-	-	-	-	14,022,603	14,022,603
Cash and cash equivalents	14	-	-	-	-	49,359,909	49,359,909
		<u>21,353,181</u>	<u>14,902,779</u>	<u>27,610,394</u>	<u>51,751</u>	<u>468,274,362</u>	<u>532,192,467</u>





Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

Credit exposure by credit rating (continued)

Company	Note	Rating Credit					Total RM
		AAA RM	AA RM	A RM	B RM	Unrated RM	
31 December 2009							
Held-to-maturity							
• Malaysian government securities	10 (b)	-	-	-	-	14,988,203	14,988,203
• Cagamas bonds	10 (b)	5,011,698	-	-	-	-	5,011,698
• Corporate bonds	10 (b)	5,007,639	19,916,632	-	-	100,000	25,024,271
Financial assets at fair value through profit or loss							
Quoted in Malaysia:							
• Shares	10 (a)	-	-	-	-	32,774,587	32,774,587
• Warrants	10 (a)	-	-	-	-	295,867	295,867
• REITs	10 (a)	-	-	-	-	2,388,000	2,388,000
Quoted outside Malaysia:							
• Shares	10 (a)	-	-	-	-	24,111,015	24,111,015
Loans and receivables							
• Fixed deposits	10 (c)	-	-	-	-	193,866,197	193,866,197
Reinsurance assets	11 (a)	551,250	-	26,611,179	15,750	64,239,597	91,417,776
Insurance receivables	12	-	-	3,075,883	40,572	46,204,220	49,320,675
Other receivables	13	-	-	-	-	5,377,226	5,377,226
Cash and cash equivalents	14	-	-	-	-	26,378,234	26,378,234
		<u>10,570,587</u>	<u>19,916,632</u>	<u>29,687,062</u>	<u>56,322</u>	<u>410,723,146</u>	<u>470,953,749</u>



Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(ii) Market risk

Market risk is the risk of adverse financial impact arising from changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices and foreign currency rates.

(a) Foreign currency risk

The Group and the Company do not have significant foreign currency risk as operating transactions are mainly denominated in Ringgit Malaysia, other than equities held in Hong Kong Dollar. The Group and the Company do not hedge this exposure.

(b) Interest rate risk

The Group's and the Company's earnings are affected by changes in market interest rates as such changes have an impact on interest income from cash and cash equivalents and investments. The Group and Company have investment policies and guidelines to monitor their investments.

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the end of reporting period and the periods in which they reprice or mature, whichever is earlier.



Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(ii) Market risk (continued)

(b) Interest rate risk (continued)

Group 2010	Average effective annual interest rate %	Total RM	Maturity					More than 5 years RM
			Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	
Financial assets								
Fixed rates								
Malaysian Government								
Securities	4.04	15,043,122	5,018,515	5,013,955	5,010,652	-	-	-
Cagamas bonds	4.37	5,020,359	-	5,020,359	-	-	-	-
Corporate bonds	4.31	20,070,465	5,067,686	9,951,660	4,951,119	-	-	100,000
Fixed and call deposits	2.02	272,217,065	272,217,066	-	-	-	-	-
		312,351,012	282,303,267	19,985,974	9,961,771	-	-	100,000
2009								
Financial assets								
Fixed rates								
Malaysian Government								
Securities	3.71	14,988,203	-	4,981,963	4,997,392	5,008,848	-	-
Cagamas bonds	4.33	5,011,698	-	-	5,011,698	-	-	-
Corporate bonds	4.95	25,024,271	5,007,640	5,048,755	9,942,382	4,925,494	-	100,000
Fixed and call deposits	2.56	218,552,871	218,552,871	-	-	-	-	-
		263,577,043	223,560,511	10,030,718	19,951,472	9,934,342	-	100,000

Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(ii) Market risk (continued)

(b) Interest rate risk (continued)

Company 2010	Average effective annual interest rate %	Total RM	Maturity						
			Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	
Financial assets									
Fixed rates									
Malaysian Government Securities	4.04	15,043,122	5,018,515	5,013,955	5,010,652	-	-	-	-
Cagamas bonds	4.37	5,020,359	-	5,020,359	-	-	-	-	-
Corporate bonds	4.31	20,070,465	5,067,686	9,951,660	4,951,119	-	-	-	100,000
Fixed and call deposits	2.02	270,804,265	270,804,265	-	-	-	-	-	-
		<u>310,938,211</u>	<u>280,890,466</u>	<u>19,985,974</u>	<u>9,961,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
2009									
Financial assets									
Fixed rates									
Malaysian Government Securities	3.71	14,988,203	-	4,981,963	4,997,392	5,008,848	-	-	-
Cagamas bonds	4.33	5,011,698	-	5,011,698	-	-	-	-	-
Corporate bonds	4.95	25,024,271	5,007,640	5,048,755	9,942,382	4,925,494	-	-	100,000
Fixed and call deposits	2.55	217,160,427	217,160,427	-	-	-	-	-	-
		<u>262,184,599</u>	<u>222,168,067</u>	<u>10,030,718</u>	<u>19,951,472</u>	<u>9,934,342</u>	<u>-</u>	<u>-</u>	<u>100,000</u>





Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

(ii) Market risk (continued)

(b) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rate had been 50 basis points lower or higher, with all the variable held constant, the Group's and the Company's profit net of tax for the financial year would have been approximately RM1,171,316 and RM1,166,000 higher or lower respectively. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

(c) Market price risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in equity prices.

The Group is exposed to equity price risks arising from quoted investments held by the Group. Quoted equity instruments in Malaysia are listed on the Bursa Malaysia. These instruments are classified as financial assets designated at fair value through profit or loss.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the market price of the quoted investments had been 10% higher or lower, with all other variables held constant, the Group's profit net of tax would have been approximately RM3,750,000 higher or lower, arising as a result of higher or lower fair value gains on financial assets designated at fair value through profit or loss.

(iii) Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance their operations and to mitigate the effects of fluctuations in cash flows.

Maturity profiles

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

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

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

Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

Maturity profiles (continued)

Group 2010	Note	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
Financial assets								
Held-to-maturity								
	• Malaysian government securities	10 (b)	15,043,122	5,013,955	5,010,652	-	-	-
	• Cagamas bonds	10 (b)	5,020,359	5,020,359	-	-	-	-
	• Corporate bonds	10 (b)	20,070,465	9,951,660	4,951,119	-	-	100,000
At fair value through profit or loss								
	• Quoted in Malaysia	10 (a)	25,894,859	-	-	-	-	-
	• Quoted outside Malaysia	10 (a)	24,107,304	-	-	-	-	-
Loans and receivables								
	• Fixed deposits	10 (c)	224,653,265	-	-	-	-	-
	Reinsurance assets	11	146,363,496	27,809,065	8,781,809	8,781,809	4,390,905	7,318,175
	Insurance receivables	12	47,145,657	-	-	-	-	-
	Other receivables	13	14,029,004	-	-	-	-	-
	Cash and cash equivalents	14	51,125,460	-	-	-	-	-
			<u>573,452,991</u>	<u>47,795,039</u>	<u>18,743,580</u>	<u>8,781,809</u>	<u>4,390,905</u>	<u>7,418,175</u>
Financial liabilities								
	Provision for outstanding claims	15	278,400,954	52,896,181	16,704,057	16,704,057	8,352,028	13,920,047
	Other financial liabilities	17	25,703,761	-	-	-	-	-
	Insurance payables	18	55,724,470	-	-	-	-	-
	Other payables	19	7,716,521	-	-	-	-	-
	Tax payable		3,310,330	-	-	-	-	-
			<u>370,856,036</u>	<u>52,896,181</u>	<u>16,704,057</u>	<u>16,704,057</u>	<u>8,352,028</u>	<u>13,920,047</u>





Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

Maturity profiles (continued)

Group 2009	Note	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
Financial assets								
Held-to-maturity								
				4,981,963	4,997,392	5,008,848	-	-
	10 (b)	14,988,203	-					
					5,011,698	-	-	-
	10 (b)	5,011,698	-					
			5,007,640	5,048,755	9,942,382	4,925,494	-	100,000
	10 (b)	25,024,271						
At fair value through profit or loss								
			35,458,454	-	-	-	-	-
	10 (a)	35,458,454						
			24,111,015	-	-	-	-	-
	10 (a)	24,111,015						
Loans and receivables								
			193,866,197	-	-	-	-	-
	10 (c)	193,866,197						
			83,979,175	18,256,342	4,868,358	9,736,716	1,217,090	3,651,268
	11	121,708,949						
			49,320,675	-	-	-	-	-
	12	49,320,675						
			5,381,406	-	-	-	-	-
	13	5,381,406						
			28,110,429	-	-	-	-	-
	14	28,110,429						
			425,234,991	28,287,060	24,819,830	19,671,058	1,217,090	3,751,268
		502,981,297						
Financial liabilities								
			152,607,746	33,175,596	8,846,826	17,693,651	2,211,706	6,635,119
	15	221,170,644						
			38,146,483	-	-	-	-	-
	17	38,146,483						
			57,868,485	-	-	-	-	-
	18	57,868,485						
			7,704,779	-	-	-	-	-
	19	7,704,779						
			757,672	-	-	-	-	-
		757,672						
			257,085,165	33,175,596	8,846,826	17,693,651	2,211,706	6,635,119
		325,648,063						

Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

Maturity profiles (continued)

Company 2010	Note	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
Financial assets								
Held-to-maturity								
• Malaysian government securities								
	10 (b)	15,043,122	5,018,515	5,013,955	5,010,652	-	-	-
	10 (b)	5,020,359	-	5,020,359	-	-	-	-
	10 (b)	20,070,465	5,067,686	9,951,660	4,951,119	-	-	100,000
At fair value through profit or loss								
	10 (a)	25,894,859	25,894,859	-	-	-	-	-
	10 (a)	24,107,304	24,107,304	-	-	-	-	-
Loans and receivables								
	10 (c)	224,653,265	224,653,265	-	-	-	-	-
	11	146,363,496	89,281,733	27,809,065	8,781,809	8,781,809	4,390,905	7,318,175
	12	47,145,657	47,145,657	-	-	-	-	-
	13	14,022,603	14,022,603	-	-	-	-	-
	14	49,359,909	49,359,909	-	-	-	-	-
		<u>571,681,039</u>	<u>484,551,531</u>	<u>47,795,039</u>	<u>18,743,580</u>	<u>8,781,809</u>	<u>4,390,905</u>	<u>7,418,175</u>
Financial liabilities								
	15	278,400,954	169,824,584	52,896,181	16,704,057	16,704,057	8,352,028	13,920,047
	17	25,703,761	25,703,761	-	-	-	-	-
	18	55,724,470	55,724,470	-	-	-	-	-
	19	7,714,421	7,714,421	-	-	-	-	-
		<u>3,259,565</u>	<u>3,259,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>370,803,171</u>	<u>262,226,801</u>	<u>52,896,181</u>	<u>16,704,057</u>	<u>16,704,057</u>	<u>8,352,028</u>	<u>13,920,047</u>





Notes to the Financial Statements (Cont'd)

37. Financial risk (continued)

Financial risk management objectives and policies (continued)

Maturity profiles (continued)

Company 2009	Note	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
Financial assets								
Held-to-maturity								
• Malaysian government securities	10 (b)	14,988,203	-	4,981,963	4,997,392	5,008,848	-	-
• Cagamas bonds	10 (b)	5,011,698	-	-	5,011,698	-	-	-
• Corporate bonds	10 (b)	25,024,271	5,007,640	5,048,755	9,942,382	4,925,494	-	100,000
At fair value through profit or loss								
• Quoted in Malaysia	10 (a)	35,458,454	35,458,454	-	-	-	-	-
• Quoted outside Malaysia	10 (a)	24,111,015	24,111,015	-	-	-	-	-
Loans and receivables								
• Fixed deposits	10 (c)	193,866,197	193,866,197	-	-	-	-	-
Reinsurance assets	11	121,708,949	83,979,175	18,256,342	4,868,358	9,736,716	1,217,090	3,651,268
Insurance receivables	12	49,320,675	49,320,675	-	-	-	-	-
Other receivables	13	5,377,226	5,377,226	-	-	-	-	-
Cash and cash equivalents	14	26,378,234	26,378,234	-	-	-	-	-
		<u>501,244,922</u>	<u>423,498,616</u>	<u>28,287,060</u>	<u>24,819,830</u>	<u>19,671,058</u>	<u>1,217,090</u>	<u>3,751,268</u>
Financial liabilities								
Provision for outstanding claims	15	221,170,644	152,607,746	33,175,596	8,846,826	17,693,651	2,211,706	6,635,119
Other financial liabilities	17	38,146,483	38,146,483	-	-	-	-	-
Insurance payables	18	57,868,485	57,868,485	-	-	-	-	-
Other payables	19	7,691,095	7,691,095	-	-	-	-	-
Tax payable		709,162	709,162	-	-	-	-	-
		<u>325,585,869</u>	<u>257,022,971</u>	<u>33,175,596</u>	<u>8,846,826</u>	<u>17,693,651</u>	<u>2,211,706</u>	<u>6,635,119</u>



Notes to the Financial Statements (Cont'd)

38. Operational risk

Operational risk is defined as the risk of direct losses resulting from inadequacies or failure in internal processes and control, people, system as well as external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group and Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and monitoring and responding to potential risks, the Group and Company are able to manage the risks. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff training and evaluation procedures, including the use of internal audit.

All operational risks, both inherent and anticipated, are properly identified, mitigated, monitored and reported in a systematic and consistent manner. Relevant key risk indicators (KRIs) are in use to help monitor the status of the risk, highlight new risk concerns and potential areas of weaknesses in operational control. An ongoing review is essential to ensure the management plan remains relevant.

39. Regulatory capital requirements

The primary objective of the Group's and Company's capital management policy is to maximise the return to shareholders through the effective use of its resources while ensuring that all stakeholders, such as policyholders' interests are being protected.

Pursuant to the Framework, the Group and Company are required to comply with the regulatory capital requirement, which is imposed by the Ministry of Finance in accordance with Section 23 of the Insurance Act, 1996, being a licensing condition for insurers. Under the Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to meet and maintain a minimum capital adequacy ratio of 130%. The Group and Company have a capital adequacy ratio in excess of the minimum requirement.

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

	Note	2010 RM	2009 RM
Eligible Tier 1 Capital			
Share capital (paid-up)	21	100,023,500	100,023,500
Reserves, including retained earnings	22	60,311,096	44,950,168
		<u>160,334,596</u>	<u>144,973,668</u>
Tier 2 Capital			
Eligible reserves		-	-
Amounts deducted from capital		<u>(1,810,000)</u>	<u>(1,810,000)</u>
Total Capital Available		<u>158,524,596</u>	<u>143,163,668</u>



Notes to the Financial Statements (Cont'd)

40. Financial instruments

(a) Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

Categories of financial instruments

Group	LAR RM	FVTPL RM	HTM RM	Total RM
2010				
Financial assets				
Investments	224,653,265	50,002,163	40,133,946	314,789,374
Reinsurance assets	184,457,662	-	-	184,457,662
Insurance receivables	47,145,657	-	-	47,145,657
Other receivables	14,029,004	-	-	14,029,004
Cash and cash equivalents	51,125,460	-	-	51,125,460
	<u>521,411,048</u>	<u>50,002,163</u>	<u>40,133,946</u>	<u>611,547,157</u>
			Other financial liabilities RM	Total RM
Financial liabilities				
Insurance contract liabilities			382,598,377	382,598,377
Insurance payables			55,724,470	55,724,470
Other financial liabilities			25,703,761	25,703,761
Other payables			7,716,521	7,716,521
Tax payable			3,310,330	3,310,330
			<u>475,053,459</u>	<u>475,053,459</u>
Company	LAR RM	FVTPL RM	HTM RM	Total RM
2010				
Financial assets				
Investments	224,653,265	50,002,163	40,133,946	314,789,374
Reinsurance assets	184,457,662	-	-	184,457,662
Insurance receivables	47,145,657	-	-	47,145,657
Other receivables	14,022,603	-	-	14,022,603
Cash and cash equivalents	49,359,909	-	-	49,359,909
	<u>519,639,096</u>	<u>50,002,163</u>	<u>40,133,946</u>	<u>609,775,205</u>



Notes to the Financial Statements (Cont'd)

40. Financial instruments (continued)

(a) Financial instruments (continued)

	Other financial liabilities RM	Total RM
Financial liabilities		
Insurance contract liabilities	382,598,377	382,598,377
Insurance payables	55,724,470	55,724,470
Other financial liabilities	25,703,761	25,703,761
Other payables	7,714,421	7,714,421
Tax payable	3,259,565	3,259,565
	<u>475,000,594</u>	<u>475,000,594</u>

(b) Determination of fair value

Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:-

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value.

The carrying amounts of financial assets and liabilities, such as insurance receivables, insurance payables, other receivables and other payables, are reasonable approximation of fair value, either due to their short-term nature.

- (ii) Quoted shares and quoted bonds

The fair value of quoted investments in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business on the end of the reporting period.

- (iii) Unquoted bonds

Fair value for unquoted bonds is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity.

(c) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.



Notes to the Financial Statements (Cont'd)

40. Financial instruments (continued)

(c) Fair value hierarchy (continued)

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December, the Group and Company held the following financial instruments carried at fair value on the statement of financial position:-

Assets measured at fair value

Group and Company

2010	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets at fair value through profit or loss				
Quoted in Malaysia:				
• Shares	22,276,042	-	-	22,276,042
• Warrants	678,817	-	-	678,817
• REITs	-	2,940,000	-	2,940,000
Quoted outside Malaysia:				
• Shares	24,107,304	-	-	24,107,304
	<u>47,062,163</u>	<u>2,940,000</u>	<u>-</u>	<u>50,002,163</u>

2009

Financial assets at fair value

through profit or loss

Quoted in Malaysia:

• Shares	32,774,587	-	-	32,774,587
• Warrants	295,867	-	-	295,867
• REITs	-	2,388,000	-	2,388,000

Quoted outside Malaysia:

• Shares	24,111,015	-	-	24,111,015
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	<u>57,181,469</u>	<u>2,388,000</u>	<u>-</u>	<u>59,569,469</u>
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During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements.



Notes to the Financial Statements (Cont'd)

41. Comparative figures

The following comparative figures as at 31 December 2009 have been reclassified to conform with current year's presentation, mainly arising from the adoption of FRS 4.

Group and Company	As restated RM	As previously stated RM
Statement of financial position		
Reinsurance assets	159,014,334	-
Insurance liabilities		
- Claims liabilities	-	99,461,695
- Premium liabilities	-	56,008,663
Insurance contract liabilities	314,484,692	-
Insurance receivables	49,320,675	61,702,875
Insurance payables	57,868,485	70,851,673
Other financial liabilities	38,146,483	-
Other payables	7,704,779	45,250,274
	<u>12,813,492</u>	<u>25,195,692</u>
Statement of cash flows		
Increase in payables	12,813,492	25,195,692
	<u>12,813,492</u>	<u>25,195,692</u>
Group		
Statement of cash flows		
Increase in receivables	(1,692,942)	(14,075,142)
	<u>(1,692,942)</u>	<u>(14,075,142)</u>
Company		
Statement of cash flows		
Increase in receivables	(1,769,875)	(14,152,075)
	<u>(1,769,875)</u>	<u>(14,152,075)</u>

Prior to the adoption of FRS 4, income and expenses from reinsurance contracts are offset against the income or expenses from the related insurance contracts for disclosure purposes. Following the adoption of FRS 4, the income and expenses from reinsurance contracts are presented on gross basis. The income statement for the year ended 31 December 2009 has been restated to comply with the requirement of FRS 4.

