

Chairman Statement

On behalf of the Board of Directors, it is my pleasure to present the Audited Accounts of Oriental Capital Assurance Bhd for the financial year ended December 31, 2008.

Highlights of Company's Performance

The turbulence in the global financial system in 2008 affected global markets which plummeted severely. As a result, we experienced impairments and negative revaluations on our investment portfolio. At the same time, Gross Premium Income fell by 10% last year in line with asset deflation as values of automobiles and other assets declined significantly. Moreover to meet risk based capital requirements, the company took stringent underwriting measures to curb the deterioration in underwriting results especially in those classes of insurance with high claims ratio.

For the reporting year, underwriting loss arose mainly from Marine and Motor class of business due to adverse claims experience. The bottom-line result showed a loss before tax of RM5million.

Times are forecasted to remain difficult throughout 2009 and this will have an impact on our earnings both from underwriting and investment operations. To maneuver through these challenges, we will strategize to mitigate risks through prudent underwriting policies, lower operations costs and preservation of our financial fundamentals. As we transcend to a risk-based capital practice, the focus is on keeping the company on a profitable path so that it can meet the new capital adequacy requirements.

Financial Review

The company's financial results in year 2008 landed in negative territory as business volume shrank and losses in the investment portfolio were registered, aggravated by unprecedented upheavals in global financial markets. Gross Written Premium was at RM244,130,000 against the previous year's volume of RM272,425,000.

However, our Net Written Premium was 3 % better than in 2007 at RM102,930,000. Earned Premium registered a decline of 6% to RM99,997,000 due to an increase in provisions for Unearned Premium Reserve.

An Underwriting Loss of RM12,141,000 was recorded compared to a loss of RM16,083,000 in 2007. With proactive solutions being implemented, we are confident the trend will reverse in the coming years. One of the on-going initiatives is to further strengthen the retail business through sales of additional and relevant insurance products and services to our existing customers. There is huge potential that is yet to be tapped. New alliances including alternative marketing channels are also being explored to fasten the pace of business growth and stay ahead of the competition. The company will strive

to improve the standard of service to our customers in order to earn their confidence and enhance retention and sustainability of business in the long-term.

We had to take write-downs on our investment portfolio as the financial crisis led to the deterioration of prices in the stock market. Investment Income for last year fell sharply to RM7,096,000. Business activities are beginning to slow down in the wake of recession that is threatening the global economy. Governments are adopting varying extent of economic stimulus measures to spur the real economy, mitigate and stabilize the impacts of the crisis. The cutting of interest rates progressively over these troubled times to enhance capital fluidity will reduce earnings from deposit placements.

It will thus be a challenge to forecast accurately expected earnings from investments in the near future. Nevertheless we hope stability will be gradually restored as expansionary monetary and fiscal policies unfold to normalize the frail economy.

Pre-tax loss was at RM5,064,000 an improvement from last year's loss position of RM15,929,000.

The Board of Directors does not propose any dividend in respect of the financial year 2008.

Prospects Ahead

The government's recent moves to liberalize the financial sector will have positive effects for the Malaysian economy going forward as new opportunities and value-added skills will emerge. The flexibility for business tie-ups with foreign partners will facilitate consolidation and rationalization in the insurance industry. The company will remain open for consultations with aspiring foreign investors that are keen to take a strategic stake in our company. Furthermore, the relaxing of restrictions for companies to establish branch offices nationwide augurs well for a wider spread of market penetrations.

The investment policy of the company will come under close scrutiny and will be constantly reviewed in line with the anti-recessionary measures taken by the Government. The company had weathered through past financial meltdowns and crisis, albeit of lesser severity. With the benchmark overnight interest rate being cut to unprecedented lows, there is anticipation the economy will witness improvements later in the year. Any further lowering of rates is expected to have limited downside. In this regard, our fixed income performance is projected to remain relatively unchanged. To protect our equity values, investments will be selective with emphasis on securities with good credit ratings, high dividend yield and growth potential. In a low interest rate scenario and weakened business environment, the pressure on profitability will be immense. Incomes generated from dividends are expected to contract. Overall we will position ourselves to take advantage of market opportunities to achieve satisfactory performance in future.

Our Appreciation

The Board of Directors extends our sincere thanks to all our stakeholders for their continuing support and cooperation.

We would take the opportunity to record our appreciation to Mr Yoshiyuki Ishida for his valuable contributions during his tenure as Director in the company and it is also our pleasure to welcome his replacement, Mr Katsuhiro Mori, to the Board. We hope that his experience will facilitate the further expansion of business from the Japanese clients.

To our staff we acknowledge their unceasing efforts in staying determined to display loyalty and commitment in these trying times.