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ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of all classes of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

Its subsidiary has been and is currently dormant.

RESULTS

	Group and Company RM'000
Net loss for the year	<u>19,968</u>

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

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

DIVIDENDS

No dividends has been declared or paid since the end of the previous financial year.

The directors do not propose any dividends in respect of the current financial year.

DIRECTORS

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

Tan Sri Datuk Dr. K. Ampikaipakan
Albert Saychuan Cheok
Vell Paari a/l Samy Vellu
Mohd Yusof bin Idris
Kirupalani a/l Chelliah
Yoshiyuki Ishida
Dato' Vijaya Kumar a/l T. Chornalingam

CORPORATE GOVERNANCE

(a) Responsibility of the Board of Directors

The Board of Directors ("the Board") is charged with the responsibility of providing direction on corporate objectives and business strategies, proper stewardship over company resources, achievement of corporate objectives, and good corporate citizenship. The Board ensures that there is a sound decision making process and business operating environment, with proper risk management and internal control frameworks.

The Board ensures that it complies with the Insurance Act and Regulations, 1996 ("the Act"), various guidelines issued by Bank Negara Malaysia ("BNM"), and other statutory and regulatory requirements. The Board had set up Management Committees to oversee and report on functional performances as part of its stewardship and oversight functions.

(b) Composition and meetings

The Board comprises one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and two (2) Executive Directors. All appointments are in accordance with the Act and BNM guidelines.

The directors bring with them various skills, experience and knowledge in insurance business to undertake the management of the Company.

CORPORATE GOVERNANCE (CONTD.)**(b) Composition and meetings (Contd.)**

During the financial year the members of the Board met eight (8) times, with attendance recorded as follows:

Name	Number of Board meetings	
	Attended	%
Tan Sri Datuk Dr. K. Ampikaipakan	4/8	50%
Albert Saychuan Cheok	6/8	75%
Vell Paari a/l Samy Vellu	5/8	63%
Mohd Yusof bin Idris	7/8	88%
Kirupalani a/l Chelliah	8/8	100%
Yoshiyuki Ishida	7/8	88%
Dato' Vijaya Kumar a/l T. Chornalingam	6/8	75%

(c) Board Committees

The Board had set up and delegated certain responsibilities to Board Committees to facilitate the execution of its duties and responsibilities. These committees have their respective terms of reference. The Chairman of the respective committees report regularly to the Board.

(i) Risk Management Committee ("RMC")

The RMC comprises two (2) Independent Non-Executive Directors (INED) and one (1) Non-Independent Non-Executive Director (NINED), as follows:

Kirupalani a/l Chelliah	(Chairman/INED)
Albert Saychuan Cheok	(INED)
Vell Paari a/l Samy Vellu	(NINED)

The RMC oversees the risk management activities - ensures that an appropriate and effective risk framework is in place, deliberates risk management strategies and tolerance limits for the various business activities, and recommends policies to be adopted to contain company wide risks.

The RMC met four (4) times during the financial year.

(ii) Audit Committee ("AC")

The AC comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director as follows:

CORPORATE GOVERNANCE (CONTD.)**(c) Management Committees (Contd.)****(ii) Audit Committee ("AC") (Contd.)**

Tan Sri Datuk Dr. K. Ampikaipakan	(Chairman/INED)
Albert Saychuan Cheok	(INED)
Kirupalani a/l Chelliah	(INED)
Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)

Terms of reference, in main, include ensuring an independent, effective and appropriately resourced internal audit department is in place to provide reassurance that the Company's internal control and risk frameworks are preserved, assets are safeguarded, and obligations are met. In addition, the Committee reviews and recommends the adoption of the annual financial statements, and reviews the disclosure of related party transactions. The AC also recommends the appointment/re-appointment of external auditors.

The AC met six (6) times during the financial year.

(iii) Nomination Committee ("NC")

The NC comprises three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director as follows:

Tan Sri Datuk Dr. K. Ampikaipakan	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Albert Saychuan Cheok	(INED)
Vell Paari a/l Samy Vellu	(NINED)
Mohd Yusof bin Idris	(Executive Director)

The NC is empowered to evaluate the performance of individual directors and recommend the appointment of chairmen and members of the Board Committees. The NC proposes first to the Board new directors followed by submission to BNM for appointment and existing directors for re-appointment or re-election. Suitability, competencies and contributions of directors are reviewed prior to any recommendation. The NC also performs annual review to assess if the composition and size of the Board and skills of individual directors taken together will facilitate effective discharge of Board duties.

The NC also evaluates and recommends appointment of the Chief Executive Officer and key senior officers of the Company.

The NC met two (2) times during the financial year.

CORPORATE GOVERNANCE (CONTD.)

(c) Management Committees (Contd.)

(iv) Remuneration Committee ("RC")

The RC comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director as follows:

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Vell Paari a/l Samy Vellu	(NINED)

The RC is responsible for reviewing and recommending remuneration packages for the Chief Executive officer and changes to staff remuneration policies. The RC is also charged with the responsibility of ensuring that the remuneration packages are commensurate with industry practices, and address the need for retention and motivation of staff.

The RC met once during the financial year.

(v) Investment Committee ("IC")

The IC members comprise of two (2) Independent Non-Executive Directors, one (1) Non Independent Non-Executive Director and one (1) Executive Director as follows:

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani A/L Chelliah	(INED)
Vell Paari A/L Samy Vellu	(NINED)
Mohd Yusof bin Idris	(Executive Director)

The terms of reference of this Committee is to monitor and manage the investment portfolio, review and recommend investment policies, and review and evaluate the performance of both the internal and external fund management function in view of optimisation of investment returns. This Committee is guided by the Investment Guidelines, business strategies and market conditions and outlook.

The Committee is responsible for the appointment and retention of fund managers as well as evaluation of their performance.

The IC met seven (7) times during the financial year.

CORPORATE GOVERNANCE (CONTD.)

(d) Management Accountability

The Company has an organisational structure with clear documentation of delegation of authority, roles, accountabilities and responsibilities.

Neither directors nor senior management had been involved in any activity resulting in a conflict of interest, per Sections 54 and 55 of the Insurance Act, 1996.

(e) Corporate Independence

All significant related party transactions have been disclosed in Note 25 to the financial statements.

(f) Internal Controls and Operational Risk Management

The Board ensures that the Risk Management and Internal Control frameworks, processes, policies and procedures are effective, and capable of identifying material risks, and provide reasonable assurance that the business is operating effectively and efficiently.

Functional reviews, physical controls, exposure limits, approvals and authorisations, and verifications and reconciliations are undertaken to reassure controls and risks are balanced and contained respectively.

Checks and balances in duties and functions are also preserved, avoiding at all times conflict of interest.

(g) Public Accountability

The Company, as a custodian of public funds, conducts public dealings fairly, honestly and professionally. The Company has taken the appropriate steps to ensure that all insurance policies issued or delivered to all policyholders contain the necessary information to alert them of the existence of the Financial Mediation Bureau and BNM's Consumer Services Bureau. The bureaus were set up with the view to provide alternative avenues for the policyholders to seek redress against any occurrence of unfair market practices.

(h) Financial Reporting

The Board is responsible for ensuring that the accounting records are properly kept, annual financial statements are prepared in accordance to applicable Financial Reporting Standards in Malaysia, the provisions of the Companies Act, 1965 and the Insurance Act, 1996, and regulations and represent a true and fair view.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 20 to 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 he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

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

Holding company	Number of Ordinary Shares of RM1 Each			
	1 January 2007	Bought	Sold	31 December 2007
- Maika Holdings Berhad				
Tan Sri Datuk Dr. K. Ampikaipakan	38,125	-	-	38,125
Dato' Vijaya Kumar a/l T. Chornalingam	1,250	-	-	1,250
Albert Saychuan Cheok	1,250	-	-	1,250
Vell Paari a/l Samy Vellu	326,500	32,000	-	358,500

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

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTD.)

- (b) At the date of this report, the directors are not aware of any circumstances which would:
- (i) require any amount to be written off as bad debts or render the allowance for doubtful debts of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

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.

- (g) Before the balance sheets and profit or loss were made out, the directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including incurred but not reported (“IBNR”) claims.

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AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 2 April 2008.

Vell Paari a/l Samy Vellu

Mohd Yusof bin Idris

Kuala Lumpur, Malaysia

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ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Vell Paari a/l Samy Vellu and Mohd. Yusof bin Idris, being two of the directors of Oriental Capital Assurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 56 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2007 and of the results and the cash flows of the Group and the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 2 April 2008

Vell Paari a/l Samy Vellu

Mohd Yusof bin Idris

Kuala Lumpur, Malaysia

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**ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)**

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

I, Mohd Yusof bin Idris, being the director primarily responsible for the financial management of Oriental Capital Assurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 56 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Mohd Yusof bin Idris at
Kuala Lumpur in Wilayah Persekutuan
on 2 April 2008

Mohd Yusof bin Idris

Before me,

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 14 to 56. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
ORIENTAL CAPITAL ASSURANCE BERHAD (CONTD.)
(Incorporated in Malaysia)**

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 purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/09(J)
Partner

Kuala Lumpur, Malaysia
2 April 2008

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Property and equipment	3	13,772	14,658	13,772	14,658
Deferred tax assets	4	3,553	3,750	3,553	3,750
Investment property	5(a)	2,505	2,441	2,505	2,441
Investments	5(b)	310,588	304,716	310,588	304,716
Investment in subsidiary	6	-	-	-	50,000
Intangible assets	7	54	25,423	54	25,423
Loans	8	1,329	1,620	1,329	1,620
Receivables	9	60,721	51,185	60,721	51,185
Cash and bank balances		3,453	3,717	3,453	3,717
TOTAL ASSETS		395,975	407,510	395,975	457,510
EQUITY AND LIABILITIES					
Equity					
Share capital	10	100,013	100,013	100,013	100,013
Share premium account		3,335	3,335	3,335	3,335
Retained profits		4,794	24,762	4,794	24,762
Total equity		108,142	128,110	108,142	128,110
Liabilities					
Amount due to subsidiary	11	-	-	-	50,000
Provision for outstanding claims	12	170,148	168,759	170,148	168,759
Payables	13	69,290	55,630	69,290	55,630
Retirement benefits	14	3,157	2,627	3,157	2,627
Unearned premium reserves	15	45,238	52,384	45,238	52,384
Total liabilities		287,833	279,400	287,833	329,400
TOTAL LIABILITIES AND EQUITY		395,975	407,510	395,975	457,510

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
Group and Company					
At 1 January 2006		100,013	3,335	35,889	139,237
Net loss for the year representing total recognised loss for the year		-	-	(9,327)	(9,327)
Dividends	23	-	-	(1,800)	(1,800)
At 31 December 2006		<u>100,013</u>	<u>3,335</u>	<u>24,762</u>	<u>128,110</u>
Net loss for the year representing total recognised loss for the year		-	-	(19,968)	(19,968)
At 31 December 2007		<u>100,013</u>	<u>3,335</u>	<u>4,794</u>	<u>108,142</u>

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group and Company	
		2007 RM'000	2006 RM'000
Operating revenue	16	<u>287,447</u>	<u>362,128</u>
Shareholders' fund:			
Investment income	17	102	86
Impairment of goodwill	18	(25,246)	-
Surplus/(deficit) transfer from/(to) general insurance revenue account		<u>9,215</u>	<u>(10,391)</u>
Loss before taxation		<u>(15,929)</u>	<u>(10,305)</u>
Taxation	21	<u>(4,039)</u>	<u>978</u>
Net loss for the year		<u>(19,968)</u>	<u>(9,327)</u>
Loss per share (sen)			
Basic	22	<u>(20.0)</u>	<u>(9.3)</u>
Dividend per share - net (sen)	23	<u>-</u>	<u>(1.8)</u>

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

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GENERAL INSURANCE REVENUE ACCOUNT- GROUP

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

Group and Company
2007 **2006**
RM'000 **RM'000**

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss before taxation	(15,929)	(10,305)
Adjustments for:		
Depreciation of property and equipment	1,029	1,831
Depreciation of investment property	20	140
Impairment of goodwill	25,246	-
Amortisation of intangible assets	125	178
Amortisation of premiums net of accretion of discounts	945	984
Gain on disposal of investments (net)	(8,887)	(3,774)
Allowance for staff retirement gratuities	825	183
Allowance/(writeback) for diminution in value investments (net)	402	(569)
Allowance for bad and doubtful debts (net)	1,368	13,903
Net decrease in unearned premium reserves	(7,145)	(1,979)
(Decrease)/increase in allowance for short-term accumulating compensated absences	(181)	246
Interest income	(11,791)	(11,892)
Gross dividend income	(3,842)	(2,512)
Rental income	(334)	(379)
Gain on disposal of property and equipment	-	(118)
	<u>(18,149)</u>	<u>(14,063)</u>
Changes in operating assets and liabilities:		
Purchase of investments	(60,634)	(60,814)
Net proceeds from disposal of investments and investment property	41,091	114,751
(Increase)/decrease in receivables	(4,431)	5,671
Increase in payables	13,660	4,136
Increase in outstanding claims	1,389	10,363
Decrease/(increase) in fixed and call deposits	19,483	(56,955)
Decrease in loans	291	366
	<u>(7,300)</u>	<u>3,455</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)

Group and Company
2007 **2006**
RM'000 **RM'000**

CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)

Interest received (net)	11,176	11,553
Net dividend received	3,508	1,926
Rental received	340	393
Retirement benefits paid	(295)	(206)
Tax paid net of recoveries	(7,466)	(12,171)
Net cash (used in)/generated from operating activities	<u>(37)</u>	<u>4,950</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from disposal of property and equipment	-	12
Capitalisation of expenses on investment property	(84)	-
Purchase of property and equipment	(143)	(1,125)
Purchase of intangibles	-	(52)
Net cash used in investing activities	<u>(227)</u>	<u>(1,165)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid	-	(1,800)
Net cash used in financing activities	<u>-</u>	<u>(1,800)</u>

**NET (DECREASE)/INCREASE IN CASH AND CASH
EQUIVALENTS**

**CASH AND BANK BALANCES AT BEGINNING OF
YEAR**

CASH AND BANK BALANCES AT END OF YEAR

(264)	1,985
<u>3,717</u>	<u>1,732</u>
<u>3,453</u>	<u>3,717</u>

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

1. CORPORATE INFORMATION

The Company is engaged principally in the underwriting of all classes of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

The subsidiary has been and is currently dormant.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Bangunan Oriental Capital, 36, Jalan Ampang, 50450 Kuala Lumpur.

The holding and ultimate holding company is Maika Holdings Berhad, a public limited liability company, incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 2 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965, the Insurance Act and Regulations, 1996, Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group had adopted new and revised Financial Reporting Standards ("FRS") which are mandatory for financial periods on or after 1 January 2007 as described in Note 2.1.

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the balance sheet date. The financial statements of the subsidiary are prepared for the same reporting date as the Company.

The subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. In preparing the consolidated financial statements, intra-group balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of the subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill on consolidation.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition is recognised immediately in the profit or loss.

(c) Intangible Assets

Goodwill

Goodwill on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition.

Goodwill on acquisition of business from the subsidiary represents the excess of the original purchase price over the fair value of the assets and liabilities transferred to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**(c) Intangible Assets (Contd.)****Goodwill (Contd.)**

Following the initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other Intangible Assets

The other intangible assets of the Group consist of computer software. These intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

(d) Property and Equipment and Depreciation

Property and equipment includes property occupied by the Group, renovations, furniture, fittings, office equipment, computers and motor vehicles. Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Residual values, useful life and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Property and Equipment and Depreciation (Contd.)

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is charged to the profit or loss in the period in which it is incurred. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

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

Buildings	2%
Renovations	10%
Furniture, fittings and office equipment	12% - 17%
Computers	25%
Motor vehicles	20%

For the freehold property, depreciation is provided on a straight-line basis over the estimated useful life of each significant component and freehold land is not depreciated.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of a property and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the profit or loss.

(e) Investment in Subsidiary

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investment in a subsidiary is stated at cost less any accumulated impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Investment Properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not significantly occupied by companies in the Group, for use by, or in the operations of the Group, are classified as investment property. If an investment property becomes owner-occupied, it is reclassified to property and equipment at its carrying value.

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, the investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

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

Any gains or losses on the retirement or disposal of an investment property are recognised when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of retirement or disposal.

(g) Employee Benefits

Short-term Benefits

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

Defined Contribution Plan

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Employee Benefits (Contd.)

Staff Retirement Benefits

Provision for retirement benefits is made for all eligible staff in the Group from the date of employment under an unfunded defined contribution plan. For eligible executive staff, gratuity is calculated based on the last drawn monthly salary of an employee multiplied by years of service up to a maximum of 15 years. For eligible clerical staff, an additional 3% over and above the Group's monthly statutory EPF contribution of 12% is provided. The staff will be entitled to this gratuity upon completion of 5 years of service in the Group.

Other staff are entitled to additional EPF contribution between 1% to 5% over the Group's monthly statutory EPF contribution rate of 12% after completion of 1 year of service. This benefit is charged to the profit or loss as incurred.

(h) Underwriting Results

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

Premium Income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period.

Inward treaty reinsurance premium is recognised on the basis of periodic advices received from ceding insurers.

Unearned Premium Reserves

Unearned Premium Reserves ("UPR") represent the portion of the net premium of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Underwriting Results (Contd.)

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

- 25% method for Marine, Aviation Cargo and Transit
- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Medical	10% - 15%
Other classes	20%
- 1/8th method for all other classes of overseas inward treaty business, with a deduction of 20% for commission
- non-annual policies are time-apportioned over the period of the risks

Provisions for Claims

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

Provision is also made for the cost of claims settlement together with related expenses for claims incurred but not reported ("IBNR") at balance sheet date, based on an actuarial valuation by a qualified actuary, using mathematical methods of estimation based on, amongst others, actual claims development pattern, historical and current claims settlement trends, judicial decisions and legislative changes.

Acquisition Costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Underwriting Results (Contd.)

Allowance for Bad and Doubtful Debts

Full allowance is made in the financial statements for outstanding premiums including agents, brokers, and reinsurers balances in arrears for more than thirty days for motor business and more than six months for other classes of insurance, as stipulated in BNM guidelines.

(i) Other Revenue Recognition

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

Interest Income

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

Gross Dividend Income

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

Rental Income

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

(j) Impairment of Non-financial Assets

The carrying amounts of assets, other than investment property and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Non-financial Assets (Contd.)

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that is expected to benefit from the synergies of the combination.

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

An impairment loss is recognised in the profit or loss in the period in which it arises.

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

(k) Foreign Currencies

Transaction in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange differences are taken to the profit or loss.

(l) Income Tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Income Tax (Contd.)

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(m) Cash and Cash Equivalents

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

The cash flow statements have been prepared using the indirect method.

(n) Financial Instruments

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Financial Instruments (Contd.)

Malaysian Government Securities and Other Approved Investments

Malaysian Government Securities and other approved investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are charged or credited to the profit or loss

Quoted Investments

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

Unquoted Investments

Unquoted investments are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurs.

Government Guaranteed Bonds and Unquoted Corporate Bonds

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

Receivables

Receivables are carried at anticipated realisable values.

Payables

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

Equity Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

The significant accounting policies adopted are consistent with those applied in the annual audited financial statements for the financial year ended 31 December 2006, except for the adoption of new/revised FRSs that are mandatory for the financial period beginning on or after 1 January 2007 as follows:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
FRS 124	Related Party Disclosures
Amendment to FRS 119 ₂₀₀₄	Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures

FRS 6 and FRS 117 are not relevant to the Company's operations.

The adoption of amendment to FRS 119₂₀₀₄ does not have significant impact on the financial statements of the Group and the Company while the adoption of FRS 124 affects the level and extent of related party disclosures.

As at the date of authorisation of these financial statements, the Group and the Company has not adopted the deferred FRS 139 Financial Instruments: Recognition and Measurement as well as the following revised FRSs, amendment to FRS and Interpretations of the Issues Committee ("IC") issued by the Malaysian Accounting Standards Board ("MASB") which will be effective for financial periods beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operations
FRS 134	Interim Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (CONTD.)

IC Interpretation 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129: Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The revised FRSs, amendment to FRS and IC are not expected to have significant financial impact on the financial statements of the Group and the Company upon their initial application for financial year commencing 1 January 2008.

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year such as those discussed below:

FRS 116: Property, Plant and Equipment

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end.

Management estimates that the residual values and remaining useful lives are applicable for the current financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

Uncertainty in Accounting Estimates for General Insurance Business

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

The computation of UPR is based on the required statutory computation iterated in Note 2(h) unless policy terms dictate alternative method of provisions.

Claims liabilities comprise outstanding claims as explained in Note 2(h). The Company is guided by BNM Guidelines and internal claims reserving policies in making technical provisions. These provisions are expected to take into consideration the reporting and settlement lags in claims, and any significant claims development patterns.

Effective 2006, the Company recognised potential reinstatement premium expense for unsettled claims under non proportional treaty arrangements. The treaty is in force until a claims settlement is made and a reinstatement premium becomes payable, and provisions are made when this does not happen in the claims loss year.

Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the policy stated in Note 2(c).

The recoverable amount of the goodwill is determined based on the value-in-use method, which requires the use of estimates. The value-in-use method apply a discounted cash flow model using cash flow projections based on approved budgets and forecasts as disclosed in Note 7.

Deferred Tax Assets

Deferred tax assets are recognised for unutilised business losses, unutilised capital allowances, various allowances and provisions to the extent that it is probable that taxable profit will be available against which these losses, allowances and provisions can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

3. PROPERTY AND EQUIPMENT

Group and Company	Land and buildings* RM'000	Renovations RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
2007					
Cost					
At 1 January	13,534	1,977	15,782	1,815	33,108
Additions	-	-	143	-	143
At 31 December	13,534	1,977	15,925	1,815	33,251
Accumulated depreciation					
At 1 January	1,507	1,442	13,758	1,743	18,450
Charge for the year	86	198	734	11	1,029
At 31 December	1,593	1,640	14,492	1,754	19,479
Net carrying amount	11,941	337	1,433	61	13,772
2006					
Cost					
At 1 January	13,534	1,960	14,698	1,844	32,036
Additions	-	17	1,084	24	1,125
Disposals	-	-	-	(53)	(53)
At 31 December	13,534	1,977	15,782	1,815	33,108
Accumulated depreciation					
At 1 January	1,421	1,245	12,262	1,744	16,672
Charge for the year	86	197	1,496	52	1,831
Disposals	-	-	-	(53)	(53)
At 31 December	1,507	1,442	13,758	1,743	18,450
Net carrying amount	12,027	535	2,024	72	14,658

3. PROPERTY AND EQUIPMENT (CONTD.)***Land and buildings of the Group and Company**

	Freehold land RM'000	Buildings RM'000	Total RM'000
2007			
Cost			
At 1 January/31 December	9,263	4,271	13,534
Accumulated depreciation			
At 1 January	-	1,507	1,507
Charge for the year	-	86	86
At 31 December	-	1,593	1,593
Net carrying amount	9,263	2,678	11,941
2006			
Cost			
At 1 January/ 31 December	9,263	4,271	13,534
Accumulated depreciation			
At 1 January	-	1,421	1,421
Charge for the year	-	86	86
At 31 December	-	1,507	1,507
Net carrying amount	9,263	2,764	12,027

4. DEFERRED TAX ASSETS

	Group and Company	
	2007	2006
	RM'000	RM'000
At beginning of year	3,750	2,199
Recognised in the profit or loss (Note 21)	(197)	1,551
At end of year	<u>3,553</u>	<u>3,750</u>

4. DEFERRED TAX ASSETS (CONTD.)

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

2007**Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Total RM'000
At beginning of year	317	317
Recognised in the profit or loss	(64)	(64)
At end of year	<u>253</u>	<u>253</u>

Deferred Tax Assets

	Unutilised losses and capital allowances RM'000	Receivables RM'000	Unearned premium reserves RM'000	Others* RM'000	Total RM'000
At beginning of year	315	1,177	740	1,835	4,067
Recognised in the profit or loss	(315)	297	(328)	85	(261)
At end of year	<u>-</u>	<u>1,474</u>	<u>412</u>	<u>1,920</u>	<u>3,806</u>

2006**Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Total RM'000
At beginning of year	571	571
Recognised in the profit or loss	(254)	(254)
At end of year	<u>317</u>	<u>317</u>

4. DEFERRED TAX ASSETS (CONTD.)**Deferred Tax Assets**

	Unutilised losses and capital allowances RM'000	Receivables RM'000	Unearned premium reserves RM'000	Others* RM'000	Total RM'000
At beginning of year	-	270	800	1,700	2,770
Recognised in the profit or loss	315	907	(60)	135	1,297
At end of year	<u>315</u>	<u>1,177</u>	<u>740</u>	<u>1,835</u>	<u>4,067</u>

* Others comprise provision for diminution in value of investments, accumulated amortisation/accretion of premiums/discounts on investments and accruals for management expenses.

5. INVESTMENTS**(a) Investment Property**

Group and Company	2007		2006	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
At 1 January				
Freehold land and buildings	2,665		2,581	
Less: Accumulated depreciation	<u>(160)</u>		<u>(140)</u>	
At 31 December	<u>2,505</u>	<u>2,800</u>	<u>2,441</u>	<u>2,800</u>

(b) Other Investments

	Group and Company	
	2007 RM'000	2006 RM'000
Investments, at cost	311,474	306,074
Amortisation of premiums net of accretion of discounts	(886)	(1,221)
Provision for diminution in value of investments	-	(137)
	<u>310,588</u>	<u>304,716</u>

5. INVESTMENTS (CONTD.)

(b) Other Investments (Contd.)

Group and Company	2007		2006	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Malaysian Government Securities ("MGS")	38,952		43,470	
Amortisation of premiums net of accretion of discounts	(870)		(1,366)	
	<u>38,082</u>	<u>38,258</u>	<u>42,104</u>	<u>42,559</u>
Cagamas papers	<u>20,000</u>	<u>19,900</u>	<u>15,000</u>	<u>15,032</u>
Quoted in Malaysia:				
Shares of corporations	52,768		47,006	
Provision for diminution in value	-		(47)	
	<u>52,768</u>	<u>72,831</u>	<u>46,959</u>	<u>56,111</u>
Corporate bonds	-		265	
Provision for diminution in value	-		(41)	
	<u>-</u>	<u>-</u>	<u>224</u>	<u>227</u>
Unit trusts	13,496		13,170	
Provision for diminution in value	-		(49)	
	<u>13,496</u>	<u>14,013</u>	<u>13,121</u>	<u>13,224</u>
Unquoted:				
Shares of corporations	<u>219</u>		<u>219</u>	
Corporate bonds (Note a)	66,904		48,326	
Amortisation of premiums net of accretion of discounts	(16)		145	
	<u>66,888</u>	<u>68,110</u>	<u>48,471</u>	<u>50,300</u>

5. INVESTMENTS (CONTD.)

Group and Company	2007		2006	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Fixed and call deposits with licensed financial institutions:				
Commercial banks	69,902		74,365	
Investment banks	49,233		64,253	
	<u>119,135</u>		<u>138,618</u>	
TOTAL OTHER INVESTMENTS	<u>310,588</u>		<u>304,716</u>	

- (a) All unquoted corporate bonds carry a minimum rating of “BBB” (long-term) or “P3” (short-term) or their equivalents by a rating agency established in Malaysia.

	Group and Company	
	2007 RM'000	2006 RM'000
Investments maturing after 12 months:		
MGS	12,107	28,644
Cagamas papers	10,000	10,000
Unquoted corporate bonds	<u>66,888</u>	<u>38,280</u>

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

	Weighted average rate of return		Weighted average remaining maturity	
	2007 (% p.a.)	2006 (% p.a.)	2007 (days)	2006 (days)
MGS	4.98	6.77	347	577
Cagamas papers	3.90	3.94	806	324
Unquoted corporate bonds	4.96	3.70	1,100	790
Fixed and call deposits with licensed financial institutions	<u>3.49</u>	<u>3.08</u>	<u>151</u>	<u>117</u>

6. INVESTMENT IN SUBSIDIARY

	Company	
	2007	2006
	RM	RM'000
Unquoted shares, at cost	2	50,000

The Company has a 100% interest (2006: 100%) in the subsidiary, Capital OCA Berhad, a company incorporated in Malaysia.

The subsidiary has been and is currently dormant.

On 23 March 2007, the subsidiary reduced its issued and paid up share capital to RM2 from RM50,000,000 and returned the capital to the Company by way of settlement of balance due to the subsidiary (Note 11).

7. INTANGIBLE ASSETS

	Group and Company	
	2007	2006
	RM'000	RM'000
Goodwill on acquisition of business (Note a)	-	25,246
Computer software (Note b)	54	177
	54	25,423
(a) Goodwill on Acquisition of Business	25,246	25,246
Less: Impairment	(25,246)	-
	-	25,246

Impairment Test for Goodwill

In accordance with FRS 136 the carrying amount of the goodwill which resulted from the acquisition of Capital OCA Berhad is assessed for impairment on an annual basis. The recoverable value of goodwill is based on the value in use method, applying a discounted cash flow model using cash flow projections based on approved budget and forecasts.

7. INTANGIBLE ASSETS (CONTD.)**(a) Goodwill on Acquisition of Business (Contd.)****Impairment Test for Goodwill (Contd.)**

The approved budget and forecasts in respect of the historical business acquired indicated deficits in cash flows for each of the financial years ending 31 December 2008 to 2012, and as such, the attributable goodwill is inferred to be fully impaired.

This review led to the recognition of impairment loss on the goodwill.

(b) Computer Software

	Group and Company	
	2007	2006
	RM'000	RM'000
Cost		
At 1 January	1,566	1,514
Additions	-	52
At 31 December	<u>1,566</u>	<u>1,566</u>
Accumulated Amortisation and Impairment		
At 1 January	1,389	1,211
Amortisation	123	178
At 31 December	<u>1,512</u>	<u>1,389</u>
Net carrying amount	<u>54</u>	<u>177</u>

8. LOANS

	Group and Company	
	2007	2006
	RM'000	RM'000
Staff mortgage loans (secured)	1,215	1,455
Other staff loans:		
Secured	84	130
Unsecured	30	35
	<u>1,329</u>	<u>1,620</u>
Receivable after 12 months	<u>1,164</u>	<u>1,371</u>

8. LOANS (CONTD.)

The weighted average effective interest rate for staff loans as at the balance sheet date was 5% (2006: 5%) p.a. on the basis of monthly rest.

9. RECEIVABLES

	Group and Company	
	2007	2006
	RM'000	RM'000
Trade receivables:		
Due premiums including agents/brokers and co-insurers balances	25,459	27,786
Amount due from reinsurers and cedants	38,702	31,638
	<u>64,161</u>	<u>59,424</u>
Allowance for doubtful debts	(27,309)	(27,252)
	<u>36,852</u>	<u>32,172</u>
Other receivables:		
Sundry receivables, deposits and prepayments	3,820	3,952
Income due and accrued	3,097	2,584
Tax recoverable	16,952	12,477
	<u>23,869</u>	<u>19,013</u>
TOTAL RECEIVABLES	<u>60,721</u>	<u>51,185</u>

Included in trade receivables are amounts due from the holding company, Maika Holdings Berhad, a fellow subsidiary, Maika Intellectual Resources Sdn. Bhd. and a director related corporation, Asian Institute of Medicine, Science and Technology of RMNil (2006: RM79,000), RM26,440 (2006: RMNil) and RM631,686 (2006: RM1,204,000) respectively.

10. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2007	2006	2007	2006
	'000	'000	RM'000	RM'000
Authorised:				
At beginning/end of year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid up:				
At beginning/end of year	<u>100,013</u>	<u>100,013</u>	<u>100,013</u>	<u>100,013</u>

11. AMOUNT DUE TO SUBSIDIARY

The amount due to the subsidiary was settled upon the return of capital in relation to the capital reduction of the subsidiary (Note 6).

12. PROVISION FOR OUTSTANDING CLAIMS

	Group and Company	
	2007	2006
	RM'000	RM'000
Provision for outstanding claims	346,418	393,095
Recoverable from reinsurers	(176,270)	(224,336)
Net outstanding claims	<u>170,148</u>	<u>168,759</u>

13. PAYABLES

	Group and Company	
	2007	2006
	RM'000	RM'000
Trade payables:		
Due to reinsurers and cedants	27,907	29,535
Due to agents/brokers/co-insurers and insureds	12,784	9,112
	<u>40,691</u>	<u>38,647</u>
Other payables:		
Sundry payables and accrued liabilities	28,599	16,983
	<u>28,599</u>	<u>16,983</u>
TOTAL PAYABLES	<u>69,290</u>	<u>55,630</u>

14. RETIREMENT BENEFITS

	Group and Company	
	2007	2006
	RM'000	RM'000
At beginning of year	2,627	2,651
Provision for the year	825	183
	<u>3,452</u>	<u>2,834</u>
Payments during the year	(295)	(207)
At end of year	<u>3,157</u>	<u>2,627</u>
Amount payable after 12 months	<u>2,338</u>	<u>2,336</u>

15. UNEARNED PREMIUM RESERVES

Group and Company	Fire	Motor	Marine, Aviation and Transit	Misc.	Total
2007					
At beginning of year	4,675	32,723	10,118	4,868	52,384
(Decrease)/increase in unearned premium reserves	(2,369)	(1,378)	(4,244)	845	(7,146)
At end of year	<u>2,306</u>	<u>31,345</u>	<u>5,874</u>	<u>5,713</u>	<u>45,238</u>
2006					
At beginning of year	4,589	35,999	8,812	4,963	54,363
Increase/(decrease) in unearned premium reserves	86	(3,276)	1,306	(95)	(1,979)
At end of year	<u>4,675</u>	<u>32,723</u>	<u>10,118</u>	<u>4,868</u>	<u>52,384</u>

16. OPERATING REVENUE

	Group and Company	
	2007	2006
	RM'000	RM'000
General business:		
Gross premiums	272,425	348,329
Investment income (Note 17)	14,920	13,713
	<u>287,345</u>	<u>362,042</u>
Shareholders' fund:		
Investment income (Note 17)	102	86
	<u>287,447</u>	<u>362,128</u>

17. INVESTMENT INCOME

	Group and Company	
	2007	2006
	RM'000	RM'000
General business:		
Interest income from:		
MGS	2,675	3,122
Corporate bonds	3,757	4,695
Fixed and call deposits with licensed financial institutions	4,700	3,430
Staff loans	69	87
Others	488	472
	<u>11,689</u>	<u>11,806</u>
Gross dividends from shares quoted in Malaysia	3,842	2,512
Amortisation of premiums net of accretion of discounts	(945)	(984)
Rental income	334	379
	<u>14,920</u>	<u>13,713</u>
Shareholders' fund:		
Interest income from fixed and call deposits with licensed financial institutions	102	86
	<u>102</u>	<u>86</u>
TOTAL INVESTMENT INCOME	<u>15,022</u>	<u>13,799</u>

18. OTHER OPERATING INCOME/(EXPENSES) (NET)

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
General business:				
Other income:				
Gain on disposal of investments	9,927	7,299	9,927	7,299
Write-back of diminution in value of investments	137	976	137	976
Gain on disposal of property and equipment	-	118	-	118
Sundry income	1,893	11	1,893	11
	<u>11,957</u>	<u>8,404</u>	<u>11,957</u>	<u>8,404</u>
Other expenses:				
Loss on disposal of investments	(1,040)	(3,525)	(1,040)	(3,525)
Provision for diminution in value of investments	(539)	(407)	(539)	(407)
Other operating income (net)	<u>10,378</u>	<u>4,472</u>	<u>10,378</u>	<u>4,472</u>
Shareholders' fund:				
Impairment of goodwill	(25,246)	-	(25,246)	-
Other operating expense	<u>(25,246)</u>	<u>-</u>	<u>(25,246)</u>	<u>-</u>
TOTAL OTHER OPERATING (EXPENSE)/INCOME (NET)	<u>(14,868)</u>	<u>4,472</u>	<u>(14,868)</u>	<u>4,472</u>

19. NET CLAIMS INCURRED

	Fire RM'000	Motor RM'000	Marine, Aviation and Transit RM'000	Misc. RM'000	Total RM'000
Group and Company					
2007					
Gross claims paid less salvage	16,248	67,334	109,538	13,067	206,187
Reinsurance recoveries	(12,223)	(6,482)	(91,118)	(8,112)	(117,935)
Net claims paid	<u>4,025</u>	<u>60,852</u>	<u>18,420</u>	<u>4,955</u>	<u>88,252</u>
Net outstanding claims:					
At end of year	7,832	93,139	46,182	22,995	170,148
At beginning of year	<u>10,131</u>	<u>96,584</u>	<u>39,093</u>	<u>22,951</u>	<u>168,759</u>
Net claims incurred	<u><u>1,726</u></u>	<u><u>57,407</u></u>	<u><u>25,509</u></u>	<u><u>4,999</u></u>	<u><u>89,641</u></u>
2006					
Gross claims paid less salvage	7,999	70,211	58,534	10,177	146,921
Reinsurance recoveries	(4,762)	(8,820)	(41,422)	(3,286)	(58,290)
Net claims paid	<u>3,237</u>	<u>61,391</u>	<u>17,112</u>	<u>6,891</u>	<u>88,631</u>
Net outstanding claims:					
At end of year	10,131	96,584	39,093	22,951	168,759
At beginning of year	<u>8,932</u>	<u>96,262</u>	<u>29,400</u>	<u>23,803</u>	<u>158,397</u>
Net claims incurred	<u><u>4,436</u></u>	<u><u>61,713</u></u>	<u><u>26,805</u></u>	<u><u>6,039</u></u>	<u><u>98,993</u></u>

20. MANAGEMENT EXPENSES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
General business:				
Staff costs:				
Directors' emoluments (Note a)	449	449	449	449
Pension costs - EPF (excluding directors' and chief executive officer ("CEO")'s emoluments) (Note a)	1,917	1,554	1,917	1,554
Provision for staff retirement gratuities	825	183	825	183
Short-term accumulating compensated absences	(181)	246	(181)	246
Salaries, bonus, allowances and other related costs	11,430	11,095	11,430	11,095
	<u>14,440</u>	<u>13,527</u>	<u>14,440</u>	<u>13,527</u>
Directors' emoluments (Note a):				
Fees	96	102	96	102
Other emoluments	53	70	53	70
Auditors' remuneration:				
Audit fees	102	102	100	100
Others	12	15	12	15
Rental of premises	642	631	642	631
Depreciation:				
Investment property	20	140	20	140
Property and equipment	1,029	1,831	1,029	1,831
Amortisation of intangible assets	123	178	123	178
Insurance guarantee scheme levy	311	340	311	340
Allowance for bad and doubtful debts	5,760	13,935	5,760	13,935
Write-back of allowance for bad and doubtful debts	(4,392)	(391)	(4,392)	(391)
Others	8,695	8,457	8,697	8,459
	<u>26,891</u>	<u>38,937</u>	<u>26,891</u>	<u>38,937</u>
TOTAL MANAGEMENT EXPENSES	26,891	38,937	26,891	38,937

20. MANAGEMENT EXPENSES (CONTD.)

(a) Emoluments of directors and CEO

	Group and Company	
	2007	2006
	RM'000	RM'000
CEO:		
Salary	337	337
EPF	59	59
Benefits-in-kind	13	13
Other emoluments	53	53
	<u>462</u>	<u>462</u>
Executive director:		
Director's fees	10	10
Other emoluments	4	4
Non-executive directors:		
Directors' fees	86	92
Other emoluments	49	66
	<u>149</u>	<u>172</u>
Total directors' emoluments	<u>611</u>	<u>634</u>
Total included as staff costs (excluding benefits-in-kind)	<u>449</u>	<u>449</u>
Total directors' fees	<u>96</u>	<u>102</u>
Total other emoluments	<u>53</u>	<u>70</u>

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

	Number of directors	
	2007	2006
Executive directors		
RM400,000 - RM450,000	1	1
Below RM50,000	1	1
Non-executive directors		
Below RM50,000	7	7

21. TAXATION

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Income tax	3,850	8	3,850	8
Deferred tax relating to origination and reversal of temporary differences (Note 4)	197	(1,551)	197	(1,551)
Net (over)/under provision of taxation in prior years	(8)	565	(8)	565
Tax expense for the year	<u>4,039</u>	<u>(978)</u>	<u>4,039</u>	<u>(978)</u>

A reconciliation of tax expenses applicable to loss before taxation at the statutory income tax rate to tax expenses at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Loss before taxation	<u>(15,929)</u>	<u>(10,305)</u>	<u>(15,929)</u>	<u>(10,305)</u>
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(4,301)	(2,885)	(4,301)	(2,885)
Income not subject to tax	(115)	(55)	(115)	(55)
Effect of change in tax rate	228	290	228	290
Expenses not deductible for tax purposes	8,004	1,836	8,204	1,781
(Over)/underprovision of taxation in prior years	(8)	565	(8)	565
Under/(over)provision of deferred taxation in prior years	31	(674)	31	(674)
Tax expenses for the year	<u>3,839</u>	<u>(923)</u>	<u>4,039</u>	<u>(978)</u>

Current income tax is calculated at the Malaysian tax rate of 27% (2006: 28%) on the estimated assessable profit for the year. The statutory tax rate will be reduced to 26% in 2008 and 25% in 2009 from the current year's rate of 27%. The change in tax rates has been reflected in the computation of deferred tax as at 31 December 2007 as appropriate.

21. TAXATION (CONTD.)

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

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007.

As at 31 December 2007, the Company has sufficient credits in the Section 108 balance and tax exempt income to pay franked dividends out of its entire retained profits. As at 31 December 2007, the Company has tax exempt income available for distribution of approximately RM17,922,000 (2006: RM17,495,000).

22. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the total number of ordinary shares in issue during the year.

	Group		Company	
	2007	2006	2007	2006
Net loss for the year (RM'000)	(19,968)	(9,327)	(19,968)	(9,327)
Number of ordinary shares in issue ('000)	100,013	100,013	100,013	100,013
Basic loss per share (sen)	<u>(20.0)</u>	<u>(9.3)</u>	<u>(20.0)</u>	<u>(9.3)</u>

There is no dilution of loss per share as there were no dilutive potential ordinary shares as at 31 December 2007.

23. DIVIDENDS

	Amount		Net dividend per share	
	2007	2006	2007	2006
	RM	RM	Sen	Sen
Final dividend for 2006 of Nil% (2005: 2.5%) less 28% taxation	-	1,800	-	1.8
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The directors do not propose any dividends in respect of the current financial year.

24. SEGMENT INFORMATION ON CASH FLOW

Group and Company	General business RM'000	Shareholders' fund RM'000	Total RM'000
2007			
Cash flows from:			
Operating activities	(37)	-	(37)
Investing activities	(227)	-	(227)
	<u>(264)</u>	<u>-</u>	<u>(264)</u>
Net increase in cash and cash equivalents:			
At beginning of financial year	3,717	-	3,717
At end of financial year	(264)	-	(264)
	<u>3,453</u>	<u>-</u>	<u>3,453</u>
2006			
Cash flows from:			
Operating activities	4,950	-	4,950
Investing activities	(1,165)	-	(1,165)
Financing activities	(1,800)	-	(1,800)
	<u>1,985</u>	<u>-</u>	<u>1,985</u>
Net increase in cash and cash equivalents:			
At beginning of financial year	1,732	-	1,732
At end of financial year	3,717	-	3,717
	<u>1,985</u>	<u>-</u>	<u>1,985</u>

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) The Company had the following significant transactions and outstanding balances with related parties:

	Group and Company	
	2007	2006
	RM'000	RM'000
Premium income:		
Holding company	-	30
Director-related corporation, Asian Institute of Medicine, Science and Technology	632	474
Fellow subsidiary, Maika Intellectual Resources Sdn. Bhd.	26	52
Purchase of computers from a fellow subsidiary, Maika Intellectual Resources Sdn. Bhd.	-	301
	<u> </u>	<u> </u>

(b) Compensation of key management personnel

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

	Group and Company	
	2007	2006
	RM'000	RM'000
Short-term employee benefits	1,610	1,614
EPF expenses	194	181
Benefits-in-kind	63	63
Total	<u>1,867</u>	<u>1,858</u>

Included in the compensation of key management personnel are:

	Group and Company	
	2007	2006
	RM'000	RM'000
Directors' remuneration	<u>611</u>	<u>634</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel of the Company includes the Directors, Chief Executive Officer, Chief Operating Officer and Assistant General Managers.

26. FINANCIAL INSTRUMENTS

(a) Fair Values

The aggregate net fair values of financial assets not carried at fair values on the balance sheet of the Group and of the Company are represented as follows:

	2007		2006	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Investments:				
MGS	38,082	38,258	42,104	42,559
Cagamas papers	20,000	19,900	15,000	15,032
Quoted shares and bonds of corporations	52,768	72,831	47,183	56,338
Quoted unit trusts	13,496	14,013	13,121	13,224
Unquoted corporate bonds	66,888	68,110	48,471	50,300

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

(b) Cash and Cash Equivalents and Receivables/Payables

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

In the opinion of the directors, no disclosure of fair value was made for the balance due to the subsidiary as it was not practical to determine its fair value with sufficient reliability given that the balance had no fixed terms of repayment.

(c) Investments

The fair values of Malaysian Government Securities, Cagamas papers and unquoted corporate bonds are indicative values obtained from the secondary market.

The fair values of quoted shares and bonds of corporations are determined by reference to the stock exchange quoted market prices at the close of business on the balance sheet date.

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

27. COMPANY WIDE RISK

The Company is exposed to a variety of risks which includes investment, interest rate, liquidity, foreign currency and credit, insurance and operational risks.

The Risk Management Committee ensures that the risk framework is effective to carry out the risk management strategies laid down and work within the tolerance limits provided for the various business activities. In addition, limits of authority are also set in line with the Company's risk appetite.

The Company is also making a conscious attempt to reduce company wide risk in preparation for the impending Risk Based Capital Framework that is planned to come into force in 2009. This is attended to through proper capital requirement planning, aligning with business plans and strategies and risk charges for all company wide activities. The Company also considers the shareholders' plans for the future.

(a) Investment Risk

Market risk arises with changes in equity and bond prices. This risk is mitigated through proper initial and continuous credit evaluation of bonds and shares respectively, purchase of high grade shares and bonds, and constant watch on investment portfolio for adverse changes and opportunities.

Credit risk especially settlement risk is mitigated with proper credit monitoring of bonds held.

Fund managers' performance are monitored constantly, parameters are prescribed to fund managers according to the Company's risk appetite on purchase of equity, bonds and unit trusts, and by placing limits on categories of purchase.

Holding of unquoted shares is progressively reduced, with an emphasis on risk and return.

(b) Interest Rate Risk

The Company has no borrowings, hence limiting its exposure to interest risk to holdings in term deposits, corporate bonds and government securities. The interest and capital value of the latter may be affected by changes in the interest yield curve. The Company has an investment policy that investments are made at competitive interest rates.

(c) Liquidity Risk

Liquidity risk is the risk where the Company is unable to meet its obligations in a timely manner at a reasonable cost at any time. The Company maintains a large tranche of liquid asset instruments, primarily bank deposits and Malaysian Government Securities, to ensure high liquidity.

27. COMPANY WIDE RISK (CONTD.)

(d) Foreign Currency and Credit Risk

Settlements on receivables and payables on business ceded and received from overseas reinsurers and brokers expose the Company to foreign exchange risks.

Treaty reinsurers and brokers credit ratings are evaluated prior to entering into treaty arrangements. The Company observes the Bank Negara Malaysia Guidelines and internal Company policies in assessing the credit ratings of reinsurers and brokers.

The settlement risks are also mitigated through prompt reconciliations of records and recovery actions, avoiding at all times delays in collection from reinsurers and entering into commutations for run off reinsurers. The Company has tightened the credit collection and recovery policies to expedite collections. The Company is unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

(e) Insurance Risk

The Group has in place comprehensive underwriting guidelines and limits of authority to ensure that risks are accepted in accordance with the authorised limits. The retention of risks is protected by proportional and non proportional treaties with reputable reinsurers and brokers, and premised on the risk appetite of the Company.

(f) Operational Risk

Good internal control framework, compliance to regulatory guidelines and observance to best practices enable the Company to mitigate its operational risks. Internal audit plan and risk based audits coupled with periodic reviews on compliance to policies and procedures provide assurance that the Company have the best processes in a controlled environment.

28. CONTINGENCIES

In 2007, the Company filed a suit against a former service provider for intrusion into the computer system seeking general and specific damages for trespass, conversion and unlawful interference which took place in 2006.

The said service provider filed a suit for libel and malicious falsehood against the Company on the same matter in 2006.

The solicitors for the Company indicated that the company has a reasonable good chance of succeeding in their case against the service provider and successfully dismissing the suit against them.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

Group and Company	Note	Fire		Motor		Marine, Aviation, Offshore and Transit		Miscellaneous		Total	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating revenue	16									287,345	362,042
Gross premiums		26,200	45,690	73,896	83,990	136,840	182,161	35,489	36,488	272,425	348,329
Reinsurance		(20,871)	(39,757)	(5,848)	(8,835)	(124,036)	(162,088)	(21,997)	(23,499)	(172,752)	(234,179)
Net premium		5,329	5,933	68,048	75,155	12,804	20,073	13,492	12,989	99,673	114,150
Decrease/(increase) in unearned premium reserves	15	2,369	(86)	1,378	3,276	4,244	(1,306)	(845)	95	7,146	1,979
Earned premium		7,698	5,847	69,426	78,431	17,048	18,767	12,647	13,084	106,819	116,129
Net claims incurred	19	(1,726)	(4,436)	(57,407)	(61,713)	(25,509)	(26,805)	(4,999)	(6,039)	(89,641)	(98,993)
Net commission earned/(incurred)		1,332	1,656	(7,177)	(8,202)	1,180	1,028	(1,705)	(1,257)	(6,370)	(6,775)
Underwriting surplus/(deficit) before management expenses		7,304	3,067	4,842	8,516	(7,281)	(7,010)	5,943	5,788	10,808	10,361
Management expenses	20									(26,891)	(38,937)
Underwriting deficit										(16,083)	(28,576)
Investment income	17									14,920	13,713
Other operating income (net)	18									10,378	4,472
Surplus/(deficit) transfer to income statement										9,215	(10,391)

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