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ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CONTENTS	PAGE
Directors' Report	1 - 9
Statement by Directors	10
Statutory Declaration	10
Report of the Auditors	11 - 12
Balance Sheets	13
Statements of Changes in Equity	14
Income Statements	15
General Insurance Revenue Account	16
Cash Flow Statements	17 - 18
Notes to the Financial Statements	19 - 47

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

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 ceased underwriting of all classes of general insurance business in a previous financial year and is currently dormant.

RESULTS

	Group and Company RM'000
Net profit for the year	<u>8,496</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

The amount of dividends paid and declared by the Company since 31 December 2004 was as follows:

	RM'000
In respect of the financial year ended 31 December 2004 as disclosed in the directors' report of that year:	
Interim dividend of 5% less 28% taxation, paid on 27 April 2005	3,600
Final dividend of 5% less 28% taxation, paid on 3 June 2005	<u>3,600</u>
In respect of the financial year ended 31 December 2005:	
Interim dividend of 5% less 28% taxation, paid on 27 December 2005	<u>3,600</u>

DIVIDENDS (CONTD.)

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2005 of 5% on 100,013,218 ordinary shares less 28% taxation amounting to a total dividend of RM3,600,000 (5 sen gross per share) will be proposed for shareholders' approval. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2006.

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:

Datuk Dr. K. Ampikaipakan
Albert Saychuan Cheok
Tan Sri Dato' G. Pasamanickam
Vell Paari a/l Samy Vellu
Mohd Yusof bin Idris
Kirupalani a/l Chelliah
Yoshiyuki Ishida
Tan Sri A. Tharmalingam s/o Arunasalam (Deceased on 16.12.2005)

In accordance with the Article 96 of the Company's Articles of Association, Mr.Vell Paari a/l Samy Vellu and Mr.Yoshiyuki Ishida will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Tan Sri Dato' G. Pasamanickam will retire pursuant to Section 129 of the Companies Act, 1965 and a resolution is being proposed for his re-appointment as director under the provision of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

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 of 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 and internal control frameworks.

CORPORATE GOVERNANCE (CONTD.)**(a) Responsibility of the Board of Directors (Contd.)**

The Board ensures that it complies with the Insurance Act, 1996 and regulations ('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

Members of the Board comprise one (1) Independent Non-Executive Chairman, four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. 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.

During the financial year the members of the Board met seven (7) times, with attendance recorded as follows:

Name	Number of Board meetings	
	Attended	%
Datuk Dr. K. Ampikaipakan	6/7	86%
Albert Saychuan Cheok	7/7	100%
Tan Sri Dato' G. Pasamanickam	6/7	86%
Vell Paari a/l Samy Vellu	7/7	100%
Mohd Yusof bin Idris	7/7	100%
Kirupalani a/l Chelliah	7/7	100%
Yoshiyuki Ishida	6/7	86%
Tan Sri A. Tharmalingam s/o Arunasalam (Deceased on 16.12.2005)	5/6	83%

(c) Management Committees

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

CORPORATE GOVERNANCE (CONTD.)

(c) Management Committees (Contd.)

(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 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 four (4) Independent Non-Executive Directors as follows:

Datuk Dr. K. Ampikaipakan	(Chairman/INED)
Albert Saychuan Cheok	(INED)
Tan Sri Dato' G. Pasamanickam	(INED)
Kirupalani a/l Chelliah	(INED)

Terms of reference, in main, include ensuring an independent, effective and appropriately resourced internal audit department 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 five (5) times during the financial year.

CORPORATE GOVERNANCE (CONTD.)

(c) Management Committees (Contd.)

(iii) Nomination Committee (NC)

Members of the Committee are as follows:

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 management 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.

(iv) Remuneration Committee (RC)

The RC consists of the following directors:

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 commensurate with industry practices, need for retention and motivation of staff.

The RC met once during the financial year.

CORPORATE GOVERNANCE (CONTD.)

(v) Investment Committee (IC)

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 internal and external fund management 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 evaluation of the performance of fund managers, their appointment and retention.

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)
Kirupalani A/L Chelliah	(INED)
Vell Paari A/L Sammy Vellu	(NINED)
Mohd Yusof bin Idris	(Executive Director)

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

(d) Management Accountability

The Company has an organisational structure with clear roles, accountabilities and responsibilities. Delegated authorities are clearly documented.

Neither directors nor senior management had been involved in any activity resulting in 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 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 rightly balanced and contained respectively.

CORPORATE GOVERNANCE (CONTD.)**(g) Public Accountability**

The Company, as a custodian of public funds, conducts public dealings fairly, honestly and professionally.

(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 MASB Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965 and the Insurance Act, 1996, 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 19 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			31 December 2005
	1 January 2005	Bought	Sold	
- Maika Holdings Berhad				
Datuk Dr. K. Ampikaipakan	38,125	-	-	38,125
Tan Sri Dato' G. Pasamanickam	12,501	-	-	12,501
Albert Saychuan Cheok	1,250	-	-	1,250
Vell Paari a/l Samy Vellu	189,000	51,125	-	240,125

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 there were no known bad debts and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would:
- (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 liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the 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.

OTHER STATUTORY INFORMATION (CONTD.)

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 income statements 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.

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

Kirupalani a/l Chelliah

Vell Paari a/l Samy Vellu

Kuala Lumpur, Malaysia

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Kirupalani a/l Chelliah and Vell Paari a/l Samy Vellu, 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 13 to 47 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2005 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

Kirupalani a/l Chelliah

Vell Paari a/l Samy Vellu

Kuala Lumpur, 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 13 to 47 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

Mohd Yusof bin Idris

Before me,

30686 K

**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 13 to 47. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 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.

30686 K

**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. 1685/04/07(J)
Partner

Kuala Lumpur, Malaysia

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
ASSETS					
Property and equipment	3	15,667	16,475	15,667	16,475
Deferred tax assets	4	2,199	2,035	2,199	2,035
Investments	5	300,814	299,329	300,814	299,329
Investment in subsidiary	6	-	-	50,000	50,000
Goodwill	6	25,246	26,901	25,246	26,901
Loans	7	1,986	2,128	1,986	2,128
Receivables	8	58,445	49,223	58,445	49,223
Cash and bank balances		1,732	3,290	1,732	3,290
TOTAL ASSETS		406,089	399,381	456,089	449,381
LIABILITIES					
Amount due to subsidiary	9	-	-	50,000	50,000
Provision for outstanding claims	10	158,397	153,876	158,397	153,876
Payables	11	51,441	57,838	51,441	57,838
Retirement benefits	12	2,651	2,625	2,651	2,625
TOTAL LIABILITIES		212,489	214,339	262,489	264,339
Unearned premium reserves	13	54,363	47,101	54,363	47,101
SHAREHOLDERS' FUND					
Share capital	14	100,013	100,013	100,013	100,013
Share premium account (non-distributable)		3,335	3,335	3,335	3,335
Retained profits		35,889	34,593	35,889	34,593
		139,237	137,941	139,237	137,941
TOTAL LIABILITIES AND SHAREHOLDERS' FUND		406,089	399,381	456,089	449,381

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 2005

	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 2004		100,013	3,335	28,917	132,265
Net profit for the year		-	-	9,276	9,276
Dividends	22				
2004 Interim		-	-	(3,600)	(3,600)
At 31 December 2004		<u>100,013</u>	<u>3,335</u>	<u>34,593</u>	<u>137,941</u>
Net profit for the year		-	-	8,496	8,496
Dividends	22				
2004 Final		-	-	(3,600)	(3,600)
2005 Interim		-	-	(3,600)	(3,600)
At 31 December 2005		<u>100,013</u>	<u>3,335</u>	<u>35,889</u>	<u>139,237</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 2005

		Group and Company	
	Note	2005	2004
		RM'000	RM'000
Operating revenue	15	335,489	313,815
Shareholders' fund:			
Investment income	16	77	84
Other operating expenses	17	(1,655)	(1,655)
		(1,578)	(1,571)
Transfers from general insurance revenue account		21,018	18,214
Profit from operations		19,440	16,643
Taxation	20	(10,944)	(7,367)
Net profit for the year		8,496	9,276
Earnings per share (sen)	21		
Basic		8.5	9.3
Diluted		8.5	9.3
Dividend per share - net (sen)	22	7.2	7.2

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

Group and Company	Note	Fire		Motor		Marine, Aviation, Offshore and Transit		Miscellaneous		Total	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Operating revenue	15									335,412	313,731
Gross premiums		41,758	40,482	91,805	87,875	154,980	138,032	33,600	34,196	322,143	300,585
Reinsurance		(34,916)	(34,311)	(10,742)	(11,575)	(136,872)	(121,402)	(20,405)	(21,387)	(202,935)	(188,675)
Net premium		6,842	6,171	81,063	76,300	18,108	16,630	13,195	12,809	119,208	111,910
(Increase)/decrease in unearned premium reserves	13	(2,047)	4,293	(3,113)	7,486	(1,926)	3,546	(176)	3,042	(7,262)	18,367
Earned premium		4,795	10,464	77,950	83,786	16,182	20,176	13,019	15,851	111,946	130,277
Net claims incurred	18	(2,147)	(4,566)	(50,925)	(67,045)	(15,318)	(15,914)	(9,749)	(7,490)	(78,139)	(95,015)
Net commission		1,645	1,542	(8,498)	(8,215)	707	1,242	(1,463)	(1,260)	(7,609)	(6,691)
Underwriting surplus before management expenses		4,293	7,440	18,527	8,526	1,571	5,504	1,807	7,101	26,198	28,571
Management expenses	19									(20,694)	(26,382)
Underwriting surplus										5,504	2,189
Investment income	16									13,269	13,146
Other operating income (net)	17									2,245	2,877
Finance costs										-	2
Transfer to income statement										21,018	18,214

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Group and Company	
	2005	2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	19,440	16,643
Adjustments for:		
Depreciation	1,744	1,935
Amortisation of premiums net of accretion of discounts	1,354	854
Amortisation of goodwill	1,655	1,655
Gain on disposal of investments (net)	(2,991)	(6,603)
Provision for staff retirement gratuities	297	368
Allowance for diminution in value of investments (net) (Write back of)/allowance for bad and doubtful debts (net)	841	3,702
	(5,001)	985
Net increase/(decrease) in unearned premium reserves	7,262	(18,367)
Provision for short-term accumulating compensated absences	79	-
Interest income	(11,048)	(10,559)
Gross dividend income	(3,034)	(2,529)
Rental income	(618)	(914)
Gain on disposal of property and equipment	(54)	-
Property and equipment written off	7	49
	<u>9,933</u>	<u>(12,781)</u>
Changes in operating assets and liabilities:		
Purchase of investments	(67,897)	(46,320)
Net proceeds from disposal of investments	28,155	42,260
(Decrease)/increase in receivables	(4,803)	6,633
Decrease in payables	(2,875)	(3,555)
Increase in outstanding claims	4,521	197
Decrease in fixed and call deposits	39,056	9,821
Decrease in loans	142	532
	<u>6,232</u>	<u>(3,213)</u>

(Incorporated in Malaysia)
ORIENTAL CAPITAL ASSURANCE BERHAD

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	Group and Company	
	2005	2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)		
Interest received (net)	11,407	10,847
Dividend received	2,363	1,973
Rental received	541	950
Retirement benefits paid	(271)	(232)
Tax paid net of recoveries	(10,140)	(5,306)
Net cash generated from operating activities	<u>10,132</u>	<u>5,019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	57	-
Purchase of property and equipment	(947)	(1,165)
Net cash used in investing activities	<u>(890)</u>	<u>(1,165)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(10,800)	(3,600)
Repayment of lease payable	-	(29)
Net cash used in financing activities	<u>(10,800)</u>	<u>(3,629)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,558)	225
CASH AND BANK BALANCES AT BEGINNING OF YEAR	<u>3,290</u>	<u>3,065</u>
CASH AND BANK BALANCES AT END OF YEAR	<u>1,732</u>	<u>3,290</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 2005

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 ceased underwriting of all classes of general insurance business in a previous financial year 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 number of employees in the Group and in the Company as at the end of the financial year was 299 (2004: 311).

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

Assets and liabilities in the balance sheets relate to both the General Insurance Fund and the Shareholders' Fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary. A subsidiary is a company in which the Group has a long-term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

The subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill which were not previously recognised in the consolidated income statement.

(c) 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 and 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.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j). Goodwill is presented separately in the balance sheet.

Goodwill is amortised on a straight-line basis over the estimated useful life of not more than 20 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Property and Equipment and Depreciation

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

Freehold land is not depreciated. Depreciation on other property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

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

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

(e) Investment in Subsidiary

The Company's investment in subsidiary is stated at cost less impairment loss. The policy for the recognition and measurement of impairment loss is in accordance with Note 2(j).

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(f) Investment Properties

Investment properties consist of investment in land and buildings that are not substantially occupied for use by, or in the operations of the Group.

Investment properties are treated as long-term investments and are stated at cost and include related and incidental expenditure less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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

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

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 income statement as incurred.

(h) Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Underwriting Results (Contd.)

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.

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 Cargo, 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 together with related expenses 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Underwriting Results (Contd.)

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.

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 a time proportion basis.

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 Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Assets (Contd.)

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

(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 income statement/revenue account.

(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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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 Financial Reporting Standard ("FRS") 132 - Financial Instruments: Disclosure and Presentation.

Malaysian Government Securities and Other Approved Investments

Malaysian Government Securities and other approved investments as specified by Bank Negara Malaysia 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 income statement/revenue account.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Financial Instruments (Contd.)

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 cost which is 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.

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
Cost					
At 1 January 2005	13,534	1,960	15,625	2,004	33,123
Additions	-	-	824	123	947
Disposals	-	-	(30)	(283)	(313)
Write offs	-	-	(207)	-	(207)
At 31 December 2005	13,534	1,960	16,212	1,844	33,550
Accumulated Depreciation					
At 1 January 2005	1,336	1,049	12,283	1,980	16,648
Charge for the year	85	196	1,416	47	1,744
Disposals	-	-	(27)	(283)	(310)
Write offs	-	-	(199)	-	(199)
At 31 December 2005	1,421	1,245	13,473	1,744	17,883
Net Book Value					
At 31 December 2005	12,113	715	2,739	100	15,667
At 31 December 2004	12,198	911	3,342	24	16,475
Details at 1 January 2004					
Cost	13,534	1,924	14,612	1,996	32,066
Accumulated depreciation	1,251	853	10,874	1,794	14,772
Depreciation charge for 2004					
	85	196	1,468	186	1,935

(a) Included in land and buildings is the cost of freehold land of RM9,263,000 (2004: RM9,263,000).

(b) The cost of fully depreciated assets which are still in use is RM 9,539,000 (2004: RM6,807,000).

4. DEFERRED TAX ASSETS

	Group and Company	
	2005	2004
	RM'000	RM'000
At beginning of year	2,035	3,822
Recognised in the income statement (Note 20)	164	(1,787)
At end of year	<u>2,199</u>	<u>2,035</u>

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

2005**Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Total RM'000
At beginning of year	624	624
Recognised in the income statement	(53)	(53)
At end of year	<u>571</u>	<u>571</u>

Deferred Tax Assets

	Receivables RM'000	Unearned premium reserves RM'000	Others RM'000	Total RM'000
At beginning of year	270	333	2,056	2,659
Recognised in the income statement	-	467	(356)	111
At end of year	<u>270</u>	<u>800</u>	<u>1,700</u>	<u>2,770</u>

4. DEFERRED TAX ASSETS (CONTD.)**2004****Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Total RM'000
At beginning of year	815	815
Recognised in the income statement	(191)	(191)
At end of year	<u>624</u>	<u>624</u>

Deferred Tax Assets

	Receivables RM'000	Unearned premium reserves RM'000	Others RM'000	Total RM'000
At beginning of year	1,973	1,264	1,400	4,637
Recognised in the income statement	(1,703)	(931)	656	(1,978)
At end of year	<u>270</u>	<u>333</u>	<u>2,056</u>	<u>2,659</u>

5. INVESTMENTS

Group and Company	2005		2004	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Investment properties, at cost				
Freehold land and buildings	<u>7,340</u>	<u>7,340</u>	<u>7,340</u>	<u>7,340</u>
Malaysian Government Securities	46,544		39,587	
Amortisation of premiums net of accretion of discounts	(869)		(548)	
	<u>45,675</u>	<u>46,752</u>	<u>39,039</u>	<u>41,120</u>

5. INVESTMENTS (CONTD.)

Group and Company	2005		2004	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Cagamas papers	15,000		5,123	
Amortisation of premiums net of accretion of discounts	-		(104)	
	<u>15,000</u>	<u>14,988</u>	<u>5,019</u>	<u>5,025</u>
Quoted in Malaysia:				
Shares of corporations	52,473		50,834	
Provision for diminution in value	(82)		(19)	
	<u>52,391</u>	<u>52,640</u>	<u>50,815</u>	<u>57,899</u>
Corporate bonds	1,705		1,122	
Provision for diminution in value	(893)		(94)	
	<u>812</u>	<u>812</u>	<u>1,028</u>	<u>1,060</u>
Unit trusts	7,041		609	
Provision for diminution in value	-		(22)	
	<u>7,041</u>	<u>7,116</u>	<u>587</u>	<u>587</u>
Unquoted:				
Shares of corporations	290		290	
Provision for diminution in value	(71)		(71)	
	<u>219</u>		<u>219</u>	
Corporate bonds (N1)	92,079		75,392	
Amortisation of premiums net of accretion of discounts	(1,405)		(828)	
	<u>90,674</u>		<u>74,564</u>	
Fixed and call deposits with financial institutions:				
Commercial banks	61,782		67,916	
Finance companies	5,991		28,661	
Other corporations	13,889		24,141	
	<u>81,662</u>		<u>120,718</u>	
TOTAL INVESTMENTS	<u>300,814</u>		<u>299,329</u>	

5. INVESTMENTS (CONTD.)

N1 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	
	2005	2004
	RM'000	RM'000
Investments maturing after 12 months:		
Malaysian Government Securities	28,522	35,412
Cagamas papers	15,000	5,019
Unquoted corporate bonds	43,005	63,280

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	
	2005	2004	2005	2004
	(% p.a.)	(% p.a.)	(Days)	(Days)
Malaysian Government Securities	7.14	7.06	654	1,044
Unquoted corporate bonds	5.70	5.92	778	935
Fixed and call deposits	2.90	2.77	127	129

6. INVESTMENT IN SUBSIDIARY

	Company	
	2005	2004
	RM'000	RM'000
Unquoted shares, at cost		
At beginning of year	50,000	50,000
	Group and Company	
	2005	2004
	RM'000	RM'000
Goodwill on acquisition of business	33,108	33,108
Less: Amortisation	(7,862)	(6,207)
	25,246	26,901

6. INVESTMENT IN SUBSIDIARY (CONTD.)

The Company has a 100% interest (2004: 100%) in the subsidiary, Capital OCA Berhad, a company incorporated in Malaysia.

The subsidiary ceased underwriting of all classes of general insurance business in a previous financial year and is currently dormant.

7. LOANS

	Group and Company	
	2005	2004
	RM'000	RM'000
Staff mortgage loans (secured)	1,811	1,958
Other staff loans:		
Secured	142	124
Unsecured	33	46
	<u>1,986</u>	<u>2,128</u>
Receivable after 12 months	<u>1,743</u>	<u>1,855</u>

The weighted average effective interest rate for staff loans as at the balance sheet date was 5% (2004: 5%) p.a. on the basis of monthly rest.

8. RECEIVABLES

	Group and Company	
	2005	2004
	RM'000	RM'000
Trade receivables:		
Due premiums including agents/brokers and co-insurers balances	22,241	22,246
Amount due from reinsurers and cedants	42,947	43,069
	<u>65,188</u>	<u>65,315</u>
Allowance for doubtful debts	(13,349)	(24,375)
	<u>51,839</u>	<u>40,940</u>

8. RECEIVABLES (CONTD.)

	Group and Company	
	2005	2004
	RM'000	RM'000
Other receivables:		
Sundry receivables, deposits and prepayments	4,071	4,420
Income due and accrued	2,245	2,605
Tax recoverable	290	1,258
	<u>6,606</u>	<u>8,283</u>
 TOTAL RECEIVABLES	 <u>58,445</u>	 <u>49,223</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 ("AIMST") of RM22,381 (2004: RMNil), RM29,982 (2004: RMNil) and RM271,653 (2004: RM98,000) respectively.

The Company has not received third party statements to facilitate the reconciliation exercise for trade payables amounting to RM18,680 (debit) and RM989,634 (credit).

9. AMOUNT DUE TO SUBSIDIARY

The amount due to the subsidiary is unsecured, interest-free and has no fixed terms of repayment.

10. PROVISION FOR OUTSTANDING CLAIMS

	Group and Company	
	2005	2004
	RM'000	RM'000
Provision for outstanding claims	401,458	431,444
Recoverable from reinsurers	(243,061)	(277,568)
Net outstanding claims	<u>158,397</u>	<u>153,876</u>

11. PAYABLES

	Group and Company	
	2005	2004
	RM'000	RM'000
Trade payables:		
Due to reinsurers and cedants	28,118	35,041
Due to agents/brokers/co-insurers and insureds	7,259	6,033
	<u>35,377</u>	<u>41,074</u>
Other payables:		
Dividends payable	-	3,600
Sundry payables and accrued liabilities	16,064	13,164
	<u>16,064</u>	<u>16,764</u>
TOTAL PAYABLES	<u>51,441</u>	<u>57,838</u>

As at 31 December 2005, there were unreconciled balances of RM56,741 (2004: RMnil) (debit) and RM67 (2004: RM1,471,000) (credit) which represent the unreconciled difference between records and third party statements from reinsurers, ceding companies, co-insurers and brokers. Furthermore, the Company has not received third party statements to facilitate the reconciliation exercise for trade payables amounting to RM18,680 (debit) and RM989,634 (credit).

12. RETIREMENT BENEFITS

	Group and Company	
	2005	2004
	RM'000	RM'000
At beginning of year	2,625	2,489
Provision for the year	297	368
	<u>2,922</u>	<u>2,857</u>
Payments during the year	(271)	(232)
At end of year	<u>2,651</u>	<u>2,625</u>
 Amount payable after 12 months	 <u>2,446</u>	 <u>2,384</u>

13. UNEARNED PREMIUM RESERVES

Group and Company	Marine, Aviation and				Total RM'000
	Fire RM'000	Motor RM'000	Transit RM'000	Misc. RM'000	
2005					
At beginning of year	2,542	32,886	6,886	4,787	47,101
Increase in unearned premium reserves	2,047	3,113	1,926	176	7,262
At end of year	<u>4,589</u>	<u>35,999</u>	<u>8,812</u>	<u>4,963</u>	<u>54,363</u>
2004					
At beginning of year	6,835	40,372	10,432	7,829	65,468
Decrease in unearned premium reserves	(4,293)	(7,486)	(3,546)	(3,042)	(18,367)
At end of year	<u>2,542</u>	<u>32,886</u>	<u>6,886</u>	<u>4,787</u>	<u>47,101</u>

14. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 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>

15. OPERATING REVENUE

	Group and Company	
	2005 RM'000	2004 RM'000
General business:		
Gross premiums	322,143	300,585
Investment income (Note 16)	13,269	13,146
	<u>335,412</u>	<u>313,731</u>
Shareholders' fund:		
Investment income (Note 16)	77	84
	<u>335,489</u>	<u>313,815</u>

16. INVESTMENT INCOME

	Group and Company	
	2005	2004
	RM'000	RM'000
General business:		
Interest income from:		
Malaysian Government		
Securities	2,958	2,400
Corporate bonds	4,924	4,248
Fixed and call deposits	2,904	3,638
Staff loans	103	131
Others	82	140
	<u>10,971</u>	<u>10,557</u>
Gross dividends from shares quoted in Malaysia	3,034	2,529
Amortisation of premiums net of accretion of discounts	(1,354)	(854)
Rental income	618	914
	<u>13,269</u>	<u>13,146</u>
Shareholders' fund:		
Interest income from fixed and call deposits	77	84
	<u>77</u>	<u>84</u>
TOTAL INVESTMENT INCOME	<u>13,346</u>	<u>13,230</u>

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

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
General business:				
Other income:				
Gain on disposal of investments	4,467	7,767	4,467	7,767
Write-back of diminution in value of investments	135	182	135	182
Gain on disposal of property and equipment	54	-	54	-
Sundry income	48	25	48	25
	<u>4,704</u>	<u>7,974</u>	<u>4,704</u>	<u>7,974</u>

17. OTHER OPERATING INCOME/(EXPENSES) (NET) (CONTD.)

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Other expenses:				
Loss on disposal of investments	(1,476)	(1,164)	(1,476)	(1,164)
Provision for diminution in value of investments	(976)	(3,884)	(976)	(3,884)
Write-off of property and equipment	(7)	(49)	(7)	(49)
Other operating income (net)	<u>2,245</u>	<u>2,877</u>	<u>2,245</u>	<u>2,877</u>
Shareholders' fund:				
Amortisation of goodwill	<u>(1,655)</u>	<u>(1,655)</u>	<u>(1,655)</u>	<u>(1,655)</u>
Other operating expense	<u>(1,655)</u>	<u>(1,655)</u>	<u>(1,655)</u>	<u>(1,655)</u>
TOTAL OTHER OPERATING INCOME (NET)	<u>590</u>	<u>1,222</u>	<u>590</u>	<u>1,222</u>

18. NET CLAIMS INCURRED

Group and Company	Marine, Aviation and Transit				
	Fire	Motor	and Transit	Misc.	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2005					
Gross claims paid less salvage	8,145	60,632	168,151	24,187	261,115
Reinsurance recoveries	<u>(5,956)</u>	<u>(7,472)</u>	<u>(156,412)</u>	<u>(17,657)</u>	<u>(187,497)</u>
Net claims paid	<u>2,189</u>	<u>53,160</u>	<u>11,739</u>	<u>6,530</u>	<u>73,618</u>
Net outstanding claims:					
At end of year	8,932	96,262	29,400	23,803	158,397
At beginning of year	8,974	98,497	25,821	20,584	153,876
Net claims incurred	<u>2,147</u>	<u>50,925</u>	<u>15,318</u>	<u>9,749</u>	<u>78,139</u>
2004					
Gross claims paid less salvage	16,718	75,987	117,950	47,525	258,180
Reinsurance recoveries	<u>(12,119)</u>	<u>(8,655)</u>	<u>(103,160)</u>	<u>(39,428)</u>	<u>(163,362)</u>
Net claims paid	<u>4,599</u>	<u>67,332</u>	<u>14,790</u>	<u>8,097</u>	<u>94,818</u>
Net outstanding claims:					
At end of year	8,974	98,497	25,821	20,584	153,876
At beginning of year	9,007	98,784	24,697	21,191	153,679
Net claims incurred	<u>4,566</u>	<u>67,045</u>	<u>15,914</u>	<u>7,490</u>	<u>95,015</u>

19. MANAGEMENT EXPENSES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
General business:				
Staff costs:				
Directors' emoluments (Note a)	385	377	385	377
Pension costs - EPF (excluding directors' and chief executive officer ("CEO")'s emoluments) (Note a)	1,633	1,692	1,633	1,692
Provision for staff retirement gratuities	297	368	297	368
Short-term accumulating compensated absences	(79)	-	(79)	-
Salaries, bonus, allowances and other related costs	11,877	12,322	11,877	12,322
	<u>14,113</u>	<u>14,759</u>	<u>14,113</u>	<u>14,759</u>
Directors' emoluments (Note a):				
Fees	108	108	108	108
Other emoluments	65	86	65	86
Auditors' remuneration:				
Audit fees	92	92	90	90
Others	10	10	10	10
Rental of premises	646	638	646	638
Depreciation	1,744	1,935	1,744	1,935
Provision for insurance guarantee scheme levy	313	317	313	317
Allowance for bad and doubtful debts	340	6,247	340	6,247
Write-back of allowance for bad and doubtful debts	(5,341)	(5,262)	(5,341)	(5,262)
Others	8,604	7,452	8,606	7,454
	<u>8,604</u>	<u>7,452</u>	<u>8,606</u>	<u>7,454</u>
TOTAL MANAGEMENT EXPENSES	<u>20,694</u>	<u>26,382</u>	<u>20,694</u>	<u>26,382</u>

19. MANAGEMENT EXPENSES (CONTD.)

(a) Emoluments of directors and CEO

	Group and Company	
	2005	2004
	RM'000	RM'000
CEO:		
Salary	335	328
EPF	38	37
Benefits-in-kind	13	24
Other emoluments	12	12
	<u>398</u>	<u>401</u>
Non-executive directors:		
Directors' fees	108	108
Other emoluments	65	86
	<u>173</u>	<u>194</u>
Total directors' emoluments	<u>571</u>	<u>595</u>
Total included as staff costs (excluding benefits-in-kind)	<u>385</u>	<u>377</u>

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

	Number of directors	
	2005	2004
Executive director		
RM400,000 - RM450,000	-	1
RM350,000 - RM400,000	1	-
Non-executive directors		
Below RM50,000	7	7

20. TAXATION

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Income tax	8,007	6,728	8,007	6,728
Deferred tax relating to origination and reversal of temporary differences (Note 4)	(164)	1,787	(164)	1,787
Net under/(over) provision of taxation in prior years	<u>3,101</u>	<u>(1,148)</u>	<u>3,101</u>	<u>(1,148)</u>
Tax expense for the year	<u>10,944</u>	<u>7,367</u>	<u>10,944</u>	<u>7,367</u>

20. TAXATION (CONTD.)

A reconciliation of tax expenses applicable to profit 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	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	19,440	16,643	19,440	16,643
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	5,443	4,660	5,443	4,660
Income not subject to tax	(13)	(402)	(13)	(402)
Expenses not deductible for tax purposes	1,888	2,555	1,888	2,555
Net under/(over)provision of taxation in prior years	3,101	(1,148)	3,101	(1,148)
Underprovision of deferred taxation in prior years	525	1,702	525	1,702
Tax expenses for the year	10,944	7,367	10,944	7,367

As at 31 December 2005, the Company has tax exempt income account of approximately RM16,847,000 (2004: RM16,678,000) which can be utilised for declaration of tax exempt dividends subject to agreement with the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt balance to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

21. EARNINGS PER SHARE

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

	Group		Company	
	2005	2004	2005	2004
Net profit for the year (RM'000)	8,496	9,276	8,496	9,276
Number of ordinary shares in issue ('000)	100,013	100,013	100,013	100,013
Basic earnings per share (sen)	8.5	9.3	8.5	9.3

There is no dilution of earnings per share as there were no dilutive potential ordinary shares as at 31 December 2005.

22. DIVIDENDS

	Amount		Net dividend per share	
	2005	2004	2005	2004
	RM	RM	Sen	Sen
Final dividend of 5%				
(2004: 5%) less 28% taxation	3,600	3,600	3.6	3.6
Interim dividend of 5%				
(2004: 5%) less 28% taxation	3,600	3,600	3.6	3.6
	<u>7,200</u>	<u>7,200</u>	<u>7.2</u>	<u>7.2</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2005 of 5% on 100,013,218 ordinary shares less 28% taxation amounting to a total dividend of RM3,600,000 (5 sen gross per share) will be proposed for shareholders' approval. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2006.

23. SEGMENT INFORMATION ON CASH FLOW

	General business RM'000	Shareholders' fund RM'000	Total RM'000
Group and Company			
2005			
Cash flows from:			
Operating activities	10,132	-	10,132
Investing activities	(890)	-	(890)
Financing activities	(10,800)	-	(10,800)
	<u>(1,558)</u>	<u>-</u>	<u>(1,558)</u>
Net increase in cash and cash equivalents:			
At beginning of financial year	3,290	-	3,290
At end of financial year	1,732	-	1,732
	<u>(1,558)</u>	<u>-</u>	<u>(1,558)</u>

23. SEGMENT INFORMATION ON CASH FLOW (CONTD.)

Group and Company	General business RM'000	Shareholders' fund RM'000	Total RM'000
2004			
Cash flows from:			
Operating activities	5,019	-	5,019
Investing activities	(1,165)	-	(1,165)
Financing activities	(3,629)	-	(3,629)
	<u>225</u>	<u>-</u>	<u>225</u>
Net increase in cash and cash equivalents:			
At beginning of financial year	3,065	-	3,065
At end of financial year	<u>3,290</u>	<u>-</u>	<u>3,290</u>
	<u>225</u>	<u>-</u>	<u>225</u>

24. CAPITAL COMMITMENTS

	Group and Company	
	2005	2004
	RM'000	RM'000
Approved but not contracted for:		
Property and equipment	<u>-</u>	<u>1,095</u>

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group and Company	
	2005	2004
	RM'000	RM'000
Premium income:		
Holding company	29	-
Director-related corporation, Asian Institute of Medicine, Science and Technology ("AIMST")	341	98
Fellow subsidiary, Maika Intellectual Resources Sdn. Bhd.	29	-
Purchase of computers from a fellow subsidiary, Maika Intellectual Resources Sdn. Bhd.	<u>329</u>	<u>276</u>

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

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

26. FINANCIAL INSTRUMENTS

It is inevitable that the principal activities of the Group will expose it to a variety of financial risks, which includes the volatility of changes in investment, foreign currency, interest rate, credit, liquidity, insurance and operational risks. The Group has established a Risk Management Committee comprising 3 non-executive Directors. The committee's responsibility is to ensure that adequate risk management policies and procedures are in place and are observed.

(a) Investment Risk

The Investment Committee comprising members of the Board oversees the management of the Group's investments. The Investment Committee also defines investment objectives and policies as well as the framework for evaluating fund performance.

Limits of Authority for Investments are in place to ensure compliance with the Group's risk management principles as well as compliance with the legal and regulatory requirements.

The Group's exposure to market risk arises mainly from changes in equity prices. The risk of loss in value is minimised via a thorough analysis before making the investment and continuous monitoring of the performance and risk of the investment. Equity investments are available for sale and the Group manages disposal of its investments to optimise returns on realisation. Provisions are established for adverse changes in fair values of the investments whilst reversals are recognised in the income statement to the extent of previously provided amounts. Gains are recognised only upon disposal of investments.

(b) Foreign Currency Risk

The principal activity that exposes the Group towards foreign currency risk is its business reinsurance arrangements. The reinsurance arrangements with foreign reinsurers, other than for certain treaty reinsurance inward arrangements outlined below, are contracted in Malaysian ringgit and as such, no foreign currency risks are involved. The Group has a few treaty reinsurance inward arrangements with foreign companies. However, these arrangements are almost being totally run off and the residual foreign currency risk is minimal.

26. FINANCIAL INSTRUMENTS (CONTD.)**(c) Interest Rate Risk**

As the Group has no borrowings, its exposure to interest risk is largely through its holdings of term deposits, corporate bonds and government securities, the interest and capital value of which may be affected by changes in the interest yield curve. However, the Company has a policy that investments are made at competitive interest rates.

(d) Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a customer or a supplier to meet their contractual obligations. The Group has no significant exposure to credit risk. The Group has in place a credit control policy to minimise uncollectable debts on policies sold.

(e) Liquidity Risk

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

(f) Insurance Risk

The Group's principal activity is to provide general insurance services to the public for protection against the risks of property, casualty and liability losses. The Group has in place a comprehensive underwriting guideline and limit of authority to ensure that risks are accepted in accordance with the authorised limits. The retention of the risks is protected through established reinsurance arrangements with reputable reinsurers who also satisfy the regulatory requirements.

(g) Operational Risk

The Group's operational risk consists of its business processes and operating system, which is primarily the Information Technology. Factors such as, changes in regulatory policies, politics, environment and breakdown in system controls and processes may bring about financial losses to the Group.

The Group has established sufficient internal controls to reduce the impact of operational risk. To ensure that the internal controls are effectively implemented and complied with, the internal auditors conduct periodic reviews and assessments and report to the Board their findings and recommendations.

26. FINANCIAL INSTRUMENTS (CONTD.)**(h) 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:

	2005		2004	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Investments:				
Malaysian Government				
Securities	45,675	46,752	39,039	41,120
Cagamas papers	15,000	14,988	5,019	5,025
Quoted shares and bonds of corporations	53,203	53,452	51,843	58,959
Quoted unit trusts	7,041	7,116	587	587
Unquoted corporate bonds	90,674	90,953	74,564	74,595

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

Cash and Cash Equivalents and Other Receivables/Payables

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

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

Investments

The fair values of Malaysian Government Securities, Cagamas papers and certain 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 bid prices at the close of business on the balance sheet date.

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

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27. CURRENCY

All amounts are stated in Ringgit Malaysia.