

Lonpac Insurance Bhd

(Company No. 307414-T)

(Incorporated in Malaysia)

**Financial statements for the year ended
31 December 2009 together with
Directors' and Auditors' reports**

Lonpac Insurance Bhd

(Company No. 307414-T)

(Incorporated in Malaysia)

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Lonpac Insurance Bhd

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Directors' report for the year ended 31 December 2009

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2009.

Principal activity

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 this principal activity during the financial year.

Results

	RM'000
Profit for the year	139,479
	=====

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid:

- i) a first interim single tier dividend of 22.50 sen per ordinary share totalling RM22,500,000 in respect of the year ended 31 December 2009 on 28 May 2009;
- ii) a second interim single tier dividend of 35.00 sen per ordinary share totalling RM35,000,000 in respect of the year ended 31 December 2009 on 23 June 2009; and
- iii) a third interim single tier dividend of 60.0 sen per ordinary share totalling RM60,000,000 in respect of the year ended 31 December 2009 on 15 December 2009.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Provision for insurance liabilities

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provisions for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers.

Bad and doubtful debts

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

Current assets

Before the income statement and balance sheet were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected to realise.

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

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and other liabilities

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

- i) any charge on the assets of the Company which has arisen since the end of the financial year and which secures the liabilities of any other person; or
- ii) any contingent liability of the Company which has arisen since the end of the financial year.

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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, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

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

Change of circumstances

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

Items of an unusual nature

Other than the gain on disposal of securities of approximately RM56.3 million as disclosed in Note 19 to the financial statements, the results of the operations of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

Issue of shares and debentures

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

There were no debentures issued during the financial year.

Corporate governance

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under the Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia.

Audit, Nominating, Remuneration and Risk Management Committees**i. Membership and Meetings of the Committees**

The composition of the respective Committees and the meetings held during the financial year ended 31 December 2009 are as follows:

<u>Director</u>	Audit ←	Nominating <i>(Attendance/Number of Meetings)</i>	Remuneration	Risk Management →
Tan Sri Dato' Sri Dr. Teh Hong Piow <i>(Non-Independent Non-Executive Director)</i>	-	Member (6/8)	Member (2/2)	-
Tan Sri Dato' Thong Yaw Hong <i>(Independent Non-Executive Director)</i>	Chairman (11/11)	Chairman (8/8)	Chairman (2/2)	Chairman (5/5)
Dato' Haji Abdul Aziz Bin Omar <i>(Independent Non-Executive Director)</i>	Co-Chairman (11/11)	Member (8/8)	Member (2/2)	Member (5/5)
Dato' Yeoh Chin Kee <i>(Independent Non-Executive Director)</i>	Member (11/11)	Member (8/8)	Member (2/2)	Member (5/5)
Tee Choon Yeow <i>(Non-Independent Non-Executive Director)</i>	-	Member (8/8)	-	-
Quah Poh Keat <i>(Independent Non-Executive Director)</i>	Member (11/11)	Member (8/8)	Member (2/2)	Member (5/5)

ii. Responsibilities of the Committees

The duties and responsibilities of the Committees are as follows:

Audit Committee

- (i) To review and report the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its works.
- (ii) To review the results of the Group's internal audit procedures and the adequacy of actions taken by the management based on the reports.
- (iii) To review with the external auditors the audit plan, scope of the audit and audit findings of the Company.
- (iv) To review the annual audited financial statements of the Company and thereafter submit them to the Board for approval.
- (v) To review the adequacy and effectiveness of risk management and internal control systems instituted within the Company.
- (vi) To review any related party transactions that may arise within the Company.
- (vii) To perform any other functions as may be agreed by the Audit Committee and the Board.

Nominating Committee

- (i) To establish the minimum requirements for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively.

To oversee the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews.

- (ii) To assess and recommend the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the position of Chief Executive Officer. This would include assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to Bank Negara Malaysia.
- (iii) To establish a mechanism for formal assessment on the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.

Nominating Committee (continued)

- (iv) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities.
- (v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training.
- (vi) To oversee appointment, management succession planning and performance evaluation of key senior officers and recommending to the Board the removal of key senior officers if they were ineffective, errant or negligent in discharging their responsibilities.

Remuneration Committee

- (i) To recommend a framework of remuneration for Directors, Chief Executive Officer and key senior officers.
- (ii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers.

Risk Management Committee

- (i) To review and recommend risk management strategies, policies and risk tolerance for the Board of Directors' approval.
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.
- (iii) To ensure adequate infrastructure, resources and systems are in place for an effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities.
- (iv) To review the management's periodic reports on the risk exposure, risk portfolio composition and risk management activities.
- (v) To review and assess the risk capital profiles to ensure adequacy of the capital available in the insurance and shareholder's equity to support the total capital required as specified in the Risk Based Capital Framework for Insurers issued by Bank Negara Malaysia.
- (vi) To ensure that the investment of insurance funds is in accordance with the approved investment and risk management policy of the Board.
- (vii) To review the outsourcing risk management programme and policies for the Board's approval.

Risk Management Committee (continued)

- (viii) To review the management's evaluation on the materiality of all existing and prospective outsourcing, based on the framework approved by the Board.
- (ix) To ensure that the approved outsourcing policies and procedures are implemented.
- (x) To review the management's periodic review on the outsourcing policies and procedures implemented to ensure their continued effectiveness in managing outsourcing risks.
- (xi) Being communicated by the management on the information pertaining to material outsourcing risks in a timely manner.
- (xii) To perform any other functions in relation to risk management as may be agreed by the Risk Management Committee and the Board of Directors.

iii. Assessment by the Nominating Committee

Assessed and reviewed the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer. The Committee would ensure that the fiduciary duties and responsibilities of the Directors, Chief Executive Officer and key senior officers are not compromised.

iv. Risk Management Framework

A formalised risk management framework exists and includes the following initiatives:

- A Risk Management Committee ("RMC") was established to drive the risk management processes in identifying principal business risks and ensure the implementation of appropriate systems to manage these risks. The RMC is supported by the Working Risk Management Committee ("WRMC").
- The WRMC, headed by the Chief Executive Officer was established with the responsibility to identify and communicate to the RMC on critical risks (present and potential) in terms of likelihood exposures and impact on the Company's business and the management action plans to manage these risks on a continuing basis.
- A Working Risk Management Committee - Singapore Branch ("WRMCS") was also established with the responsibility to identify and communicate to the WRMC on critical risks (present and potential) in terms of likelihood exposures and impact on the business of Lonpac's Singapore branch and the management action plans to manage these risks on a continuing basis. The WRMCS reports to the WRMC at Head Office.
- The consolidated risk profile of the Company and the risk management manual are in place.

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Options granted over unissued shares

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

Directors of the Company

The Directors who served since the date of the last report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow
Tan Sri Dato' Thong Yaw Hong
Dato' Yeoh Chin Kee
Dato' Haji Abdul Aziz Bin Omar
Tee Choon Yeow
Tan Kok Guan
Quah Poh Keat

Directors' interests

As the Company is a wholly-owned subsidiary of another corporation, the interests in the shares of the holding company of all the Directors, who are also Directors of the holding company, are shown in the Directors' report of the holding company.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salaries of full time employees of the Company as disclosed in Note 21 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 the Director is a member, or with a company in which the Director has a substantial financial interest, other than a Director who has significant financial interests in companies which traded with the Company in the ordinary course of business as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company.

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Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

Signed

.....
Tan Sri Dato' Thong Yaw Hong

Signed

.....
Tan Kok Guan

Kuala Lumpur,

Date: 7 January 2010

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Balance sheet at 31 December 2009

	Note	2009 RM'000	2008 RM'000 Restated
Assets			
Plant and equipment	3	6,290	6,435
Investment properties	4	9,487	10,947
Investments	5	-	152,331
Securities available-for-sale	6	51,337	-
Securities held-to-maturity	6	162,515	-
Insurance receivables	7	69,904	60,735
Other receivables	8	42,199	28,376
Placements with financial institutions	9	416,732	435,279
Cash and cash equivalents	10	9,446	12,510
		<hr/>	<hr/>
Total general business and shareholder's fund assets		767,910	706,613
		<hr/> <hr/>	<hr/> <hr/>
Liabilities			
Insurance liabilities			
- Claims liabilities	11	229,021	242,654
- Premium liabilities	12	222,545	188,258
Deferred tax liabilities	13	1,502	-
Insurance payables	14	37,505	34,422
Other payables	15	14,754	12,644
Taxation		10,735	14,184
		<hr/>	<hr/>
Total general business and shareholder's fund liabilities		516,062	492,162
		<hr/>	<hr/>
Shareholder's fund			
Share capital	16	100,000	100,000
Reserves	16	151,848	114,451
		<hr/>	<hr/>
Total shareholder's fund		251,848	214,451
		<hr/>	<hr/>
Total liabilities and shareholder's fund		767,910	706,613
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 17 to 57 are an integral part of these financial statements.

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Income statement for the year ended 31 December 2009

	Note	2009 RM'000	2008 RM'000
Operating Revenue	17	698,375 =====	603,812 =====
Shareholder's fund:			
Investment income	18	102	245
		-----	-----
		102	245
Transfer from general insurance revenue account		182,535	132,267
		-----	-----
Profit before tax		182,637	132,512
Tax expense	22	(43,158)	(34,267)
		-----	-----
Profit for the year		139,479	98,245
		=====	=====
Earnings per ordinary share (sen)	23	139	98
		=====	=====

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General insurance revenue account for the year ended 31 December 2009

	Note	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gross premium		229,381	190,435	194,406	181,234	23,446	21,175	228,013	181,600	675,246	574,444
Less: Reinsurance		(88,563)	(74,686)	(23,763)	(22,529)	(11,624)	(9,460)	(113,347)	(91,448)	(237,297)	(198,123)
Net premium		140,818	115,749	170,643	158,705	11,822	11,715	114,666	90,152	437,949	376,321
Movement in premium liabilities	12	(11,012)	(13,915)	(14,171)	547	(431)	(798)	(8,331)	(3,109)	(33,945)	(17,275)
Earned premium		129,806	101,834	156,472	159,252	11,391	10,917	106,335	87,043	404,004	359,046
Net claims incurred	24	(23,736)	(20,688)	(121,448)	(113,420)	(4,580)	(4,774)	(38,943)	(44,982)	(188,707)	(183,864)
Net commission		(13,040)	(12,543)	(15,712)	(15,466)	(711)	(853)	(12,395)	(3,978)	(41,858)	(32,840)
Total out-go		(36,776)	(33,231)	(137,160)	(128,886)	(5,291)	(5,627)	(51,338)	(48,960)	(230,565)	(216,704)
Underwriting surplus before management expenses		93,030	68,603	19,312	30,366	6,100	5,290	54,997	38,083	173,439	142,342
Management expenses	20									(75,795)	(67,340)
Underwriting surplus										97,644	75,002
Investment income	18									23,027	29,123
Other operating income - net	19									61,864	28,142
Transfer to income statement										182,535	132,267

The notes on pages 17 to 57 are an integral part of these financial statements.

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Statement of changes in equity for the year ended 31 December 2009

	Note	----- <i>Non-distributable</i> -----			<i>Distributable</i>		
		Share capital RM'000	Property revaluation reserve RM'000	Foreign exchange reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2008		100,000	2,903	52	-	99,453	202,408
Foreign exchange translation differences		-	-	1,118	-	-	1,118
Net gain recognised directly in equity		-	-	1,118	-	-	1,118
Profit for the year		-	-	-	-	98,245	98,245
Dividends	25	-	-	-	-	(87,320)	(87,320)
At 31 December 2008 / 1 January 2009		100,000	2,903	1,170	-	110,378	214,451
Change in accounting policy:							
Effects of adopting the fair value measurement for securities available-for-sale, net of deferred tax		-	-	-	51,128	(440)	50,688
		-	-	-	51,128	(440)	50,688
At 1 January 2009, restated		100,000	2,903	1,170	51,128	109,938	265,139

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Statement of changes in equity for the year ended 31 December 2009

(continued)

	Note	----- <i>Non-distributable</i> -----			<i>Distributable</i>		
		Share capital RM'000	Property revaluation reserve RM'000	Foreign exchange reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2009, restated		100,000	2,903	1,170	51,128	109,938	265,139
Foreign exchange translation differences		-	-	959	-	-	959
Movement in fair value for securities available-for-sale, net of deferred tax		-	-	-	(36,229)	-	(36,229)
Net gain/(loss) recognised directly in equity		-	-	959	(36,229)	-	(35,270)
Profit for the year		-	-	-	-	139,479	139,479
Dividends	25	-	-	-	-	(117,500)	(117,500)
At 31 December 2009		100,000	2,903	2,129	14,899	131,917	251,848
		Note 16.1	Note 16.2	Note 16.3	Note 16.4	Note 16.5	

The notes on pages 17 to 57 are an integral part of these financial statements.

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Cash flow statement for the year ended 31 December 2009

	2009 RM'000	2008 RM'000
Cash flows from operating activities		
Profit before tax	182,637	132,512
Adjustments for:		
Depreciation	3,032	3,199
Fair value movement of investment properties	(862)	(600)
Gain on disposal of plant and equipment	(151)	(76)
Gain on disposal of securities/investments	(56,326)	(24,157)
Gain on disposal of investment property	(538)	-
Interest paid on reinsurers' deposits	1	2
Investment income (Note 18)	(23,129)	(29,368)
Movement in premium liabilities	33,945	17,275
Movement in insurance claims	(14,812)	35,270
Writeback of diminution in value of securities/investments	-	(579)
	<hr/>	<hr/>
Profit from operations before changes in operating assets and liabilities	123,797	133,478
Changes in operating assets and liabilities		
(Increase)/Decrease in insurance receivables	(9,169)	569
Increase in other receivables, deposits and prepayments and income due and accrued	(5,559)	(531)
Increase in staff loans	(4,660)	(1,330)
Increase in insurance payables	3,083	12,214
Increase in amount due from holding company	(104)	(980)
Increase in other payables and accrued expenses	2,110	2,542
Decrease/(Increase) in placements with financial institutions	19,668	(68,056)
Repayment of corporate loan	1,000	1,000
Purchase of securities/investments	(98,195)	(34,436)
Proceeds from maturity/disposal of securities/investments	104,359	56,645
Interest paid on reinsurers' deposits	(1)	(2)
Dividend income received	6,569	11,867
Interest income received	16,356	17,540
Rental received	510	396
	<hr/>	<hr/>
Cash generated from operating activities	159,764	130,916
Tax paid	(46,607)	(34,277)
	<hr/>	<hr/>
Net cash generated from operating activities	113,157	96,639
	-----	-----

Cash flow statements for the year ended 31 December 2009

(continued)

	2009 RM'000	2008 RM'000
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	151	80
Purchase of plant and equipment	(2,869)	(3,879)
Proceeds from disposal of investment property	3,038	-
	-----	-----
Net cash generated from/(used in) investing activities	320	(3,799)
	-----	-----
Cash flow from financing activity		
Dividends paid to holding company	(117,500)	(87,320)
	-----	-----
Net cash used in financing activity	(117,500)	(87,320)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(4,023)	5,520
Cash and cash equivalents at beginning of year	12,510	5,872
Effect of movements in exchange rates	959	1,118
	-----	-----
Cash and cash equivalents at end of year (Note 10)	9,446	12,510
	=====	=====

The notes on pages 17 to 57 are an integral part of these financial statements.

Lonpac Insurance Bhd

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Notes to the financial statements

Lonpac Insurance Bhd is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

Registered office

6th Floor, Bangunan Public Bank

6, Jalan Sultan Sulaiman

50000 Kuala Lumpur

Principal place of business

LG, 6th, 7th, 21st - 26th Floor

Bangunan Public Bank

6, Jalan Sultan Sulaiman

50000 Kuala Lumpur

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

The Company is a wholly-owned subsidiary of LPI Capital Bhd, a company incorporated in Malaysia, listed on the Main Market of the Bursa Malaysia Securities Berhad and produces consolidated financial statements for public use that comply with Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 7 January 2010.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted in Malaysia, the Companies Act, 1965, the Insurance Act and Regulations, 1996 and as modified by Guidelines/Circular issued by Bank Negara Malaysia pursuant to Section 90 of the Insurance Act, 1996.

The following accounting standards, amendments, and interpretations have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Company:

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs/ Interpretations	Effective date
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segments</i>	1 July 2009
FRS101, <i>Presentation of Financial Statements</i>	1 January 2010
FRS 123, <i>Borrowing Costs</i>	1 January 2010
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Amendments to FRS 1, <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127, <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
Amendments to FRS 2, <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1 January 2010
Amendments to FRS 132, <i>Financial Instruments: Presentation</i> and FRS 101, <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>	1 January 2010
Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i> , FRS 7, <i>Financial Instruments: Disclosures</i> and IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010
IC Interpretation 11, <i>FRS 2 - Group and Treasury Share Transactions</i>	1 January 2010
IC Interpretation 13, <i>Customer Loyalty Programmes</i>	1 January 2010
IC Interpretation 14, <i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2010

The Company plans to adopt the abovementioned FRSs/Amendments/Interpretations from the annual period beginning on 1 January 2010 except for FRS 8, Amendments to FRS 1 and FRS 127, Amendments to FRS 2, IC Interpretation 11, 13 and 14 which are not applicable to the Company.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the other applicable standards, amendments and interpretations above is not expected to have any material impact on the financial statements of the Company.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Risk-Based Capital Framework for Insurers

Bank Negara Malaysia (“BNM”) has issued detailed guidelines under the Risk-Based Capital Framework for Insurers (“the Framework”) which is effective for annual period beginning on or after 1 January 2009. The Company has adopted the accounting policies on securities, receivables, unexpired risks and general insurance liabilities as specified in the Framework for the annual period beginning on 1 January 2009. The impact of adopting these accounting policies is disclosed in Notes 2(e), 2(h) and 2(j) to the financial statements which represents the modification made by BNM pursuant to Section 90 of the Insurance Act, 1996.

(b) Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(c) - Valuation of investment properties
- Note 2(j) - Claims and premium liabilities
- Note 27 - Fair value determination of securities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Currency conversion and translation

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not re-translated at the end of the reporting date except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on retranslation are recognised in the income statement.

(ii) *Financial statements of Singapore Branch*

The assets and liabilities of the Singapore Branch, which operates in a functional currency other than RM, are translated to RM at exchange rates ruling at the balance sheet date. The revenues and expenses of the branch are translated to RM at average exchange rates applicable throughout the year.

Foreign currency differences are recognised in foreign exchange reserve. On disposal of the branch, accumulated foreign exchange differences will be recognised in the income statement as part of the gain or loss on sale.

(b) Plant and equipment

(i) *Recognition and measurement*

Plant and equipment except for capital work-in-progress are stated at cost less any accumulated depreciation and any accumulated impairment losses. Capital work-in-progress is stated at cost less any impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(i) *Recognition and measurement (continued)*

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the plant and equipment and are recognised within “other income/(expenses) - net” in the income statement.

(ii) *Subsequent costs*

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in the income statement as incurred.

(iii) *Depreciation*

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Office equipment	4 years
• Furniture and fittings	4 years
• Renovation	5 years
• Computers	4 years
• Motor vehicles	5 years

Depreciable amount is determined after deducting the residual value.

Depreciation method, useful lives and residual values are reassessed at each balance sheet date.

2. Significant accounting policies (continued)

(c) Investment properties

(i) *Investment properties carried at fair value*

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement.

(ii) *Reclassifications to/from investment properties carried at fair value*

When an item of property and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(iii) *Determination of fair value*

Independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio annually.

The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and, without compulsion.

2. Significant accounting policies (continued)

(d) Investments

Prior to 1 January 2009, investments were recognised initially at purchase price plus attributable transaction costs. Subsequent to initial recognition:

- Malaysian and Singapore Government Securities, Government Investment Issues, Malaysian Government Guaranteed Loan, unquoted bonds and other investments as specified by Bank Negara Malaysia and held to maturity were stated at cost adjusted for amortisation of premiums or accretion of discounts calculated on a constant yield basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts were recognised in the revenue account.
- Quoted investments were 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 was not regarded as temporary, allowance was made against the value of that investment.

Diminution in value of a particular investment was not regarded as temporary when the market value had been less than 80% of its cost at all times during the preceding 24 months, and a specific allowance for diminution in value would be made by writing down the cost of that quoted investment to the average median price for each month during that 24 month period.

- Unquoted equity investments were stated at cost. An allowance was made when the Directors were of the view that there was a diminution in their value which was other than temporary.

On disposal of investments, the difference between net disposal proceeds and the carrying amount was recognised in the revenue account/income statement.

(e) Securities

Arising from the adoption of Risk-Based Capital Framework for Insurers with effect from 1 January 2009, securities are categorised and measured using accounting policies as mentioned below. Prior to 1 January 2009, accounting policies stated in Note 2(d) were applied to these securities. Pursuant to the Framework, the policy change has resulted in the recognition of a gross cumulative fair value gain of approximately RM65.4 million and RM0.6 million impairment loss for securities available-for-sale on 1 January 2009. The corresponding amount net of tax of RM51.1 million and RM0.4 million is taken up to fair value reserve and retained profits respectively as shown in the Statement of Changes in Equity.

2. Significant accounting policies (continued)

(e) Securities (continued)

Securities are recognised initially at purchase price plus attributable transaction costs. The Company's securities are categorised and measured as follows:

(i) *Held for trading*

A security is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Securities classified as held for trading is stated at fair value and any gain or loss arising from a change in the fair value is recognised in income statement/revenue account. After initial recognition, no reclassification into the held for trading category is allowed.

(ii) *Held-to-maturity*

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Securities categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. A gain or loss is recognised in income statement/revenue account when the security is derecognised or impaired.

(iii) *Available-for-sale*

Available-for-sale category comprises securities that are not held for trading or held-to-maturity.

Securities categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in equity, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in income statement. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

On derecognition, the cumulative gain or loss recognised in equity is reclassified from equity into income statement.

All securities, except for those held for trading, are subject to review for impairment (see note 2(h)).

2. Significant accounting policies (continued)

(f) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and specific allowances are made as follows:

- (i) motor premiums which remain outstanding for more than 30 days from the date on which they become receivable;
- (ii) non-motor premiums, including agents or reinsurance balances, which remain outstanding for more than six (6) months from the date on which they become receivable; and
- (iii) all debts which are considered doubtful.

Receivables are not held for the purpose of trading.

(h) Impairment of assets

The carrying amounts of assets, except for financial assets (other than securities available-for-sale and securities held-to-maturity) and investment property that is measured at fair value are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset to which it belongs exceeds its recoverable amount.

Impairment losses are recognised in the income statement. The policies on impairment of assets are summarised as follows:

(i) *Held-to-maturity*

For securities carried at amortised cost in which there is objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

2. Significant accounting policies (continued)

(h) Impairment of assets

(i) *Held-to-maturity (continued)*

Subsequent reversals of impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

(ii) *Available-for-sale*

Impairment losses on securities available-for-sale are recognised by transferring the differences between the amortised acquisition cost and current fair value from equity to income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses recognised on investments in equity instruments classified as available-for-sale are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(iii) *Other assets*

When indication of impairment exists for other assets, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

2. Significant accounting policies (continued)

(h) Impairment of assets (continued)

(iii) *Other assets (continued)*

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

(i) Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hand and balances with banks. Call and fixed deposits are classified as placements with financial institutions.

(j) General insurance underwriting results

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

Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period except for inward treaty reinsurance premiums which are recognised on the basis of periodic advices/accounts received from ceding insurers.

2. Significant accounting policies (continued)

(j) General insurance underwriting results (continued)

Premium liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves (UPR) for all lines of business and the best estimate value of the Unexpired Risk Reserves (URR) at the required risk margin for adverse deviation. The URR requirement was established pursuant to the Framework which became effective on 1 January 2009.

Unearned Premium Reserves

The UPR represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

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

Annual policies

- (i) 25% method for marine cargo, aviation cargo and transit business.
- (ii) 1/24th method for all other classes of Malaysian general policies and overseas inward business.

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

Non annual policies

Premiums are apportioned evenly over the period the policy is on risk.

Unexpired Risk Reserves

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

2. Significant accounting policies (continued)

(j) General insurance underwriting results (continued)

Claims liabilities

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liability is calculated at the reporting date by an independent actuarial firm using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that included a regulatory risk margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

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

Prior to 1 January 2009, claims handling costs were not included in the computation of the outstanding claims provision. The effect, had the claims handling costs been included in the computation of the outstanding claims, was not material to the financial statements in previous years.

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. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

2. Significant accounting policies (continued)

(k) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(l) Other income recognition

(i) *Interest income*

Interest income from securities with fixed or determinable payment and fixed maturity are recognised using the effective interest rate method.

Interest income on loans and other interest-bearing investments are recognised on an accrual basis except where a loan is considered non-performing i.e. where repayments are in arrears for more than six (6) months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

2. Significant accounting policies (continued)

(l) Other income recognition (continued)

(ii) *Rental income*

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six (6) months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

(iii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(m) Employee benefits

Short-term employee benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company's contributions to statutory pension funds are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

Company No. 307414-T

3. Plant and equipment

<i>Cost</i>	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
At 1 January 2008	796	3,776	4,374	15,230	3,162	247	27,585
Additions	59	382	1,072	1,016	318	1,032	3,879
Transfer to plant and equipment	-	314	267	318	-	(899)	-
Disposals	-	-	-	(8)	(244)	-	(252)
Written off	(52)	(297)	(442)	(473)	(14)	-	(1,278)
Effect of movements in exchange rates	5	15	24	38	11	-	93
At 31 December 2008/1 January 2009	808	4,190	5,295	16,121	3,233	380	30,027
Additions	60	444	139	892	178	1,156	2,869
Transfer to plant and equipment	-	178	381	-	-	(559)	-
Disposals	(1)	(9)	-	(42)	(522)	-	(574)
Written off	-	(4)	-	-	-	-	(4)
Effect of movements in exchange rates	2	4	20	10	1	-	37
At 31 December 2009	869	4,803	5,835	16,981	2,890	977	32,355

Company No. 307414-T

3. Plant and equipment (continued)

	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<i>Accumulated depreciation</i>							
At 1 January 2008	738	3,109	3,184	12,384	2,415	-	21,830
Charge for the year	46	439	666	1,692	356	-	3,199
Disposals	-	-	-	(4)	(244)	-	(248)
Written off	(52)	(297)	(442)	(473)	(14)	-	(1,278)
Effect of movements in exchange rates	4	13	24	37	11	-	89
At 31 December 2008/1 January 2009	736	3,264	3,432	13,636	2,524	-	23,592
Charge for the year	39	453	853	1,359	328	-	3,032
Disposals	(1)	(9)	-	(42)	(522)	-	(574)
Written off	-	(4)	-	-	-	-	(4)
Effect of movements in exchange rates	2	2	6	8	1	-	19
At 31 December 2009	776	3,706	4,291	14,961	2,331	-	26,065
<i>Carrying amount</i>							
At 1 January 2008	58	667	1,190	2,846	747	247	5,755
At 31 December 2008/1 January 2009	72	926	1,863	2,485	709	380	6,435
At 31 December 2009	93	1,097	1,544	2,020	559	977	6,290

3. Plant and equipment (continued)

Included in plant and equipment are the following fully depreciated assets which are still in use:

	2009	2008
	RM'000	RM'000
At cost:		
Office equipment	709	637
Furniture and fittings	3,006	2,040
Renovation	2,129	1,767
Computers	12,832	9,659
Motor vehicles	1,932	1,453
	=====	=====

4. Investment properties

	2009	2008
	RM'000	RM'000
At 1 January	10,947	9,990
Change in fair value (Note 19)	862	600
Effect of movement in exchange rates	178	357
Disposal of investment property	(2,500)	-
	-----	-----
At 31 December	9,487	10,947
	=====	=====

Investment properties comprise commercial properties that are leased to third parties.

The following are recognised in the income statement in respect of investment properties:

	2009	2008
	RM'000	RM'000
Rental income	510	396
Direct operating expenses	(3)	(3)
	=====	=====

5. Investments

	2009		2008	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Malaysian Government Securities	-		49,771	
Amortisation of premiums	-		(546)	
	<hr/>		<hr/>	
	-		49,225	
	<hr/>		<hr/>	
Government Investment Issues	-		2,879	
Amortisation of premium	-		(1)	
	<hr/>		<hr/>	
	-		2,878	
	<hr/>		<hr/>	
Malaysian Government Guaranteed Loan	-		10,324	
Amortisation of premiums	-		(80)	
	<hr/>		<hr/>	
	-		10,244	
	<hr/>		<hr/>	
Singapore Government Securities	-		2,531	
Amortisation of premiums	-		(99)	
	<hr/>		<hr/>	
	-		2,432	
	<hr/>		<hr/>	
Quoted:				
Unit trust				
In Malaysia	-	-	25,622	25,774
Outside Malaysia	-	-	109	210
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	25,731	25,984
	<hr/>	<hr/>	<hr/>	<hr/>
Equity securities in corporations				
In Malaysia	-	-	29,816	95,387
Outside Malaysia	-	-	2,628	1,588
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	32,444	96,975
	<hr/>	<hr/>	<hr/>	<hr/>

5. Investments (continued)

	2009		2008	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Unquoted:				
Equity securities in corporations				
In Malaysia	-		235	
Outside Malaysia	-		59	
	-		294	
Allowance for diminution in value	-		(59)	
	-		235	
Debentures, bonds and loan stocks	-		24,677	
Amortisation of premiums	-		(35)	
	-		24,642	
Corporate loan	-		4,500	
Total investments	-		152,331	

Included in the Company's investments in unquoted debentures, bonds and loan stocks in the prior year were investments in bonds and loan stocks issued by Public Bank Berhad with a carrying value of RM5,000,000.

Included in the Company's investments in shares of corporations quoted in Malaysia in the prior year were investments in Public Bank Berhad ordinary shares with a carrying value of RM25,655,000.

6. Securities

The Company's securities are categorised as follows:

	2009 RM'000	2008 RM'000
Securities available-for-sale	51,337	-
Securities held-to-maturity	162,515	-
	213,852	-

6. Securities (continued)

The securities held under the above-said categories are as follows:-

	2009 RM'000	2008 RM'000
Securities available-for-sale		
Quoted:		
Unit trust		
In Malaysia	26,628	-
Outside Malaysia	345	-
	<u>26,973</u>	<u>-</u>
	-----	-----
Equity securities in corporations		
In Malaysia	21,538	-
Outside Malaysia	2,591	-
	<u>24,129</u>	<u>-</u>
	-----	-----
Unquoted:		
Equity securities in corporations		
In Malaysia	235	-
	<u>235</u>	<u>-</u>
	-----	-----
Total securities available-for-sale	<u>51,337</u>	<u>-</u>
	=====	=====

Included in the Company's investments in equity securities of corporations quoted in Malaysia are investments in Public Bank Berhad ordinary shares with a carrying value of RM15,526,000.

	2009 RM'000	2008 RM'000
Securities held-to-maturity		
Malaysian Government Securities	54,616	-
Amortisation of premiums, net of accretion of discounts	(231)	-
	<u>54,385</u>	<u>-</u>
	-----	-----
Government Investment Issues	22,462	-
Amortisation of premiums, net of accretion of discount	(9)	-
	<u>22,453</u>	<u>-</u>
	-----	-----

6. Securities (continued)

	2009	2008
	RM'000	RM'000
Securities held-to-maturity (continued)		
Malaysian Government Guaranteed Loan	10,324	-
Amortisation of premiums	(143)	-
	<hr/>	<hr/>
	10,181	-
	-----	-----
Singapore Government Securities	2,584	-
Amortisation of premiums	(130)	-
	<hr/>	<hr/>
	2,454	-
	-----	-----
Unquoted:		
Debentures, bonds and loan stocks	73,096	-
Amortisation of premiums, net of accretion of discount	(54)	-
	<hr/>	<hr/>
	73,042	-
	-----	-----
Total securities held-to-maturity	162,515	-
	=====	=====

Included in the Company's investments in unquoted debentures, bonds and loan stocks are investments in bonds and loan stocks issued by Public Bank Berhad with a carrying value of RM15,000,000.

The comparative figures as at 31 December 2008 have not been presented based on the new categorisation of securities resulting from the adoption of the Risk-Based Capital Framework for Insurers (the Framework) by virtue of the prospective application allowed under the provisions set out in the Framework.

7. Insurance receivables

	2009	2008
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	62,842	47,900
Due from reinsurers and cedants	7,793	13,728
Less: Allowance for doubtful debts	(731)	(893)
	<hr/>	<hr/>
	69,904	60,735
	=====	=====

8. Other receivables

	Note	2009 RM'000	2008 RM'000
Corporate loan		3,500	-
Staff loans:			
Receivable within twelve months		2,446	2,193
Receivable after twelve months		22,509	18,102
		-----	-----
		24,955	20,295
		-----	-----
Other receivables:			
Other receivables, deposits and prepayments		5,890	3,957
Income due and accrued		6,770	3,144
Amount due from holding company	8.1	1,084	980
		-----	-----
		13,744	8,081
		-----	-----
Total other receivables		42,199	28,376
		=====	=====

8.1 The amount due from holding company is non-trade in nature, interest free, unsecured and repayable on demand.

9. Placements with financial institutions

	Note	2009 RM'000	2008 RM'000
Placements with financial institutions:			
- Licensed banks in Malaysia		356,749	361,745
- Banks outside Malaysia	9.1	59,983	73,534
		-----	-----
		416,732	435,279
		=====	=====

9.1 Included in the placements with financial institutions outside Malaysia is an amount of RM1,210,000 (2008 - RM1,185,000) lodged with the Monetary Authority of Singapore as a statutory deposit under Section 14 of the Insurance Act, Chapter 142.

Company No. 307414-T

10. Cash and cash equivalents

	2009	2008
	RM'000	RM'000
Cash and bank balances	9,446	12,510
	=====	=====

11. Claims liabilities

	2009	2008
	RM'000	RM'000
Claims liabilities	382,078	442,557
Less: Recoverable from reinsurers	(153,057)	(199,903)
	-----	-----
Net claims liabilities	229,021	242,654
	=====	=====

12. Premium liabilities

	Fire	Motor	Marine, Aviation & Transit	Miscellaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2009					
At 1 January	56,691	71,319	4,120	56,128	188,258
Increase	11,012	14,171	431	8,331	33,945
Effect of movements in exchange rates	13	102	5	222	342
	-----	-----	-----	-----	-----
At 31 December	67,716	85,592	4,556	64,681	222,545
	=====	=====	=====	=====	=====
2008					
At 1 January	42,751	71,277	3,310	52,454	169,792
Increase/(Decrease)	13,915	(547)	798	3,109	17,275
Effect of movements in exchange rates	25	589	12	565	1,191
	-----	-----	-----	-----	-----
At 31 December	56,691	71,319	4,120	56,128	188,258
	=====	=====	=====	=====	=====

13. Deferred tax liabilities

Recognised deferred tax liabilities

Recognised deferred tax liabilities are attributable to the following:

	2009 RM'000	2008 RM'000
Securities available-for-sale	1,502	-
	=====	=====

Movement in temporary differences during the financial year

	At 1.1.2009 RM'000	Movement during the year RM'000	At 31.12.2009 RM'000
Securities available-for-sale	14,095	(12,593)	1,502
	=====	=====	=====

The amount recognised on 1 January 2009 of approximately RM14.1 million represents the tax effect pursuant to the recognition of fair value gain as disclosed in Note 2(e) of the financial statements.

14. Insurance payables

	2009 RM'000	2008 RM'000
Due to reinsurers and cedants	30,646	27,603
Due to agents/brokers, co-insurers and insureds	6,859	6,819
	-----	-----
	37,505	34,422
	=====	=====

15. Other payables

	2009 RM'000	2008 RM'000
Other payables and accrued expenses	14,754	12,644
	=====	=====

Included in the Company's other payables and accrued expenses are the following balances:

	2009 RM'000	2008 RM'000
Collateral deposits received from policyholders	91,914	74,077
Less: Fixed deposits	(91,209)	(73,518)
	-----	-----
	705	559
	=====	=====

15. Other payables (continued)

The above balances are netted off as the fixed deposits are held as cash collateral for guarantees issued on behalf of policyholders.

16. Share capital and reserves

16.1 Share capital

	2009		2008	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM1.00 each				
Authorised	100,000	100,000	100,000	100,000
	=====	=====	=====	=====
Issued and fully-paid	100,000	100,000	100,000	100,000
	=====	=====	=====	=====

16.2 Property revaluation reserve

The property revaluation reserve represents the surplus on revaluation of investment properties prior to the adoption of the fair value model under FRS 140, *Investment Property*. It is not distributable as cash dividends until after the sale of the investment properties.

16.3 Foreign exchange reserve

The foreign exchange reserve is in respect of exchange differences arising from the translation of the Singapore Branch's financial statements.

16.4 Fair value reserve

The fair value reserve is in respect of unrealised gains on securities available-for-sale, net of deferred taxation.

16.5 Retained profits

Pursuant to Section 50 of the Savings and Transitional Provisions Income Tax Act, 1967, the Company has elected the irrecoverable option to disregard the Section 108 balance and exercised an irrevocable option not to deduct tax under Section 40.

Pursuant to the Risk-Based Capital Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

17. Operating revenue

	Shareholder's fund RM'000	General business RM'000	Total RM'000
2009			
Gross premium	-	675,246	675,246
Investment income (Note 18)	102	23,027	23,129
	<hr/>	<hr/>	<hr/>
	102	698,273	698,375
	=====	=====	=====
2008			
Gross premium	-	574,444	574,444
Investment income (Note 18)	245	29,123	29,368
	<hr/>	<hr/>	<hr/>
	245	603,567	603,812
	=====	=====	=====

18. Investment income

	Shareholder's fund RM'000	General business RM'000	Total RM'000
2009			
Gross dividends			
- Unit trust	-	540	540
- Quoted shares in Malaysia	-	5,777	5,777
- Quoted shares outside Malaysia	-	186	186
- Unquoted shares in Malaysia	-	66	66
Interest income			
- Corporate loan	-	208	208
- Malaysian Government Securities	-	1,882	1,882
- Government Investment Issues	-	483	483
- Malaysian Government Guaranteed Loan	-	461	461
- Singapore Government Securities	-	101	101
- Debentures, bonds and loan Stocks (unquoted)	-	2,705	2,705
- Call and fixed deposits	102	10,414	10,516
Rental of properties received from third parties	-	510	510
Amortisation of premiums, net of accretion of discounts	-	(306)	(306)
	<hr/>	<hr/>	<hr/>
	102	23,027	23,129
	=====	=====	=====

18. Investment income (continued)

	Shareholder's fund RM'000	General business RM'000	Total RM'000
2008			
Gross dividends			
- Unit trust	-	1,025	1,025
- Quoted shares in Malaysia	-	10,727	10,727
- Quoted shares outside Malaysia	-	33	33
- Unquoted shares in Malaysia	-	82	82
Interest income			
- Corporate loan	-	297	297
- Malaysian Government Securities	-	2,119	2,119
- Government Investment Issues	-	7	7
- Malaysian Government Guaranteed Loan	-	466	466
- Singapore Government Securities	-	132	132
- Debentures, bonds and loan Stocks (unquoted)	-	1,267	1,267
- Call and fixed deposits	245	13,007	13,252
Rental of properties received from third parties	-	396	396
Amortisation of premiums, net of accretion of discounts	-	(435)	(435)
	<hr/>	<hr/>	<hr/>
	245	29,123	29,368
	=====	=====	=====

19. Other operating income/(expenses) - net

	General business	
	2009 RM'000	2008 RM'000
Gain on disposal of securities/investments	56,326	24,157
Gain on disposal of investment property	538	-
Gain on disposal of plant and equipment	151	76
Interest on staff car loans	161	155
Interest on staff housing loans	254	396
Write back of diminution in value of investments	-	579
Fair value movement of investment properties	862	600
Sundry income	3,572	2,179
	<hr/>	<hr/>
	61,864	28,142
	=====	=====

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20. Management expenses

	General business	
	2009	2008
	RM'000	RM'000
Personnel expenses (including key management personnel)		
- Directors' fees	822	560
- Wages, salaries and others	36,442	31,230
- Contributions to Employees' Provident Fund	3,905	3,436
	<hr/>	<hr/>
	41,169	35,226
Auditors' remuneration		
Auditors of the Company		
- Statutory audit	200	175
- Other services	10	-
Affiliates of auditors of the Company		
- Statutory audit	232	172
Bad and doubtful debts written back	(166)	(163)
Depreciation	3,032	3,199
Rental expense on office premises	5,264	4,577
Interest paid on reinsurers' deposits	1	2
IGSF levies	968	841
Other expenses	25,085	23,311
	<hr/>	<hr/>
Total management expenses	75,795	67,340
	<hr/> <hr/>	<hr/> <hr/>

21. Key management personnel compensation

	2009	2008
	RM'000	RM'000
Executive Directors		
- Fees	61	110
- Salaries and contribution to Employees' Provident Fund	509	892
- Bonuses	266	224
- Benefits-in-kind	34	72
	<hr/>	<hr/>
	870	1,298
	<hr/>	<hr/>
Non-Executive Directors		
- Fees	761	450
- Benefits-in-kind	62	23
- Other remuneration	96	71
	<hr/>	<hr/>
	919	544
	<hr/>	<hr/>
Total Directors' Remuneration	1,789	1,842
	<hr/> <hr/>	<hr/> <hr/>
Total Directors' Remuneration (excluding benefits-in-kind)	1,693	1,747
	<hr/> <hr/>	<hr/> <hr/>

22. Tax expense

	2009	2008
	RM'000	RM'000
Current tax expense		
Malaysian - current	43,999	34,002
- prior years	(992)	39
Overseas - current	151	226
	<u>43,158</u>	<u>34,267</u>
	=====	=====
Reconciliation of tax expense		
Profit for the year	139,479	98,245
Total taxation	43,158	34,267
	<u>182,637</u>	<u>132,512</u>
	=====	=====
Income tax using Malaysian tax rates of 25% (2008: 26%)	45,659	34,453
Effect of lower tax rates for offshore business and business outside Malaysia	(1,857)	(1,111)
Non-deductible expenses	1,231	626
Tax exempt income	(924)	(283)
Other items	41	543
	<u>44,150</u>	<u>34,228</u>
(Over)/Under provision in prior years	(992)	39
	<u>43,158</u>	<u>34,267</u>
	=====	=====

The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

23. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM139,479,000 (2008 - RM98,245,000) and the weighted average number of ordinary shares outstanding during the year of 100,000,000 (2008 - 100,000,000).

24. Net claims incurred

		Marine, Aviation &				Total
		Fire	Motor	Transit	Miscellaneous	
2009		RM'000	RM'000	RM'000	RM'000	RM'000
Gross claims paid less salvage		43,165	144,734	8,747	76,646	273,292
Reinsurance recoveries		(19,029)	(15,916)	(4,175)	(30,653)	(69,773)
<hr/>						
Net claims paid	(a)	24,136	128,818	4,572	45,993	203,519
Net claims liabilities:						
At 31 December	(b)	21,618	133,006	6,678	67,719	229,021
At 1 January	(c)	22,003	139,803	6,638	74,210	242,654
Effect of movements in exchange rates	(d)	15	573	32	559	1,179
<hr/>						
Net claims incurred	(a+b-c-d)	23,736	121,448	4,580	38,943	188,707
<hr/> <hr/>						
2008						
Gross claims paid less salvage		81,177	95,526	6,013	72,213	254,929
Reinsurance recoveries		(62,428)	(11,145)	(2,626)	(30,136)	(106,335)
<hr/>						
Net claims paid	(a)	18,749	84,381	3,387	42,077	148,594
Net claims liabilities:						
At 31 December	(b)	22,003	139,803	6,638	74,210	242,654
At 1 January	(c)	20,048	110,083	5,235	70,088	205,454
Effect of movements in exchange rates	(d)	16	681	16	1,217	1,930
<hr/>						
Net claims incurred	(a+b-c-d)	20,688	113,420	4,774	44,982	183,864
<hr/> <hr/>						

25. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2009			
First interim 2009 ordinary	22.50	22,500	28 May 2009
Second interim 2009 ordinary	35.00	35,000	23 June 2009
Third interim 2009 ordinary	60.00	60,000	15 December 2009
		<hr/>	
Total amount		117,500	
		=====	
2008			
First interim 2008 ordinary	29.60	29,600	20 June 2008
Second interim 2008 ordinary	29.60	29,600	5 November 2008
Third interim 2008 ordinary	28.12	28,120	17 December 2008
		<hr/>	
Total amount		87,320	
		=====	

26. Segment information on cash flow

	General business RM'000	Shareholder's fund RM'000	Elimination RM'000	Total RM'000
2009				
Cash flow generated from/(used in):				
Operating activities	113,204	117,453	(117,500)	113,157
Investing activities	320	-	-	320
Financing activities	(117,500)	(117,500)	117,500	(117,500)
			<hr/>	
	(3,976)	(47)	-	(4,023)
			=====	=====
Net decrease in cash and cash equivalents	(3,976)	(47)	-	(4,023)
Cash and cash equivalents:				
At 1 January as previously reported	12,452	58	-	12,510
Effect of movements in exchange rates	959	-	-	959
			<hr/>	
At 31 December	9,435	11	-	9,446
			=====	=====

26. Segment information on cash flow (continued)

	General business RM'000	Shareholder's fund RM'000	Elimination RM'000	Total RM'000
2008				
Cash flow generated from/(used in):				
Operating activities	96,639	87,320	(87,320)	96,639
Investing activities	(3,799)	-	-	(3,799)
Financing activities	(87,320)	(87,320)	87,320	(87,320)
	5,520	-	-	5,520
Net increase in cash and cash equivalents	5,520	-	-	5,520
Cash and cash equivalents:				
At 1 January as previously reported	5,814	58	-	5,872
Effect of movements in exchange rates	1,118	-	-	1,118
	12,452	58	-	12,510
At 31 December				

27. Financial instruments

Financial risk management objectives and policies

Exposure to market, underwriting, credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Company's business. The Company is guided by risk management policies and guidelines which set out the overall business strategies and the general risk management philosophy. The Company has established processes to monitor the risks on an ongoing basis.

Market risk

The value of the investments by the Company may fluctuate due to changes in market conditions. Market risk is managed through portfolio diversification and assets allocation.

27. Financial instruments (continued)

Underwriting risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected. The Company seeks to minimise underwriting risks with a balanced mix and spread of business between classes of business and by observing underwriting guidelines and limits, adequate claims provisions, and high standards applied to the security of reinsurers.

Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions fail to perform as contracted.

Management monitors the exposure to credit risk on an ongoing basis.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Company is represented by the carrying amount of each financial asset.

Interest rate risk

The Company's investments and interest income from cash and cash equivalents are exposed to changes in market interest rates due to the impact such changes have on interest income. The management monitors the risks in the Company's investments, including careful selection of issuers and a geographical spread of investments.

Foreign currency risk

The Company is exposed to foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia and the translation of the financial statements of the Singapore Branch to Ringgit Malaysia. Exposures to foreign currency risks are monitored on an ongoing basis.

The Company does not hedge its foreign currency risk.

Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Company No. 307414-T

27. Financial instruments (continued)

The following table shows information about the Company's exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier. There are no interest-bearing financial liabilities.

	← 2009 →					← 2008 →				
	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
Financial assets										
Malaysian operations										
Malaysian Government Securities	4.0	54,385	5,007	34,665	14,713	4.3	49,225	20,035	29,190	-
Government Investment Issue	3.9	22,453	-	12,430	10,023	3.6	2,878	-	2,878	-
Malaysian Government Guaranteed Loan	3.9	10,181	-	10,181	-	3.9	10,244	-	10,244	-
Debentures, bonds and loan stocks										
- Unquoted	6.2	70,005	-	30,054	39,951	5.0	21,067	1,000	5,000	15,067
Corporate loan	5.0	3,500	1,000	2,500	-	5.0	4,500	1,000	3,500	-
Staff loans	1.8	24,132	2,319	8,475	13,338	1.7	19,366	2,070	6,304	10,992
Placements with financial institutions	2.2	346,383	346,383	-	-	3.3	351,622	351,622	-	-

Company No. 307414-T

27. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

	← 2009 →					← 2008 →				
	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
Singapore Branch										
Singapore Government Securities	4.2	2,454	1,224	-	1,230	4.2	2,432	-	1,224	1,208
Debentures, bonds and loan stocks - Unquoted	3.9	3,037	1,210	1,827	-	3.8	3,575	593	2,982	-
Staff loans	1.3	823	127	462	234	1.3	929	123	495	311
Placements with financial institutions	0.8	70,349	70,349	-	-	1.7	83,657	83,657	-	-

27. Financial instruments (continued)

Fair values

Recognised financial instruments

The aggregate fair values of financial assets carried on the balance sheet as at 31 December are represented in the following table.

	2009	2009	2008	2008
	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Malaysian operations				
Equity securities in corporations				
- Quoted	8,160	8,160	28,875	85,281
- Unquoted	235	235	235	235
Unit trust - Quoted	26,628	26,628	25,622	25,774
Malaysian Government Securities	54,385	54,747	49,225	49,685
Government Investment Issues	22,453	22,516	2,878	2,906
Malaysian Government Guaranteed Loan	10,181	10,334	10,244	10,524
Debentures, bonds and loan stocks				
- Unquoted	70,005	72,522	21,067	20,838
Corporate loan	3,500	3,500	4,500	4,500
Staff loans	24,132	24,132	19,366	19,366
	219,679	222,774	162,012	219,109
Singapore Branch				
Equity securities in corporations				
- Quoted	15,969	15,969	3,569	11,694
Unit trust - Quoted	345	345	109	210
Singapore Government Securities	2,454	2,574	2,432	2,600
Debentures, bonds and loan stocks				
- Unquoted	3,037	3,066	3,575	3,555
Staff loans	823	823	929	929
	22,628	22,777	10,614	18,988
	242,307	245,551	172,626	238,097

27. Financial instruments (continued)

Estimation of fair values

The fair values of quoted securities / investments are their quoted closing market prices at the balance sheet date.

The fair values of the unquoted equity security in corporations, staff loans and corporate loan were determined to approximate the carrying amounts as these are immaterial in the context of the financial statements.

In respect of cash and cash equivalents, placements with financial institutions, insurance and other receivables, trade and other payables, the carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

The estimated fair values of unquoted debentures, bonds and loan stocks are based on the average indicative mid market prices obtained from a licensed financial institution.

The fair values for Malaysian Government Securities, Government Investment Issues, Malaysian Government Guaranteed Loan and Singapore Government Securities are their indicative mid market prices quoted by regulatory agencies at the balance sheet date.

28. Significant related party disclosures

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The related parties of the Company are:

i) Holding company

The holding company is LPI Capital Bhd, a corporation incorporated in Malaysia.

ii) Related companies

These are entities which are under common control with the Company and include fellow subsidiaries.

28. Significant related party disclosures (continued)

Company	Holding company		Related companies		Companies in which a Director has substantial financial interest	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Transactions:						
Sale of quoted equity securities in Malaysian corporations						
- at market value	82,755	33,248	-	-	-	-
Purchase of bond	-	-	-	-	(10,000)	-
	<u>82,755</u>	<u>33,248</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
	=====	=====	=====	=====	=====	=====

- b) The significant outstanding balances of the Company with its related parties as at 31 December are as follows:

	Companies in which a Director has substantial financial interest	
	2009	2008
	RM'000	RM'000
Balances with related parties:		
Placements with financial institutions	70,300	88,843
Bank balances	4,541	4,498
	<u>74,841</u>	<u>93,341</u>
	=====	=====

29. Operating lease commitments

At 31 December 2009, the Singapore Branch has commitments for future minimum lease payments under non-cancellable operating lease as follow:

	2009	2008
	RM'000	RM'000
Less than one year	2,112	2,068
Between one and five years	704	2,758
	<u>2,816</u>	<u>4,826</u>
	=====	=====

30. Comparative figures

The following comparative figures have been reclassified to conform with current year's presentation pursuant to the adoption of the Risk-Based Capital Framework for Insurers.

	As restated RM'000	As previously stated RM'000
Balance sheet		
Investments	152,331	587,610
Placements with financial institutions	435,279	-
Loans (secured)	-	20,295
Trade and other receivables	-	68,816
Insurance receivables	60,735	-
Other receivables	28,376	-
Trade and other payables	-	47,066
Insurance payables	34,422	-
Other payables	12,644	-
	=====	=====

Lonpac Insurance Bhd

(Company No. 307414-T)

(Incorporated in Malaysia)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 10 to 57 are drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

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

Signed

.....

Tan Sri Dato' Thong Yaw Hong

Signed

.....

Tan Kok Guan

Kuala Lumpur,

Date: 7 January 2010

Lonpac Insurance Bhd

(Company No. 307414-T)
(Incorporated in Malaysia)

**Statutory Declaration pursuant to
Section 169(16) of the Companies Act, 1965**

I, **Tan Kok Guan**, the Director primarily responsible for the financial management of Lonpac Insurance Bhd, do sincerely declare that the financial statements set out on pages 10 to 57 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 7 January 2010.

Signed

.....

Tan Kok Guan

Before me:

Signed

Commissioner for Oath



KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
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Independent auditors' report to the member of Lonpac Insurance Bhd

(Company No. 307414-T)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Lonpac Insurance Bhd, which comprise the balance sheet as at 31 December 2009, and the income statement, general insurance revenue account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 57.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 307414-T

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Signed

KPMG

Firm Number: AF 0758

Chartered Accountants

Signed

Khaw Hock Hoe

Approval Number: 2229/04/10(J)

Chartered Accountant

Petaling Jaya, Selangor

Date: 7 January 2010