

30686 K

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

CONTENTS	PAGE
Directors' Report	1 - 9
Statement by Directors	10
Statutory Declaration	10
Independent Auditors' Report	11 - 12
Balance Sheets	13 - 14
Income Statements	15
Statements of Comprehensive Income	16
Statements of Changes in Equity	17
Cash Flow Statements	18
Notes to the Financial Statements	19 - 92

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

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.

The subsidiary company is dormant.

RESULTS

	Group and Company RM'000
Net profit for the year	<u>10,191</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 other than the effect arising from the changes in accounting policies as disclosed in Note 2.5 to the financial statements.

DIVIDENDS

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

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS

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

Dato' Vijaya Kumar a/l T. Chornalingam (resigned on 7 April 2011)

Albert Saychuan Cheok

Kirupalani a/l Chelliah

Mohan a/l Ramalingam (appointed on 1 September 2010)

Datuk Kunasingam a/l V. Sittampalam (appointed on 5 April 2011)

Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)

CORPORATE GOVERNANCE

The directors confirmed that the Company has complied with all prescriptive requirements of, and adopts management practices that are consistent with the corporate governance principles set out in BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers as follows:

(a) Responsibility of the Board of Directors

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

The Board ensures that it complies with the Insurance Act, 1996 ("the Act"), Insurance Regulations, 1996 ("the Regulations") and BNM minimum standards for Prudential Management of Insurers (BNM/RH/GL/003-1), other guidelines/directives issued by BNM, and other statutory and regulatory requirements. The Board had set up Management Committees to oversee and report on functional performances as part of its stewardship and oversight functions.

(b) Composition and meetings

The Board comprises one (1) Non-Independent Non-Executive Chairman, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. All appointments are in accordance with the Act and BNM guidelines.

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(b) Composition and meetings (cont'd.)

During the financial year the members of the Board met thirteen (13) times, with attendance recorded as follows:

Name	Number of Meetings	
	<u>Attended</u>	%
Dato' Vijaya Kumar a/l T. Chornalingam (resigned on 7 April 2011)	13/13	100%
Albert Saychuan Cheok	13/13	100%
Kirupalani a/l Chelliah	13/13	100%
Mohan a/l Ramalingam (appointed on 1 September 2010)	2/2	100%
Datuk Kunasingam a/l V. Sittampalam (appointed on 5 April 2011)		
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)		

(c) Board Committees

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

(i) Risk Management Committee ("RMC")

The RMC comprises three (3) 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)
Mohan a/l Ramalingam (appointed on 5 April 2011)	(INED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)

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

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(c) Board Committees (cont'd.)

(ii) Audit Committee ("AC")

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

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)

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

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

(iii) Nomination Committee ("NC")

The NC comprises two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors as follows:

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)
Datuk Kunasingam a/l V. Sittampalam (appointed on 5 April 2011)	(NINED)

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(c) Board Committees (cont'd.)

(iii) Nomination Committee ("NC") (cont'd.)

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

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

(iv) Remuneration Committee ("RC")

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

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)

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

The RC met three (3) times during the financial year

(v) Investment Committee ("IC")

The IC members comprise two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors as follows:

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(c) Board Committees (cont'd.)

(v) Investment Committee ("IC") (cont'd.)

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

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

(vi) Advisory Committee

The Advisory Committee was an Ad-Hoc Committee established on 1 June 2009 for an initial term of six months up to 31 December 2009. The term of the Advisory Committee was extended for another six months period until 30 June 2010. The Board had on 29 June 2010 further extended the term of the Advisory Committee until the completion of the take over offer exercise by G Team Resources & Holdings Sdn Bhd on the minority interest share in the Company. The advisory Committee comprises the following:

Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)
Albert Saychuan Cheok	(INED)
Kirupalani a/l Chelliah	(INED)
Mohan a/l Ramalingam	(INED)
(appointed on 1 September 2010)	

The terms of reference of this committee is to advise the CEO to take appropriate measures to deal with problems such as the deterioration of the underwriting results, to review monthly business performance of the Company, review branches performances, study the impact of the stress test result on the Company's Capital Adequacy Ratio ("CAR") and take appropriate steps to be in compliance with the targeted CAR, to monitor monthly claims statistics and review the provision for outstanding claims, review monthly reports on the trade receivables, to provide strategic direction to the management to develop new business and retention of profitable business, appraise the CEO and senior management and other relevant action that may deem necessary to protect the interests of the Company.

The Advisory Committee met eleven (11) times during the financial year.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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 22 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 related corporations of the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			31 December 2010
	1 January 2010	Bought	Sold	
Holding company				
- Maika Holdings Berhad				
Dato' Vijaya Kumar a/				
T. Chornalingam	1,250	-	(1,250)	-
Albert Saychuan Cheok	1,250	-	(1,250)	-

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.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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 render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to 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) 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.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

OTHER STATUTORY INFORMATION (CONT'D.)

- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f), 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 of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("the Framework") issued by Bank Negara Malaysia.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2011.

Albert Saychuan Cheok

Kirupalani a/l Chelliah

Kuala Lumpur, Malaysia

30686K

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

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

We, Albert Saychuan Cheok and Kirupalani a/l Chelliah, 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 92 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2011.

Albert Saychuan Cheok

Kirupalani a/l Chelliah

Kuala Lumpur, Malaysia

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

I, Lai Poong Shen, being the officer 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 92 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 Lai Poong Shen at Kuala Lumpur
in Wilayah Persekutuan on 22 April 2011

Lai Poong Shen

Before me,

30686 K

**Independent auditors' report to the members of
Oriental Capital Assurance Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Oriental Capital Assurance Berhad, which comprise the balance sheets as at 31 December 2010 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 92.

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 the 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.

30686 K

**Independent auditors' report to the members of
Oriental Capital Assurance Berhad (Cont'd.)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company 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.
- (c) 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.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Choong Mei Ling
No. 1918/09/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 April 2011

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2010

Group

	Note	31.12.2010 RM'000	31.12.2009 RM'000 (Restated)	1.1.2009 RM'000 (Restated)
Assets				
Property and equipment	3	12,433	12,721	13,424
Investment property	4	2,439	2,460	2,482
Intangible assets	5	115	216	280
Investments	6	384,157	336,418	296,605
Malaysian government securities		30,135	35,385	47,497
Debt securities		126,328	127,758	99,698
Equity securities		21,709	13,280	15,669
Unit and property trust funds		24,905	13,501	12,909
Loans		913	846	953
Deposit with financial institutions		180,167	145,648	119,879
Investment in subsidiary	7	-	-	-
Reinsurance Assets	8	183,333	277,282	400,411
Insurance receivables	9	36,630	37,636	26,190
Other receivables	10	17,346	18,362	29,166
Deferred tax assets	13	39	-	2,284
Cash and bank balances		3,142	7,907	7,519
Total assets		639,634	693,002	778,361
Equity and liabilities				
Share capital	11	100,013	100,013	100,013
Share premium account		3,335	3,335	3,335
Retained earnings		25,252	17,717	5,702
Available-for-sale fair value reserves		6,690	926	(230)
Total equity		135,290	121,991	108,820
Insurance contract liabilities	12	429,724	504,499	613,693
Deferred tax liabilities	13	-	901	-
Insurance payables	14	49,305	34,419	36,441
Other payables	15	23,767	29,072	16,180
Retirement benefits	16	1,548	2,120	3,227
Total liabilities		504,344	571,011	669,541
Total equity and liabilities		639,634	693,002	778,361

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS (CONT'D.)
AS AT 31 DECEMBER 2010

Company

	Note	31.12.2010 RM'000	31.12.2009 RM'000 (Restated)	1.1.2009 RM'000 (Restated)
Assets				
Property and equipment	3	12,433	12,721	13,424
Investment property	4	2,439	2,460	2,482
Intangible assets	5	115	216	280
Investments	6	384,157	336,418	296,605
Malaysian government securities		30,135	35,385	47,497
Debt securities		126,328	127,758	99,698
Equity securities		21,709	13,280	15,669
Unit and property trust funds		24,905	13,501	12,909
Loans		913	846	953
Deposit with financial institutions		180,167	145,648	119,879
Investment in subsidiary	7	-	-	-
Reinsurance Assets	8	183,333	277,282	400,411
Insurance receivables	9	36,630	37,636	26,190
Other receivables	10	17,346	18,362	29,166
Deferred tax assets	13	39	-	2,284
Cash and bank balances		3,142	7,907	7,519
Total assets		639,634	693,002	778,361
Equity and liabilities				
Share capital	11	100,013	100,013	100,013
Share premium account		3,335	3,335	3,335
Retained earnings		25,252	17,717	5,702
Available-for-sale fair value reserves		6,690	926	(230)
Total equity		135,290	121,991	108,820
Insurance contract liabilities	12	429,724	504,499	613,693
Deferred tax liabilities	13	-	901	-
Insurance payables	14	49,305	34,419	36,441
Other payables	15	23,767	29,072	16,180
Retirement benefits	16	1,548	2,120	3,227
Total liabilities		504,344	571,011	669,541
Total equity and liabilities		639,634	693,002	778,361

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 2010

Group and Company

	Note	2010 RM'000	2009 RM'000 (Restated)
Operating revenue	17	<u>257,266</u>	<u>238,874</u>
Gross earned premiums	18(a)	244,146	226,280
Premiums ceded to reinsurers	18(a)	<u>(121,484)</u>	<u>(117,387)</u>
Net earned premiums		<u>122,662</u>	<u>108,893</u>
Investment income	19	13,120	12,594
Realised gains and losses	20	3,089	4,716
Commission income		15,747	19,329
Other operating income	21	<u>428</u>	<u>8,436</u>
Other revenue		<u>32,384</u>	<u>45,075</u>
Gross claims paid	22(a)	(129,574)	(226,078)
Claims ceded to reinsurers	22(b)	47,533	141,960
Gross change in contract liabilities	22(c)	47,995	122,147
Change in contract liabilities ceded to reinsurers	22(d)	<u>(58,084)</u>	<u>(125,844)</u>
Net claims incurred		<u>(92,130)</u>	<u>(87,815)</u>
Commission expense		(23,831)	(25,466)
Management expenses	23	<u>(23,229)</u>	<u>(23,868)</u>
Other expenses		<u>(47,060)</u>	<u>(49,334)</u>
Profit before Taxation		15,856	16,819
Taxation	24	<u>(5,665)</u>	<u>(4,804)</u>
Net profit for the year		<u>10,191</u>	<u>12,015</u>
Earnings per share (sen)	25	<u>10.2</u>	<u>12.0</u>

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

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

Group and Company

	2010	2009
	RM'000	RM'000
Net profit for the year	10,191	12,015
Other comprehensive income:		
Available-for-sale fair value reserves:		
Net gain on fair value changes	7,233	1,695
Net gain transferred to income statement	<u>(3,089)</u>	<u>(153)</u>
	4,144	1,542
Tax effects	<u>(1,036)</u>	<u>(386)</u>
Other comprehensive income for the year, net of tax	<u>3,108</u>	<u>1,156</u>
Total comprehensive income for the year	<u>13,299</u>	<u>13,171</u>

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

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

Group and Company

	Note	2010 RM'000	2009 RM'000
Operating activities			
Cash (used in)/generated from operating activities	26	(21,776)	11,490
Net interest received		10,831	8,813
Net dividend received		908	1,011
Rental received		356	368
Retirement benefits paid		(774)	(1,107)
Income tax paid		(2,648)	10,621
Net cash flows (used in)/generated from operating activities		<u>(13,103)</u>	<u>31,196</u>
Investing activities			
Proceeds from disposal of property and equipment		631	213
Purchase of property and equipment		(227)	(207)
Purchase of intangibles		-	(51)
Net cash flows from investing activities		<u>404</u>	<u>(45)</u>
Net (decrease)/increase in cash and cash equivalents		(12,699)	31,151
Cash and cash equivalents at beginning of year		89,126	57,975
Cash and cash equivalents at end of year		<u>76,427</u>	<u>89,126</u>
Cash and cash equivalents comprise:			
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions		73,285	81,219
Cash and bank balances		3,142	7,907
		<u>76,427</u>	<u>89,126</u>

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

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

Group and Company

	I--Non-Distributable--I			Distributable	
	Share	Share	Available-	Retained	Total
	Capital	Premiums	for-sale	Earnings	Equity
	RM'000	RM'000	reserves	RM'000	RM'000
			fair value		
			RM'000		
At 1 January 2009	100,013	3,335	(230)	5,702	108,820
Total comprehensive income for the year	-	-	1,156	12,015	13,171
At 31 December 2009	100,013	3,335	926	17,717	121,991
Effect of adopting FRS 139 (Note 2.5 (c))	-	-	2,656	(2,656)	-
At 1 January 2010 (restated)	100,013	3,335	3,582	15,061	121,991
Total comprehensive income for the year	-	-	3,108	10,191	13,299
At 31 December 2010	100,013	3,335	6,690	25,252	135,290

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 2010

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

The ultimate holding company is G Team Resources & Holdings Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the Financial Reporting Standards ("FRS") and the Companies Act 1965, in Malaysia, the Insurance Act, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

At the beginning of the current financial year, the Group and Company had adopted new and revised FRSs which are mandatory for financial period beginning on or after 1 January 2010, as described fully in note 2.5.

The financial statements of the Group and Company have also been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework ("the Framework") issued by BNM as at the reporting date.

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Consolidation

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

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

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

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

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

2.3 Summary of Significant Accounting Policies

(a) Property and Equipment

Property and equipment includes property occupied by the Group, renovations, furniture, fittings, office equipment, computers and motor vehicles. Freehold land is not depreciated and is carried at cost. Other property and equipment are stated at cost less accumulated depreciation and any impairment losses. Residual values, useful life and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3 (e).

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(a) Property and Equipment (cont'd.)

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

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

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

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

(b) Intangible Assets

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(b) Intangible Assets (cont'd.)

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

(c) Investment in Subsidiary

A subsidiary is an entity over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities.

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

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

(d) Investment Property

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

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

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

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

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(e) Impairment of Non-Financial Assets

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

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

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

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

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(f) Investments and Financial Assets

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

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

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

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

Fair value through profit and loss financial assets ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as at fair value through profit or loss, the following must be met;

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

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(f) Investments and Financial Assets (cont'd.)

Held-to-maturity financial assets ("HTM")

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables ("LAR")

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

Available-for-sale financial assets ("AFS")

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value.

After initial measurement, AFS are measured at fair value. Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. Fair value gains and losses of monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit and loss; translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to profit or loss.

Quoted and unquoted shares, corporate bonds, cagamas paper and unit trusts are classified as AFS.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(g) Fair Value of Financial Assets

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on the balance sheet date.

For investments in unit and real estate trusts, fair value is determined by reference to published bid values.

The fair values of floating rate over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placements.

The fair values of Malaysian Government Securities, Cagamas Papers and unquoted corporate bonds are determined by reference to Bond Pricing Agency Malaysia.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(h) Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Objective evidence that an investment security is impaired includes observable data about loss events like significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that investment security because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an investment securities is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financials original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of Significant Accounting Policies (cont'd.)****(h) Impairment of Financial Assets (cont'd.)*****Assets carried at amortised cost (cont'd.)***

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment is recognised in the profit and loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Asset carried at cost

If there is objective evidence that an impairment loss on an investment security carried at cost has been incurred, the amount of the loss is measured as the difference between the security carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar security. Such impairment losses are recognised in income statement/revenue account and not reversed in subsequent periods.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, impairment loss is provided.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(i) Derecognition of Financial Assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset expired.
- The Group retains the contractual rights to receive cash flow from the asset but has assumed obligation to pay them in full without material delay to a third party.
- The Group has transferred its rights to receive cash flows from the asset and either.
 - (a) has transferred substantially all the risks and rewards of the asset, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(j) Equity Instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividend on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(k) Product Classification

The Company currently only issues contracts that transfer insurance risk.

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

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

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the balance sheet similar to investment contracts.

(l) Reinsurance

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

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

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(l) Reinsurance (cont'd.)

The Company also assumes reinsurance in the normal course of business when applicable.

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

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

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

(m) General Insurance Underwriting Results

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

Gross premiums

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

Reinsurance premiums

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

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(m) General Insurance Underwriting Results (cont'd.)

Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The claim liabilities 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 at balance sheet date, using a mathematical method of estimation.

Acquisition costs

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

(n) Insurance Receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.3 (h).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3(i), have been met.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (Cont'd.)

(o) General Insurance Contract Liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. Valuation of general insurance contract liabilities are in accordance with the Framework issued by BNM.

General insurance contract liabilities comprise claim liabilities and premium liabilities.

Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. It is recognised in respect of both direct insurance and inward reinsurance. The value is the best estimate value of claim liabilities which includes provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as the provision of risk margin for adverse deviation ("PRAD") at 75% confidence level calculated at the overall Company level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

Premium liabilities

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserve ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and PRAD calculated at 75% confidence level at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

(i) Unexpired Risk Reserve ("URR")

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(o) General Insurance Contract Liabilities (cont'd.)

(ii) Unearned Premiums Reserves ("UPR")

UPR represent 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 period.

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

- 25% method for marine, aviation cargo and transit business
- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of 3 or more	10%
Workmen's compensation and employers' liability	
- Foreign workers	10%
- Other workers	25%
- Employers' Liability	25%
Other classes	25%
- 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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(p) Other Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Rental income

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

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income represents gross dividends and is recognised on a declared basis when the shareholder's right to receive payment is established.

Realised gain and losses on investments

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

Commission income

Commission income derived from reinsurers in the course of ceding of premiums to reinsurers are charged to income statements in the period in which they are incurred.

(q) 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 and surplus for the year and is measured using the tax rates that have been enacted at the balance sheet date.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of Significant Accounting Policies (cont'd.)

(q) Income Tax (cont'd.)

Deferred tax is provided for, using the liability method. 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 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 as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(r) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and adjusted to reflect the correct best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflect, where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(s) 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. 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 absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of Significant Accounting Policies (cont'd.)****(s) Employee Benefits (cont'd.)*****Defined contribution plans***

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

Staff retirement benefits

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

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

(t) Foreign Currencies

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

(u) Other Financial Liabilities and Insurance Payables

Other Financial liabilities and payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(v) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with financial institutions with original maturities of three months or less.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgements, Estimates and Assumptions

(a) Critical Judgements Made in Applying Accounting Policies

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

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

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

(i) *Deferred tax assets*

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

(ii) *Income taxes*

The Company is subject to income taxes in Malaysia. Significant judgement is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgements, Estimates and Assumptions (cont'd.)

(a) Critical Judgements Made in Applying Accounting Policies (Cont'd)

(iii) Property and equipment

Property and equipment requires the review of the residual value and remaining useful life of an item of property and equipment at least at each financial year end.

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

(b) Key Sources of Estimation Uncertainty and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Link Ratios.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgements, Estimates and Assumptions (cont'd.)

(b) Key Sources of Estimation Uncertainty and Assumptions (cont'd.)

(i) Valuation of general insurance contract liabilities (cont'd.)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(ii) Pipeline premium

The general insurance fund has recognised pipeline contribution amounting to approximately RM956,513 (2009: RM3,015,692) at the end of the current financial year. Estimations made by management are based on actual risks underwritten and is as advised by the relevant agents or underwriters.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgements, Estimates and Assumptions (cont'd.)

(b) Key Sources of Estimation Uncertainty and Assumptions (cont'd.)

(iii) Uncertainty in accounting estimates for general insurance business

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the premiums liabilities and claims liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claims liabilities comprise provision for outstanding claims.

Generally, premiums and claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the Company's projections.

The estimates of premiums and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Changes In Accounting Policies And Effects Arising From Adoption of New and Revised FRSs and Issues Committee Interpretations ("IC Interpretations")

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

- (i) FRS 4: Insurance Contracts
- (ii) FRS 7: Financial Instruments - Disclosures
- (iii) FRS 8: Operating Segments
- (iv) FRS 101: Presentation of Financial Statements (Revised)
- (v) FRS 123: Borrowing costs
- (vi) FRS 139: Financial Instruments - Recognition and measurement
- (vii) Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- (viii) Amendment to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- (ix) Amendments to FRS 132: Financial Instruments: Presentation
- (x) FRS 139: Financial Instruments - Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- (xi) IC Interpretation 9: Reassessment of Embedded Derivatives
- (xii) IC Interpretation 10: Interim Financial Reporting and impairment
- (xiii) IC Interpretation 11: FRS2: Group and Treasury Share Transactions
- (xiv) IC Interpretation 13: Customer Loyalty Programmes
- (xv) IC Interpretation 14: FRS119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- (xvi) Tri-3: Presentation of Financial Statements of Islamic Financial Institutions

Adoption of the above standards and IC interpretations did not have any effect on the financial performance or position of the Group except for those discussed below:

(a) FRS 7 Financial Instruments: Disclosures and Presentations

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Changes In Accounting Policies And Effects Arising From Adoption of New and Revised FRSs and Issues Committee Interpretations ("IC Interpretations") (cont'd.)

(b) FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group have elected to present this statement in two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also required the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group.

(c) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising, derecognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. However, since the adoption of Risk-Based Capital Framework ("the Framework") on 1 January 2009, certain principles in connection with the recognition, derecognition and measurement of financial instruments which are similar to those prescribed by FRS 139 have already been adopted by the Group. Therefore, the adoption of FRS 139 on 1 January 2010 has resulted in changes in accounting policies mainly pertaining to the following:

(i) Investments measured at market bid prices

Prior to 1 January 2010, the fair value of quoted equities that are actively traded in organised financial markets is determined by reference to its quoted market closing prices.

Upon the adoption of FRS 139, the fair value of these investments is determined based on the quoted market bid prices. The effects arising from applying quoted market bid prices to the opening balances of retained earnings and current year profit or loss is not material.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Changes In Accounting Policies And Effects Arising From Adoption of New and Revised FRSs and Issues Committee Interpretations ("IC Interpretations") (cont'd.)

(c) FRS 139 Financial Instruments: Recognition and Measurement (Cont'd)

(ii) Reclassification of financial instruments

The Group has on 1 January 2010 reclassified its equity securities from FVTPL to AFS financial assets.

The effects arising from the reclassification of the financial instruments has been accounted for by adjusting the opening balances of retained earnings and AFS reserve as at 1 January 2010 as summarised below:

Group and Company	As at 31.12.2009 RM'000	Increase (Decrease)/ RM'000	As at 1.1.2010 RM'000
Available for sale reserves	926	2,656	3,582
Retained earnings	17,717	(2,656)	15,061

The following table provide estimates of the extent to which each of the line items in the balance sheets and statements of other comprehensive income for the financial year ended 31 December 2010 are higher or lower than it would have been had the previous policies been applied in the current financial year.

(i) Effects on Balance Sheets as at 31.12.2010

Group and Company	RM'000
Available for sale reserves	6,534
Deferred tax liabilities	1,633

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Changes In Accounting Policies And Effects Arising From Adoption of New and Revised FRSs and Issues Committee Interpretations ("IC Interpretations") (cont'd.)

(c) FRS 139 Financial Instruments: Recognition and Measurement (cont'd.)

(ii) Reclassification of financial instruments (cont'd.)

(ii) Effect on statements of other comprehensive income for the year ended 31.12.2010

	RM'000
Available for sale reserves, net of tax	4,901

(iii) Effects on income statement for year ended 31.12.2010

	RM'000
Gain and losses on investment	(2,701)
Retained earnings	(2,026)

(d) FRS 4 Insurance Contracts

FRS 4 introduces new disclosures to improve the information about the insurance contracts and related assets, liabilities, income and expense. It requires the disclosure of qualitative and quantitative information about sensitivity and concentration of exposures to risk arising from insurance contracts, credit risk, liquidity risk and market risk disclosures, reconciliations of changes in insurance liabilities and reinsurance assets, the effect of changes in assumptions used to measure insurance assets and insurance liabilities, showing separately the effect of each change that has a material effect on the financial statements and the objectives, policies and processes for managing risks arising from insurance contracts and the methods used to manage those risks.

The new disclosures are included throughout the notes to the financial statements for the year ended 31 December 2010.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Changes In Accounting Policies And Effects Arising From Adoption of New and Revised FRSs and Issues Committee Interpretations ("IC Interpretations") (cont'd.)

(e) FRS 8 Operating Segments

FRS 8 Operating Segments require identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity chief operating decision maker in order to allocate resources to the segment and to assess its performance. As the Group's operating segment is mainly in the general insurance business, the adoption of FRS 8 is not expected to have material impact to the Group.

2.6 Standards and IC Interpretations Issued but Not Yet Effective

The Group has not adopted the following standards and IC Interpretations that have been issued but are not yet effective.

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132: Financial Instruments: Presentation – Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010

- (i) FRS 1: First-time Adoption of Financial Reporting Standards (revised)
- (ii) FRS 3: Business Combinations (revised)
- (iii) FRS 127: Consolidated and Separate Financial Statements (amended)
- (iv) Amendments to FRS 2: Share-based Payment
- (v) Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- (vi) Amendments to FRS 138: Intangible Assets
- (vii) Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- (viii) IC Interpretation 12: Service Concession Arrangements
- (ix) IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- (x) IC Interpretation 17: Distribution of Non-cash Assets to Owners

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Standards and IC Interpretations Issued but Not Yet Effective (cont'd.)

Effective for financial periods beginning on or after 1 January 2011

- (i) Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for first- time Adopters
- (ii) Amendments to FRS 1: Additional Amendments for First-time adopters
- (iii) Amendments to FRS 2: Group Cash-settled Share-based Payments Transactions
- (iv) Amendments to FRS 7: Improving Disclosures about Financial Instruments
- (v) IC Interpretation 4: Determining whether an Arrangement contains a lease
- (vi) IC Interpretation 18: Transfer of Assets from Customers
- (vii) TR 3: Guidance on Transition to IFRSs
- (viii) Tri-4: Shariah Compliant Sale Contracts.

Effective for financial periods beginning on or after 1 July 2011

- (i) Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirements
- (ii) IC Interpretation 19, Extinguishing Financial Liabilities with equity instruments

Effective for financial periods beginning on or after 1 January 2012

- (i) FRS 124: Related Party Disclosures (revised)
- (ii) IC Interpretation 15: Agreements for the Construction of Real Estate

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY AND EQUIPMENT

Group and Company

	Land and Buildings RM'000	Renovation RM'000	Motor Vehicles RM'000	Furniture, Fittings, Office Equipment and Computers RM'000	Total RM'000
Cost					
At 1 January 2009	13,534	1,994	1,802	16,734	34,064
Additions	-	78	-	128	206
Disposals	-	-	(189)	(1)	(190)
At 31 December 2009	13,534	2,072	1,613	16,861	34,080
Additions	-	3	-	224	227
Disposals	-	-	(576)	-	(576)
At 31 December 2010	13,534	2,075	1,037	17,085	33,731
Accumulated Depreciation					
At 1 January 2009	1,678	1,796	1,772	15,394	20,640
Charge for year	86	105	29	689	909
Disposals	-	-	(189)	(1)	(190)
At 31 December 2009	1,764	1,901	1,612	16,082	21,359
Charge for year	84	78	-	353	515
Disposals	-	-	(576)	-	(576)
At 31 December 2010	1,848	1,979	1,036	16,435	21,298
Net carrying amount					
At 31 December 2009	11,770	171	1	779	12,721
At 31 December 2010	11,686	96	1	650	12,433

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

4. INVESTMENT PROPERTY

Group and Company

	2010		2009	
	Cost RM'000	Fair value RM'000	Cost RM'000	Fair value RM'000
At 1 January				
Freehold land and building	2,665		2,665	
Less: Accumulated depreciation	<u>(226)</u>		<u>(205)</u>	
At 31 December	<u>2,439</u>	<u>3,700</u>	<u>2,460</u>	<u>2,700</u>

5. INTANGIBLE ASSETS

Group and Company

	2010 RM'000	2009 RM'000
Computer software		
Cost		
At 1 January	1,972	1,921
Additions	<u>-</u>	<u>51</u>
At 31 December 2010	<u>1,972</u>	<u>1,972</u>
Accumulated Amortisation		
At 1 January	1,756	1,641
Amortisation	<u>101</u>	<u>115</u>
At 31 December 2010	<u>1,857</u>	<u>1,756</u>
Net carrying amount	<u>115</u>	<u>216</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS

Group and Company

	2010	2009
	RM'000	RM'000
Malaysian government securities	30,135	35,385
Debt securities	126,328	127,758
Equity securities	21,709	13,280
Unit and property trust funds	24,905	13,501
Loans	913	846
Deposits with financial institutions	180,167	145,648
	<u>384,157</u>	<u>336,418</u>

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

	2010	2009
	RM'000	RM'000
Held-to-maturity ("HTM") financial assets	30,135	35,385
Loans and receivables ("LAR")	181,080	146,494
Available-for-sale ("AFS") financial assets	172,942	128,000
Fair value through profit and loss ("FVTPL") financial assets	-	26,539
	<u>384,157</u>	<u>336,418</u>

The following investments mature after 12 months:

HTM financial assets	-	30,385
LAR	806	742
AFS financial assets	111,166	101,467
	<u>111,972</u>	<u>132,594</u>

(a) HTM financial assets

Group and Company

	2010	2009
	RM'000	RM'000
Amortised cost		
Malaysian government securities	<u>30,135</u>	<u>35,385</u>
Fair value		
Malaysian government securities	<u>30,202</u>	<u>35,858</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONT'D.)

(b) LAR

Group and Company

	2010	2009
	RM'000	RM'000
Amortised cost		
Fixed and call deposits with licensed financial institutions	180,167	145,648
Staff loans:		
Mortgage loans	829	739
Others:		
Secured	68	89
Unsecured	16	18
	<u>181,080</u>	<u>146,494</u>
Fair value		
Fixed and call deposits with licensed financial institutions	180,167	145,648
Staff loans:		
Mortgage loans	829	739
Others:		
Secured	68	89
Unsecured	16	18
	<u>181,080</u>	<u>146,494</u>

The carrying value of the fixed and call deposits approximate their fair values due to the relatively short term maturities.

The carrying value of the staff mortgage loans and other staff loans are reasonable approximations of the fair values due to the insignificant impact of discounting.

(c) AFS financial assets

Group and Company

	2010	2009
	RM'000	RM'000
Fair Value		
Equity securities:		
Quoted in Malaysia	46,343	-
Unquoted in Malaysia	271	242
Debt securities:		
Quoted in Malaysia	126,328	127,758
	<u>172,942</u>	<u>128,000</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONT'D.)

(d) FVTPL financial assets

Group and Company	2010 RM'000	2009 RM'000
Fair Value		
Equity securities	-	13,038
Unit and property trust funds	-	13,501
	<u>-</u>	<u>26,539</u>

(e) Carrying values of financial instruments

Group and Company

	HTM RM'000	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2009	47,497	120,832	100,195	28,311	296,835
Purchases	5,125	1,290,953	63,321	21,903	1,381,302
Maturities/disposals	(16,982)	(1,265,291)	(37,394)	(31,990)	(1,351,657)
Fair value gains/(losses) recorded in:					
Profit or loss	-	-	-	8,315	8,315
Other comprehensive income	-	-	1,695	-	1,695
Amortisation	(255)	-	183	-	(72)
At 31 December	<u>35,385</u>	<u>146,494</u>	<u>128,000</u>	<u>26,539</u>	<u>336,418</u>
Reclassification from FVTPL to AFS	-	-	26,539	(26,539)	-
Purchases	-	1,703,309	55,018	-	1,758,327
Maturities/disposals	(5,000)	(1,668,723)	(43,925)	-	(1,717,648)
Fair value gains recorded in:					
Other comprehensive income	-	-	7,233	-	7,233
Amortisation	(250)	-	77	-	(173)
At 31 December	<u>30,135</u>	<u>181,080</u>	<u>172,942</u>	<u>-</u>	<u>384,157</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONT'D.)

(f) Fair values of financial investments

Group and Company

	AFS RM'000	FVTPL RM'000	Total RM'000
At 31 December			
Quoted market bid price	172,942	-	172,942
At 31 December			
Quoted market bid price	128,000	26,539	154,539

7. INVESTMENT IN SUBSIDIARY

Company

	2010 RM	2009 RM
Unquoted shares	2	2

The Company has a 100% interest (2009: 100%) in the subsidiary, Capital OCA Berhad, a company incorporated in Malaysia. The subsidiary company is dormant.

8. REINSURANCE ASSETS

Group and Company

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Reinsurance of insurance contracts (Note 12):			
- premium liabilities	22,881	58,746	56,031
- claims liabilities	160,452	218,536	344,380
	<u>183,333</u>	<u>277,282</u>	<u>400,411</u>

9. INSURANCE RECEIVABLES

Group and Company

	2010 RM'000	2009 RM'000
Due premiums including agents/brokers and co-insurers and insured balances	22,034	30,881
Due from reinsurers and cedants	41,360	34,030
	<u>63,394</u>	<u>64,911</u>
Allowance for impairment	(26,764)	(27,275)
	<u>36,630</u>	<u>37,636</u>

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

9. INSURANCE RECEIVABLES (CONT'D.)

Movement in allowance accounts:

	2010	2009
	RM'000	RM'000
At 1 January	27,275	27,678
Reversal of allowances for impairment losses	(511)	(403)
At 31 December	<u>26,764</u>	<u>27,275</u>

10. OTHER RECEIVABLES

Group and Company

	2010	2009
	RM'000	RM'000
Income due and accrued	2,902	2,544
Malaysian Institute of Insurance ("MII") bonds	260	260
Tax recoverable	4,688	9,598
Net assets held under MMIP	8,154	4,887
Other receivables	1,342	1,073
	<u>17,346</u>	<u>18,362</u>
Receivable after 12 months	<u>262</u>	<u>262</u>

The carrying amounts of other receivables (excluding net assets held by Malaysian Motor Insurance Pool) approximate fair values due to the relatively short-term maturity of these balances.

11. SHARE CAPITAL

	2010		2009	
	No. of Shares '000	Amount RM'000	No. of Shares '000	Amount RM'000
Authorised				
Ordinary shares of RM1.00 each				
At beginning and end of year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and Paid-up				
Ordinary shares of RM1.00 each				
At beginning and end of year	<u>100,013</u>	<u>100,013</u>	<u>100,013</u>	<u>100,013</u>

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

12. INSURANCE CONTRACT LIABILITIES

	Note	Group and Company 31.12.2010			Group and Company 31.12.2009 (Restated)			Group and Company 1.1.2009 (Restated)		
		Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000
Provision for claims reported by policyholders		274,474	130,211	144,263	281,477	140,193	141,284	435,789	287,341	148,448
Provision for risk margin for adverse deviations ("PRAD")		55,185	30,241	24,944	96,177	78,343	17,834	64,012	57,039	6,973
Claims liabilities	(i)	329,659	160,452	169,207	377,654	218,536	159,118	499,801	344,380	155,421
Premium liabilities	(ii)	100,065	22,881	77,184	126,845	58,746	68,099	113,892	56,031	57,861
Insurance contract liabilities		429,724	183,333	246,391	504,499	277,282	227,217	613,693	400,411	213,282

Effective 1 January 2010, the estimations of claim and premium liabilities for Marine, Aviation and Transits (MAT) and Miscellaneous are based on detailed sub-classes of insurance business as opposed to class of business in prior years. Had the previous estimation been applied in the current years financial statements, the estimated effects to retained earnings, claim and premium liabilities are as follows:

	Higher/ (lower) RM'000
31 December 2010	
Retained earnings	(6,690)
Premium liabilities	(577)
Claim liabilities	7,267

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

12. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Group and Company 31.12.2010			Group and Company 31.12.2009 (Restated)		
	Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000
(i) Claims Liabilities						
At 1 January	377,654	(218,536)	159,118	499,801	(344,380)	155,421
Claims incurred in the current accident year	261,934	(103,147)	158,787	360,358	(205,216)	155,142
Movements in claims incurred in prior accident years	(180,355)	113,698	(66,657)	(256,427)	189,100	(67,327)
Claims paid during the year	(129,574)	47,533	(82,041)	(226,078)	141,960	(84,118)
At 31 December	329,659	(160,452)	169,207	377,654	(218,536)	159,118
(ii) Premium liabilities						
At 1 January	126,845	58,746	68,099	113,892	56,031	57,861
Premiums written in the year	217,366	85,619	131,747	239,333	120,200	119,133
Premiums earned during the year	(244,146)	(121,484)	(122,662)	(226,380)	(117,485)	(108,895)
At 31 December	100,065	22,881	77,184	126,845	58,746	68,099

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

13. DEFERRED TAXATION

Group and Company

	2010	2009
	RM'000	RM'000
At 1 January		
Recognised in:	(901)	2,361
Profit or loss	1,976	(2,876)
Other comprehensive income	(1,036)	(386)
At 31 December	<u>39</u>	<u>(901)</u>

	AFS	Accelerated	Others *	Total
	financial	capital	RM'000	RM'000
	assets	allowances	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities				
2010				
At 1 January	(309)	(94)	(1,691)	(2,094)
Recognised in other comprehensive income	(1,036)	-	-	(1,036)
Recognised in profit or loss	-	(19)	1,691	1,672
At 31 December	<u>(1,345)</u>	<u>(113)</u>	<u>-</u>	<u>(1,458)</u>
2009				
At 1 January	77	(141)	(1,944)	(2,008)
Recognised in other comprehensive income	(386)	-	-	(386)
Recognised in profit or loss	-	47	253	300
At 31 December	<u>(309)</u>	<u>(94)</u>	<u>(1,691)</u>	<u>(2,094)</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

13. DEFERRED TAXATION (CONT'D.)

Deferred tax assets

	Unutilised losses RM'000	Receivables RM'000	Others * RM'000	Total RM'000
2010				
At 1 January	-	1,193	-	1,193
Recognised in profit or loss	-	(463)	767	304
At 31 December	-	730	767	1,497
2009				
At 1 January	17	1,331	3,021	4,369
Recognised in profit or loss	(17)	(138)	(3,021)	(3,176)
At 31 December	-	1,193	-	1,193

* Others comprise provision for management expenses, claim liabilities and premium liabilities.

14. INSURANCE PAYABLES

Group and Company

	2010 RM'000	2009 RM'000
Due to agents, brokers, co-insurers and insureds	9,546	13,935
Due to reinsurers and cedants	39,759	20,484
	<u>49,305</u>	<u>34,419</u>

The carrying amount disclosed above approximate fair value at the balance sheet date.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

15. OTHER PAYABLES

Group and Company

	2010	2009
	RM'000	RM'000
Accrued expenses	4,867	4,974
Claims payable	11,643	14,980
Reinsurance Deposits	3,936	3,633
Others	3,321	5,485
	<u>23,767</u>	<u>29,072</u>

The carrying amount disclosed above approximate fair value at the balance sheet date.

16. RETIREMENT BENEFITS

Group and Company

	2010	2009
	RM'000	RM'000
At beginning of year	2,120	3,227
Provision for the year	202	180
	<u>2,322</u>	<u>3,407</u>
Payments during the year	(774)	(1,287)
	<u>1,548</u>	<u>2,120</u>
Amount payable after 12 months	<u>1,171</u>	<u>1,368</u>

17. OPERATING REVENUE

Group and Company

		2010	2009
	Note	RM'000	RM'000
Gross earned premiums	18	244,146	226,280
Investment income	19	13,120	12,594
		<u>257,266</u>	<u>238,874</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

18. NET EARNED PREMIUMS

Group and Company

	2010	2009
	RM'000	RM'000
(a) Gross Earned Premiums		
General insurance contracts	217,366	239,233
Change in premium liabilities	26,780	(12,953)
	<u>244,146</u>	<u>226,280</u>
(b) Premiums ceded to reinsurers		
General insurance contracts	85,619	120,102
Change in premiums liabilities	35,865	(2,715)
	<u>121,484</u>	<u>117,387</u>
Net Earned Premiums	<u>122,662</u>	<u>108,893</u>

19. INVESTMENT INCOME

Group and Company

	2010	2009
	RM'000	RM'000
Rental income from investment property	354	350
Interest income		
- HTM financial assets	1,297	1,601
- AFS financial assets	5,669	5,860
- LAR Fixed and call deposits	4,242	3,050
- Others	761	319
Amortisation of premium	(173)	(53)
Dividend income	970	1,467
	<u>13,120</u>	<u>12,594</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

20. REALISED GAINS AND LOSSES

Group and Company

	2010	2009
	RM'000	RM'000
AFS financial assets:		
Realised gains:		
Equity securities		
- quoted in Malaysia	3,857	-
Debts Securities		
- quoted in Malaysia	164	153
Realised losses:		
Equity securities		
- quoted in Malaysia	(24)	-
Debts Securities		
- quoted in Malaysia	(908)	-
Total realised gains for AFS financial assets	<u>3,089</u>	<u>153</u>
FVTPL financial assets:		
Realised gains:		
Equity securities		
- quoted in Malaysia	-	5,439
Realised losses:		
Equity securities		
- quoted in Malaysia	-	(876)
Total realised gains for HFT financial assets	<u>-</u>	<u>4,563</u>
Total realised gains for financial assets	<u>3,089</u>	<u>4,716</u>

21. OTHER OPERATING INCOME/(EXPENSES)

Group and Company

	2010	2009
	RM'000	RM'000
Unrealised gain on equities securities	-	9,587
Unrealised losses on equities securities	-	(1,297)
Realised gain on disposal of property and equipment	55	23
Other income	373	123
	<u>428</u>	<u>8,436</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

22. NET CLAIMS INCURRED

Group and Company

	2010	2009
	RM'000	RM'000
(a) Gross claims paid		
General insurance contracts (Note 12)	(129,574)	(226,078)
(b) Claims ceded to reinsurers		
General insurance contracts (Note 12)	47,533	141,960
(c) Gross change in contract liabilities		
General insurance contracts	47,995	122,147
(d) Change in contract liabilities ceded to reinsurers		
General insurance contracts	(58,084)	(125,844)
	<u>(92,130)</u>	<u>(87,815)</u>

23. MANAGEMENT EXPENSES

Group and Company

	2010	2009
	RM'000	RM'000
Employee benefits expense (Note 23 (a))	12,460	13,466
Directors' remuneration (Note 23 (b))	532	444
Auditors' remuneration:		
Statutory audit	240	110
Others	37	37
Depreciation of investment property	21	22
Depreciation of property and equipment	515	1,045
Reversal of impairment losses on insurance receivables	(511)	(403)
Insurance guarantee scheme levy	323	351
Rental of premises	617	621
Printing charges	1,040	1,050
Publicity expenses	1,768	1,504
Communication expenses	667	583
Amortisation of intangible assets	101	115
Computer expenses	1,152	1,410
Administration and general expenses	4,267	3,513
	<u>23,229</u>	<u>23,868</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

23. MANAGEMENT EXPENSES (CONT'D.)

Group and Company

	2010	2009
	RM'000	RM'000
(a) Employee benefit expenses		
Wages and salaries	9,082	9,582
Social security contributions	127	123
Contributions to defined contribution plan EPF	1,345	1,301
Other benefits	1,906	2,460
	<u>12,460</u>	<u>13,466</u>

(b) Directors' remuneration

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

	2010	2009
	RM'000	RM'000
Executive director:		
Directors' fees	-	24
Other emoluments	-	7
	<u>-</u>	<u>31</u>
Non-Executive directors:		
Directors' fees	138	186
Other emoluments	394	227
	<u>532</u>	<u>413</u>
Total directors' remuneration	<u>532</u>	<u>444</u>

(c) CEO's remuneration

	2010	2009
	RM'000	RM'000
Salary	312	207
EPF	44	34
Bonus	56	1
Gratuity	-	633
Benefits-in-kind	17	8
	<u>429</u>	<u>883</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

23. MANAGEMENT EXPENSES (CONT'D.)

(d) Deputy CEO's remuneration

	2010 RM'000	2009 RM'000
Salary	87	152
EPF	10	21
Bonus	-	25
Retirement gratuity	325	-
Benefits-in-kind	2	7
	<u>424</u>	<u>205</u>

24. INCOME TAX EXPENSE

Group and Company

	2010 RM'000	2009 RM'000
Current income tax:		
Malaysian income tax	4,327	1,782
Under provision in prior years	3,314	146
	<u>7,641</u>	<u>1,928</u>
Deferred tax (Note 13):		
Relating to origination and reversal of temporary differences	(33)	3,150
Over provision in prior years	(1,943)	(274)
	<u>(1,976)</u>	<u>2,876</u>
	<u>5,665</u>	<u>4,804</u>

The income tax is calculated based on the tax rate of 25% (2009 : 25%) of the estimated assessable profit for the financial year.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

24. INCOME TAX EXPENSE (CONT'D)

Group and Company	2010 RM'000	2009 RM'000
A reconciliation of the income tax expenses at the effective income tax rate is as follows:		
Profit before tax	<u>15,856</u>	<u>16,819</u>
Taxation at Malaysian statutory tax rate of 25%	3,964	4,205
Expenses not deductible for tax purposes	330	727
Under provision of taxation in prior years	3,314	146
Over provision of deferred taxation in prior years	<u>(1,943)</u>	<u>(274)</u>
Tax expense for the year	<u>5,665</u>	<u>4,804</u>

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Group did not elect for the irrevocable option to disregard the section 108 balance. Accordingly, during the transitional period, which is up to 31 December 2013, the Group may utilise the credit in the section 108 balance to distribute cash dividend payment.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

25. EARNINGS PER SHARE

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

Group and Company	2010 RM'000	2009 RM'000
Net profit for the year	10,191	12,015
Number of ordinary shares in issue ('000)	10,013	100,013
Basic earnings per share (sen)	<u>10.2</u>	<u>12.0</u>

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

26. CASH FLOWS

Group and Company

	Note	2010 RM'000	2009 RM'000
Profit before taxation		15,856	16,819
Adjustment for:			
Investment income		(13,293)	(12,646)
Realised gain on disposal of investments	20	(3,089)	(4,716)
Gain on disposal of property and equipment		(55)	(23)
Write back for diminution in value of investment (net)		-	(4,976)
Unrealised gain		-	(3,544)
Increase in AFS investment	6 (e)	(7,303)	(11,564)
Decrease in HTM investment	6 (e)	4,750	11,602
(Increase)/decrease in LAR	6 (e)	(42,520)	5,101
Non-Cash items			
Depreciation of property and equipment		(61)	719
Depreciation of investment property		21	22
Amortisation of intangible assets		101	115
Amortisation of premiums net of accretion of discounts		173	54
Reversal of impairment losses of insurance receivables		(511)	(403)
Allowance for staff retirement gratuities		202	180

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

26. CASH FLOWS (CONT'D.)

Group and Company

	2010	2009
	RM'000	RM'000
Changes in working capital		
Increase in reinsurance assets	93,949	123,129
Increase/(decrease) in insurance receivables	1,156	(11,014)
Increase/(decrease) in other receivables	2,098	(2,195)
Decrease in contract liabilities	(74,775)	(109,194)
Decrease/(increase) in insurance payables	9,372	(2,022)
(Increase)/decrease in other payables	(7,847)	16,046
Cash (used in)/generated from operating activities	<u>(21,776)</u>	<u>11,490</u>

27. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

The Group had the following significant transactions and outstanding balances with related parties:

Group and Company

	2010	2009
	RM'000	RM'000
Premium income:		
Director-related corporation, Asian Institute of Medicine, Science & Technology	-	907
Fellow subsidiary, Maika Intellectual Resources Sdn Bhd	-	2
	<u>-</u>	<u>909</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

27. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

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

Group and Company

	2010	2009
	RM'000	RM'000
Short term employee benefits	1,660	2,251
EPF expenses	156	168
Gratuity	699	-
Benefits-in-kind	39	50
	<u>2,554</u>	<u>2,469</u>

Included in the total key management personnel are:

Group and Company

	2010	2009
	RM'000	RM'000
Directors' remuneration (Note 23 (b))	<u>532</u>	<u>444</u>

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

28. RISK MANAGEMENT FRAMEWORK

As a general insurance company, Oriental Capital Assurance Berhad is in the business of absorbing the risk of financial loss on behalf of its clients.

In meeting these requirements the Board, which has the ultimate responsibility for ensuring an adequate system of risk management, has established a Risk Management Committee of 3 members, comprising two Non-Executive Directors, the Chief Executive Officer and other members of staff. The Committee is responsible for regularly identifying risks, ensuring that adequate risk management policies and procedures are in place, and monitoring compliance with policies and procedures.

The Committee has worked with the Management to develop these policies and both Management and Board have agreed to adopt these policies to govern the running of the business.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

RISK APPETITE

The Company's risk appetite has been established as 3% of shareholder funds i.e. approximately RM4 million on any one event or series of events arising from a single cause.

OVERVIEW OF RISK MANAGEMENT POLICIES

The key risks facing the company are well categorised and are covered by the following policies. However, recognising new risks requires constant vigilance.

A. Underwriting

i. Risk

Acceptance of poor insurance risks, risks with low profit margins and inadequate reinsurance arrangements contribute to low profitability and inadequate capital growth. Insurance risk is also the risk of outstanding premium liabilities being greater than estimated.

ii. Policy

The following outlines the Company's policies to safeguard against these risks:

- (a) Underwrite only classes of risks which have been approved by the Board;
- (b) Accept risks within the approved classes only according to comprehensive underwriting guidelines and within limits of delegated authority;
- (c) Expand into new lines only where there is adequate experience within the company and after management has obtained appropriate Board authority.
- (d) Price risks with sufficient margin to ensure ongoing viability of the business, and maintaining a professional approach to this function,
- (e) Retain risks according to guidelines on maximum risks to be retained.
- (f) Mitigate foreign currency risks on reinsurance by all significant reinsurance arrangements being entered into in Malaysian Ringgit.
- (g) Ensure compliance with treaty arrangements in accepting risks.
- (h) Maintain a balanced portfolio to yield a reasonable level of profits, and
- (i) Review on a regular basis the reserves for unearned premiums.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

OVERVIEW OF RISK MANAGEMENT POLICIES (CONT'D.)

A. Underwriting (cont'd.)

ii. Policy (cont'd.)

The company does not accept risks of an economic or political nature or those that have a long gestation period.

B. Reinsurance

Maintain prudent reinsurance arrangements with reputable reinsurers to safeguard the ongoing viability of the business including its capacity to meet obligations to policyholders and shareholders.

Assess the credit worthiness of reinsurance underwriters and their ability to service their claims obligations.

C. Claims

i. Risk

Exposure to unexpected or excessive losses, fraudulent claims and inadequate provisions for outstanding claims could affect the company's profitability, financial position and reputation.

ii. Policy

The Company policies to guard against these risks are:

- (a) Identify claims exposures and properly assess them, and routinely review them upon advent of further information and at least one a year.
- (b) Maintain good claims administration and settlement processes to ensure prudent claims estimation and appropriate loss adjustment.
- (c) Make adequate provisions for all claims liabilities, especially for long-tail liabilities and the effect of superimposed inflation and adverse foreign exchange movements on such liabilities.
- (d) Assess exposure to fraud periodically and employ measures to minimise potential losses through accepting claims outside contractual obligations for fraudulent reasons and for detecting fraudulent claims.
- (e) Ensure that losses are mitigated and potential recovery action is followed up in a professional and timely fashion.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

D. Investments

i. Risk

Investment risk is the risk of inadequate investment returns from poor investment strategy and adverse movements in the value of investments. Investment risk derived from market risk, credit risk, investment concentration risk, liquidity risk, and asset/liability mismatch risk.

ii. Policy

Returns from investment of premium income are an important source of income to the company and maintenance of the market value of the investments is essential for the financial stability of the company. Absence of prudent investment strategies and investment decision framework could result in poor investment return which would affect the company's profitability and competitiveness and also result in the company not being able to meet its obligations as they fall due. It is company policy to:

- (a) Maintain credit control in accordance with appropriate policies and procedures which governs the extension of credit to brokers, agents and reinsurance partners and specifies guidelines for setting limits on credit.
- (b) Implement an investment strategy to ensure appropriate asset allocation, concentration of investments and matching of asset and liability portfolios.
- (c) Ensure that investments are held in different classes within limits specified by the Investment Committee.
- (d) Undertake a through analysis before making an investment to minimise market risk and continuously monitor the performance and risk of the investment.
- (e) Manage disposal of investments to optimise the returns on realisation.
- (f) Limit exposure to interest rate risk by investing in term deposits, corporate bonds and government securities on a long and short-term basis at competitive rates.
- (g) Ensure liquidity by maintaining sufficient cash float at any time and regularly matching expected duration of liabilities and investment; and uncertainties arising from timing and amount of cash flows;

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

D. Investments (cont'd.)

ii. Policy (cont'd.)

- (h) Minimise credit risk and investment concentration risk by investing with institutions that have a rating of “B” within specific overall limits for each institution.
- (i) Monitor investment portfolio and performance weekly or at other shorter intervals and report investment exposure and performance to the Board monthly.

The Company does not use derivatives.

E. Credit Quality

i. Risk

Risk associated with credit exposure that increase the risk profile of the Company and can adversely affect the Company’s viability. The risk arises mainly from default of premiums due and large exposures.

ii. Policy

Policies to limit credit risks include the following:

- (a) Maintain credit control in accordance with appropriate policies and procedures which governs the extension of credit to brokers, agents and reinsurance partners and specifies guidelines for setting limits on credit.
- (b) Limit exposure to single parties or groups of related entities to 30% of the company’s capital base. However specific Board of Directors approval is required to sanction exposures including facultative reinsurance placements which exceed 30% of the company’s capital base as well as exposure arrangements made in exception cases eg: Lloyds Syndicate, captive companies.
- (c) Monitor compliance with such established credit limits.
- (d) Collect amounts due in accordance with agreed credit terms, enforce prompt collection of amounts overdue amounts in the case of premiums due, consider the cancellation of insurance policies at the expiry of credit terms.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

F. Operations

i. Risk

Non-financial or operational risks the company faces include technology risk, risk to reputation, fraud, compliance, legal risk, physical damage to property, poor outsourcing arrangements, threat to business continuity, and key person risk.

ii. Policy

The policies to monitor and minimise these risks are as follows:

- (a) Undertake annual risk audits to identify material operations risks to which the company is exposed.
- (b) Effect appropriate insurance cover for all identified operations risks which can be cost-effectively insured.
- (c) Maintain a business continuity plan for events that may lead to a disruption in business including a computer disaster, together with appropriate insurance.
- (d) Maintain an IT security management policy that identifies the rules and procedures that all persons accessing computer resources must adhere to in order to ensure confidentiality, integrity and availability of data resources and protects the data resources from viruses.
- (e) Closely monitor the external relationships
- (f) Retain records in accordance with an approved document retention policy and safeguard such documents from accidental damage or destruction;
- (g) Ensure at all times that compliance with regulatory requirements and fulfillment of material obligations under the total legislative framework that applies is maintained.
- (h) Maintain an ethics and personal conduct policy to conduct the affairs of the company in a manner that would avoid any action by the company or its officers that would bring disrepute to the company.
- (i) Implement adequate security procedures to prevent unauthorized access, damage, loss to assets and facilities and harm to employees and undertake staff training in relation to those procedures.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

F. Operations (cont'd.)

ii. Policy (cont'd.)

- (j) Ensure that division and responsibility is clear and mutually understood where any part of the company's business is outsourced to third parties whilst ultimate control over the outsourced operations is retained by the company.
- (i) Identify the types of fraud the Company is exposed to and develop and maintain effective controls to prevent them and to take appropriate and prompt action if fraud occurs.

G. REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE

The Management is responsible to follow a systematic approach to the business and effectively manage the risks. The key risks that have been identified are monitored and their status communicated as appropriate throughout all levels of the organisation and also incorporated in the Company's performance management reporting.

The Company maintains a register of risks and follows a project management approach toward mitigation of risk.

The Internal Audit, which reports independently to the Board of Directors, undertakes a wide ranging programme of work designed to keep the Board fully informed on the compliance of the business with agreed risk management policies, controls and procedures.

Regular reports are submitted to the Board with Key Performance Indicators covering the company's performance and the many risks identified.

A Compliance Department is formed to ensure regulatory compliance. The department is under the responsibility of the Manager. Quality Audit/Compliance who shall monitor compliance to regulatory requirements.

The Manager – Quality Audit/Compliance shall take responsibility to ensure regulatory compliance is adhered and any changes to policy and practices are communicated appropriately to all parties concerned.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

H. REGULATIONS OF RISK MANAGEMENT

In accordance with these policies a procedural framework for management of these risks has been developed for the effective management of risk.

Effective and efficient operation of the organisation would be ensured through:

- (a) Providing a framework for an organisation that enables for activities to be undertaken in a consistent and controlled manner.
- (b) A management structure that clearly identifies the roles and responsibilities of the staff at all levels.
- (c) Development of procedures to ensure that the risk management strategies are implemented.
- (d) Retention of a well-qualified level of staff through appropriate recruitment, training and staff development systems and procedures.
- (e) Improving motivation of staff through a suitable communication, review, feed back and reward systems.
- (f) Prompt and comprehensive management reporting systems to assess performance and progress of the business and the utilisation of its resources.

29. INSURANCE RISK

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(a) Concentration of risks by class of business

The table below sets out the concentration of risks on insurance contracts by class of business:

	Gross Premium Liabilities RM'000	Re- insurance Premium Liabilities RM'000	Net Premium Liabilities RM'000
31 December 2010			
Motor	63,099	1,117	61,982
Fire	5,635	2,497	3,138
MAT (Marine, Aviation & transit)	21,951	16,990	4,961
Others	9,380	2,277	7,103
	<u>100,065</u>	<u>22,881</u>	<u>77,184</u>
31 December 2009			
Motor	48,196	2,367	45,829
Fire	6,727	2,694	4,033
MAT (Marine, Aviation & transit)	64,435	52,075	12,360
Others	7,487	1,610	5,877
	<u>126,845</u>	<u>58,746</u>	<u>68,099</u>

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(b) Sensitivity analysis

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

(b) Sensitivity analysis

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

(c) *Catastrophic exposure*

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

(d) ** Claims Development Table **

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

(d) ** Claims Development Table **

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS

(a) Credit Risk

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

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

(i) Credit exposure by funds

The table below shows the maximum exposure to credit risk for the components of the balance sheet by funds:

Group and Company

	Note	2010 RM'000	2009 RM'000
<i>Insurance and Shareholders' funds</i>			
HTM financial assets			
Malaysian government securities	6(a)	30,135	35,385
LAR			
Fixed and call deposits	6(b)	181,080	146,494
AFS financial assets			
Equity securities	6(c)	46,614	242
Debt securities		126,328	127,758
FVTPL financial assets			
Equity securities	6(d)	-	13,038
Debt securities		-	13,501
Reinsurance assets	8	183,333	277,282
Insurance receivables	9	36,630	37,636
Cash and bank balances		3,142	7,907
		<u>607,262</u>	<u>659,243</u>

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

***** Credit exposure by credit rating *****

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

***** Credit exposure by credit rating *****

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

Age Analysis of Financial Assets Past-Due But Not impaired

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk

Liquidity risk is the risk where the Group is unable to meet its obligations in a timely manner 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.

Maturity Profiles

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

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

**** Maturity Profiles ****

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

**** Maturity Profiles ****

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity Profiles (Cont'd.)

The table below summarises the expected utilisation or settlement of assets.

	Current* RM'000	Non- Current RM'000	Total RM'000
31 December 2010			
Property and equipment	-	12,433	12,433
Investment property	-	2,439	2,439
Intangible Assets	-	115	115
Financial instruments:			
HTM	30,135	-	30,135
LAR	181,080	-	181,080
AFS	15,162	111,166	126,328
Reinsurance assets	96,022	87,311	183,333
Insurance receivables	36,630	-	36,630
Other receivables	2,894	14,452	17,346
Cash and bank balances	3,142	-	3,142
	<u>365,065</u>	<u>227,916</u>	<u>592,981</u>
31 December 2009			
Property and equipment	-	12,721	12,721
Investment property	-	2,460	2,460
Intangible Assets	-	216	216
Financial instruments:			
HTM	5,000	30,385	35,385
LAR	146,494	-	146,494
AFS	26,290	101,710	128,000
FVTPL	-	26,539	26,539
Reinsurance assets	143,125	134,157	277,282
Insurance receivables	37,636	-	37,636
Other receivables	2,558	15,804	18,362
Cash and bank balances	7,907	-	7,907
	<u>369,010</u>	<u>323,992</u>	<u>693,002</u>

* expected utilisation or settlement within 12 months from the Balance Sheet date.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(c) Market Risk

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

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

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

		31 December 2010		31 December 2009	
		Impact on Profit		Impact on Profit	
	Changes in variable	before Tax	Impact on Equity*	before Tax	Impact on Equity*
		RM'000	RM'000	RM'000	RM'000
Market Indices					
Bursa Malaysia	+10%	197	510	810	608
Bursa Malaysia	-10%	(197)	(510)	(810)	(608)

* *Impact on Equity reflects adjustments for tax, where applicable*

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(c) Market Risk (cont'd.)

Sensitivity Analysis

	31.12.2010	31.12.2009
	Equity	Equity
	RM'000	RM'000
Interest Rates +0.5%	(1,616)	(1,854)
Interest Rates -0.5%	1,633	1,888
Interest Rates +1.0%	(3,200)	(2,784)
Interest Rates -1.0%%	3,301	3,812

(d) Interest rate risk

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

(e) Operational Risk

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

31. REGULATORY CAPITAL REQUIREMENT

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

	2010 RM'000	2009 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,013	100,013
Reserves, including retained earnings	28,587	21,052
	<u>128,600</u>	<u>121,065</u>
Tier 2 Capital		
Eligible reserves	<u>6,690</u>	<u>926</u>
Deduction for Intangible assets	<u>115</u>	<u>216</u>
Total Capital Available	<u>135,175</u>	<u>121,775</u>

32. COMPARATIVES

The following comparative figures as at 31 December 2009 have been reclassified to conform with the current year's presentation.

	As previously stated RM'000	Re-classification RM'000	Restated RM'000
Balance Sheet			
Assets			
Investments	145,648	(145,648)	-
Malaysian government securities	-	35,385	35,385
Debt securities	-	127,758	127,758
Equity securities	-	13,280	13,280
Unit and property trust fund	-	13,501	13,501
Deposit with financial institution	-	145,648	145,648
Securities - HTM	35,385	(35,385)	-
Securities - AFS	128,000	(128,000)	-
Securities - FVTPL	26,539	(26,539)	-
	<u>335,572</u>	<u>-</u>	<u>335,572</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

32. COMPARATIVES (CONT'D.)

	As previously stated RM'000	Re-classification RM'000	Restated RM'000
Balance Sheet (cont'd.)			
Receivables	55,998	(55,998)	-
Insurance receivables	-	37,636	37,636
Other receivables	-	18,362	18,362
	<u>55,998</u>	<u>-</u>	<u>55,998</u>
Reinsurance assets	-	277,282	277,282
Insurance contract liabilities	-	(504,499)	(504,499)
	<u>-</u>	<u>(227,217)</u>	<u>(227,217)</u>
Liabilities			
Claims liabilities	(159,118)	159,118	-
Premium liabilities	(68,099)	68,099	-
	<u>(227,217)</u>	<u>227,217</u>	<u>-</u>
Payables	(52,621)	52,621	-
Insurance payables	-	(34,419)	(34,419)
Other payables	-	(29,072)	(29,072)
	<u>(52,621)</u>	<u>(10,870)</u>	<u>(63,491)</u>
Income statement			
Operating revenue	<u>251,827</u>	<u>(12,953)</u>	<u>238,874</u>
Gross earned premiums	-	226,280	226,280
Premium ceded to reinsurers	-	(117,387)	(117,387)
Investment income	-	12,594	12,594
Realised gains and losses	-	4,716	4,716
Commission income	-	19,329	19,329
Other operating income	-	8,436	8,436
Gross claims paid	-	(226,078)	(226,078)
Claims ceded to reinsurers	-	141,960	141,960
Gross change in contract liabilities	-	122,147	122,147
Change in contract liabilities ceded to reinsurers	-	(125,844)	(125,844)
Commission expense	-	(25,466)	(25,466)
Management expenses	-	(23,868)	(23,868)
Shareholders' fund:			
Investment income	91	(91)	-
Other operating expenses	(7)	7	-
	<u>84</u>	<u>16,735</u>	<u>16,819</u>
Surplus/(deficit transferred from general insurance revenue account	<u>16,735</u>	<u>(16,735)</u>	<u>-</u>
	<u>16,819</u>	<u>-</u>	<u>16,819</u>

30686K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(b) Sensitivity analysis

Key Assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes key assumptions such as the adopted Ultimate Loss Ratios (ULR), risk margin percentages (i.e. Provision of Risk Margin for Adverse Deviation (PRAD)) and provision for claims handling costs.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Sensitivities

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

- Adopted Ultimate Loss Ratio;
- Provision of Risk Margin for Adverse Deviation (PRAD); and
- Provision for Expenses (which includes claims handling cost and other overheads).

30686K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(b) Sensitivity analysis (cont'd.)

The analysis below is performed for reasonably possible movements in key assumptions (i.e. a 10% increase) with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Profit before Tax RM'000	Impact on Equity RM'000
31 December 2010					
Adopted Ultimate Loss Ratio	+10%	21,367	16,632	16,632	12,474
Provision of Risk Margin for Adverse Deviation	+10%	2,787	1,327	1,327	995
Provision for Expenses	+10%	1,811	1,811	1,811	1,358
31 December 2009					
Adopted Ultimate Loss Ratio	+10%	47,775	21,124	21,124	15,843
Provision of Risk Margin for Adverse Deviation	+10%	4,628	1,209	1,209	907
Provision for Expenses	+10%	1,711	1,711	1,711	1,283

30686K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(c) Catastrophic exposure

The analysis below shows the level of catastrophic exposure written by the Company based on various realistic disaster scenarios. Reinsurance is used to limit exposures to single large claims or accumulation of claims that arise from the same event or accumulation of similar events. The analysis below shows the worst case catastrophic scenario.

Key Assumptions:

The key assumptions used in this analysis are as follows:

- (a) Tsunami Exposure
- (b) Flood exposure for identified key risk areas

Catastrophic Event	Sum insured RM'000	Net retention (Sum Insured) RM'000	Estimated Gross Claims RM'000	Estimated Net Claims RM'000	Estimated Net Claims after Catastrophic Excess of Loss Reinsurance Recovery RM'000
Tsunami	62,410	35,774	62,410	35,774	6,774
Floods	6,715,399	359,773	5,762,678	94,676	36,676

30686K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(d) Claims Development Table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross General Insurance Liabilities for 2010:

Accident Year	Note	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year		274,230	298,627	212,285	167,686	166,086	231,338	173,640	170,237	
One year later		252,462	308,207	200,053	183,227	154,839	250,131	124,133		
Two years later		273,148	295,351	192,945	232,048	158,509	209,999			
Three years later		275,965	302,121	178,676	184,539	154,492				
Four years later		279,967	290,270	178,194	186,016					
Five years later		276,344	274,991	183,709						
Six years later		264,309	278,062							
Seven years later		285,860								
Current estimate of cumulative claims incurred		285,860	278,062	183,709	186,016	154,492	209,999	124,133	170,237	
At end of accident year		(49,691)	(69,981)	(52,586)	(35,851)	(49,271)	(42,734)	(39,361)	(37,877)	
One year later		(171,642)	(206,226)	(101,836)	(105,509)	(94,405)	(145,303)	(72,446)		
Two years later		(221,305)	(241,056)	(141,024)	(125,407)	(116,722)	(172,194)			
Three years later		(226,437)	(257,067)	(151,724)	(166,789)	(130,372)				
Four years later		(235,945)	(260,678)	(159,113)	(171,800)					
Five years later		(238,010)	(264,104)	(163,874)						
Six years later		(241,883)	(266,495)							
Seven years later		(247,791)								
Cumulative payments to-date		(247,791)	(266,495)	(163,874)	(171,800)	(130,372)	(172,194)	(72,446)	(37,877)	
Net general insurance contract liabilities per Balance Sheet	12	38,069	11,567	19,835	14,216	24,120	37,805	51,687	132,360	329,659

30686K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(d) Claims Development Table (cont'd.)

Net General Insurance Liabilities for 2010:

Accident Year	Note	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year		105,491	95,411	83,525	89,507	87,488	101,725	104,039	113,716	
One year later		101,642	92,614	84,403	90,969	81,750	91,616	87,675		
Two years later		98,891	93,819	82,385	81,533	80,953	88,173			
Three years later		99,713	94,852	73,352	79,346	81,155				
Four years later		101,386	86,073	72,853	80,061					
Five years later		97,931	83,295	74,222						
Six years later		96,289	85,197							
Seven years later		103,940								
Current estimate of cumulative claims incurred		103,940	85,197	74,222	80,061	81,155	88,173	87,675	113,716	
At end of accident year		(36,424)	(34,863)	(23,882)	(30,311)	(29,972)	(33,463)	(35,706)	(34,281)	
One year later		(69,498)	(59,079)	(51,603)	(58,380)	(57,052)	(62,499)	(61,731)		
Two years later		(78,955)	(67,752)	(58,684)	(64,738)	(63,277)	(70,453)			
Three years later		(84,036)	(74,358)	(61,513)	(67,919)	(68,290)				
Four years later		(88,730)	(75,812)	(64,026)	(71,125)					
Five years later		(89,940)	(77,418)	(66,320)						
Six years later		(91,128)	(78,841)							
Seven years later		(93,891)								
Cumulative payments to-date		(93,891)	(78,841)	(66,320)	(71,125)	(68,290)	(70,453)	(61,731)	(34,281)	
Net general insurance contract liabilities per Balance Sheet	12	10,049	6,356	7,902	8,936	12,865	17,720	25,944	79,435	169,207

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (cont'd.)

(ii) Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither impaired nor past-due					Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	Not Rated RM'000			
31 December 2010							
HTM financial investments							
Malaysian government securities	-	-	-	30,135	-	-	30,135
LAR							
Fixed and call deposits	-	-	-	180,167	-	-	180,167
AFS financial investments							
Equity securities	-	-	-	46,614	-	-	46,614
Debt securities	55,770	63,150	-	7,408	-	-	126,328
Reinsurance assets	3,637	18,808	43,698	117,190	-	-	183,333
Insurance receivables	-	-	-	11,559	25,071	-	36,630
Cash and bank balances	-	-	-	3,142	-	-	3,142
	59,407	81,958	43,698	396,215	25,071	-	606,349

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (cont'd.)

(ii) Credit exposure by credit rating (cont'd.)

	Neither impaired nor past-due				Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	Not Rated RM'000		
31 December 2009						
HTM financial investments						
Malaysian government securities	-	-	-	35,385	-	35,385
LAR						
Fixed and call deposits	-	-	-	145,648	-	145,648
AFS financial investments						
Equity securities	-	-	-	242	-	242
Debt securities	50,348	70,055	-	7,355	-	127,758
Financial investments at FVTPL						
Equity securities	-	-	-	13,038	-	13,038
Unit and property trust funds	-	-	-	13,501	-	13,501
Reinsurance assets	1,722	10,612	45,180	219,768	-	277,282
Insurance receivables	-	-	-	28,202	9,434	37,636
Cash and bank balances	-	-	-	7,907	-	7,907
	52,070	80,667	45,180	471,046	9,434	658,397

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (cont'd.)

(iii) Age Analysis of Financial Assets Past-Due But Not impaired

	Past due but not impaired					
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	more than 180 days RM'000	Total RM'000
31 December 2010						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	3,088	965	1,426	869	1,240	7,588
Due from reinsurers and cedants	3,251	68	237	4,395	9,532	17,483
	6,339	1,033	1,663	5,264	10,772	25,071
31 December 2009						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	2,474	1,808	2,000	741	-	7,023
Due from reinsurers and cedants	966	958	487	-	-	2,411
	3,440	2,766	2,487	741	-	9,434

As at 31 December 2010 based on the assessment of the receivables, there are impaired insurance receivable of RM26,764,212 (2009 : RM27,274,651). A reconciliation of the allowance for the impairment losses for the insurance receivables is disclosed in Note 9.

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles

	Carrying value RM'000	←-----		Fair value	-----→	
		Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2010						
Financial instruments:						
HTM	30,135	30,202	-	-	-	30,202
LAR	181,080	182,341	-	-	-	182,341
AFS - Bonds	126,328	19,550	118,800	3,561	-	141,911
AFS - Shares	46,614	-	-	-	46,614	46,614
Reinsurance assets	183,333	84,038	71,356	5,058	22,881	183,333
Insurance receivables	36,630	36,630	-	-	-	36,630
Other receivables	17,346	2,894	2	-	14,450	17,346
Cash and bank balances	3,142	-	-	-	3,142	3,142
Total Assets	624,608	355,655	190,158	8,619	87,087	641,519
Insurance contract liabilities	429,724	166,388	150,622	12,649	100,065	429,724
Insurance payables	49,305	49,305	-	-	-	49,305
Other payables	23,767	15,964	568	-	7,235	23,767
Total Liabilities	502,796	231,657	151,190	12,649	107,300	502,796

30686 K

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

	←----- Fair value -----→					Total RM'000
	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	
31 December 2009						
Financial instruments:						
HTM	35,385	5,017	30,841	-	-	35,858
LAR	146,494	146,689	-	-	-	146,689
AFS	128,000	35,520	99,392	8,905	242	144,059
FVTPL	26,539	-	-	-	26,539	26,539
Reinsurance assets	277,282	112,802	98,109	7,625	58,746	277,282
Insurance receivables	37,636	37,636	-	-	-	37,636
Other receivables	18,362	2,558	2	-	15,802	18,362
Cash and bank balances	7,907	-	-	-	7,907	7,907
Total Assets	677,605	340,222	228,344	16,530	109,236	694,332
Insurance contract liabilities	504,499	194,096	170,632	12,926	126,845	504,499
Insurance payables	34,419	34,419	-	-	-	34,419
Other payables	29,072	19,413	249	-	9,410	29,072
Total Liabilities	567,990	247,928	170,881	12,926	136,255	567,990

	As previously stated RM'000	Re-classification RM'000	Restated RM'000
Balance Sheet			
Assets			
Investments	145,648	(145,648)	-
Malaysian government securities	-	35,385	35,385
Debt securities	-	127,758	127,758
Equity securities	-	13,280	13,280
Unit and property trust fund	-	13,501	13,501
Deposit with financial institution	-	145,648	145,648
Securities - HTM	35,385	(35,385)	-
Securities - AFS	128,000	(128,000)	-
Securities - FVTPL	26,539	(26,539)	-
	<u>335,572</u>	<u>-</u>	<u>335,572</u>

Receivables	55,998	(55,998)	-
Insurance receivables	-	37,636	37,636
Other receivables	-	18,362	18,362
	<u>55,998</u>	<u>-</u>	<u>55,998</u>
Reinsurance assets	-	277,282	277,282
Insurance contract liabilities	-	(504,499)	(504,499)
	<u>-</u>	<u>(227,217)</u>	<u>(227,217)</u>
Liabilities			
Claims liabilities	(159,118)	159,118	-
Premium liabilities	(68,099)	68,099	-
	<u>(227,217)</u>	<u>227,217</u>	<u>-</u>
Payables	(52,621)	52,621	-
Insurance payables	-	(34,419)	(34,419)
Other payables	-	(29,072)	(29,072)
	<u>(52,621)</u>	<u>(10,870)</u>	<u>(63,491)</u>
Income statement			
Operating revenue	<u>251,827</u>	<u>(12,953)</u>	<u>238,874</u>
Gross earned premiums	-	226,280	226,280
Premium ceded to reinsurers	-	(117,387)	(117,387)
Investment income	-	12,594	12,594
Realised gains and losses	-	4,716	4,716
Commission income	-	19,329	19,329
Other operating income	-	8,436	8,436
Gross claims paid	-	(226,078)	(226,078)
Claims ceded to reinsurers	-	141,960	141,960
Gross change in contract liabilities	-	122,147	122,147
Change in contract liabilities ceded to reinsurers	-	(125,844)	(125,844)
Commission expense	-	(25,466)	(25,466)
Management expenses	-	(23,868)	(23,868)
Shareholders' fund:			
Investment income	91	(91)	-
Other operating expenses	(7)	7	-
	<u>84</u>	<u>16,735</u>	<u>16,819</u>
Surplus/(deficit transferred from general insurance revenue account	<u>16,735</u>	<u>(16,735)</u>	<u>-</u>
	<u>16,819</u>	<u>-</u>	<u>16,819</u>

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT PURSUANT TO SECTION 87(1)(d) OF THE INSURANCE ACT, 1996

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

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.

The subsidiary company is dormant.

RESULTS

	Group and Company RM'000
Net profit for the year	<u>10,191</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 other than the effect arising from the changes in accounting policies as disclosed in Note 2.5 to the financial statements.

DIVIDENDS

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

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS

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

Dato' Vijaya Kumar a/l T. Chornalingam* (resigned on 7 April 2011)

Albert Saychuan Cheok

Kirupalani a/l Chelliah

Mohan a/l Ramalingam (appointed on 1 September 2010)

Datuk Kunasingam a/l V. Sittampalam (appointed on 5 April 2011)

Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)

CORPORATE GOVERNANCE

The directors confirmed that the Company has complied with all prescriptive requirements of, and adopts management practices that are consistent with the corporate governance principles set out in BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers as follows:

(a) Responsibility of the Board of Directors

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

The Board ensures that it complies with the Insurance Act, 1996 ("the Act"), Insurance Regulations, 1996 ("the Regulations") and BNM minimum standards for Prudential Management of Insurers (BNM/RH/GL/003-1), other guidelines/directives issued by BNM, and other statutory and regulatory requirements. The Board had set up Management Committees to oversee and report on functional performances as part of its stewardship and oversight functions.

(b) Composition and meetings

The Board comprises one (1) Non-Independent Non-Executive Chairman, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. All appointments are in accordance with the Act and BNM guidelines.

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(b) Composition and meetings (cont'd.)

During the financial year the members of the Board met thirteen (13) times, with attendance recorded as follows:

Name	Number of Meetings	
	<u>Attended</u>	%
Dato' Vijaya Kumar a/l T. Chornalingam (resigned on 7 April 2011)	13/13	100%
Albert Saychuan Cheok	13/13	100%
Kirupalani a/l Chelliah	13/13	100%
Mohan a/l Ramalingam (appointed on 1 September 2010)	2/2	100%
Datuk Kunasingam a/l V. Sittampalam (appointed on 5 April 2011)		
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)		

(c) Board Committees

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

(i) Risk Management Committee ("RMC")

The RMC comprises three (3) 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)
Mohan a/l Ramalingam (appointed on 5 April 2011)	(INED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)

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

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(c) Board Committees (cont'd.)

(ii) Audit Committee ("AC")

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

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)

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

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

(iii) Nomination Committee ("NC")

The NC comprises two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors as follows:

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)
Datuk Kunasingam a/l V. Sittampalam (appointed on 5 April 2011)	(NINED)

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(c) Board Committees (cont'd.)

(iii) Nomination Committee ("NC") (cont'd.)

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

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

(iv) Remuneration Committee ("RC")

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

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)

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

The RC met three (3) times during the financial year

(v) Investment Committee ("IC")

The IC members comprise two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors as follows:

Albert Saychuan Cheok	(Chairman/INED)
Kirupalani a/l Chelliah	(INED)
Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	(NINED)

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

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(c) Board Committees (cont'd.)

(v) Investment Committee ("IC") (cont'd.)

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

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

(vi) Advisory Committee

The Advisory Committee was an Ad-Hoc Committee established on 1 June 2009 for an initial term of six months up to 31 December 2009. The term of the Advisory Committee was extended for another six months period until 30 June 2010. The Board had on 29 June 2010 further extended the term of the Advisory Committee until the completion of the take over offer exercise by G Team Resources & Holdings Sdn Bhd on the minority interest share in the Company. The advisory Committee comprises the following:

Dato' Vijaya Kumar a/l T. Chornalingam	(NINED)
Albert Saychuan Cheok	(INED)
Kirupalani a/l Chelliah	(INED)
Mohan a/l Ramalingam	(INED)
(appointed on 1 September 2010)	

The terms of reference of this committee is to advise the CEO to take appropriate measures to deal with problems such as the deterioration of the underwriting results, to review monthly business performance of the Company, review branches performances, study the impact of the stress test result on the Company's Capital Adequacy Ratio ("CAR") and take appropriate steps to be in compliance with the targeted CAR, to monitor monthly claims statistics and review the provision for outstanding claims, review monthly reports on the trade receivables, to provide strategic direction to the management to develop new business and retention of profitable business, appraise the CEO and senior management and other relevant action that may deem necessary to protect the interests of the Company.

The Advisory Committee met eleven (11) times during the financial year.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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 22 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 related corporations of the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	1 January 2010	Bought	Sold	31 December 2010
Holding company				
- Maika Holdings Berhad				
Dato' Vijaya Kumar a/ T. Chornalingam	1,250	-	(1,250)	-
Albert Saychuan Cheok	1,250	-	(1,250)	-

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.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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 render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to 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) 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.

ORIENTAL CAPITAL ASSURANCE BERHAD
(Incorporated in Malaysia)

OTHER STATUTORY INFORMATION (CONT'D.)

- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f), 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 of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("the Framework") issued by Bank Negara Malaysia.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2011.

Albert Saychuan Cheok

Kirupalani a/l Chelliah

Kuala Lumpur, Malaysia