



Creative powers  
never cease  
to impress one's  
imagination



Through them, the simple fusion of vibrant colours that are symmetrically imprinted become a butterfly motif and an art piece.

RHB assimilates such creativity in its business environment to enhance and enrich the economy through the myriad of innovative products and services that it consistently provides.

RHB will continue to impress one's imagination by nurturing personalised relationships that transcend borders in order to migrate towards higher value-added business.



[www.rhb.com.my](http://www.rhb.com.my)

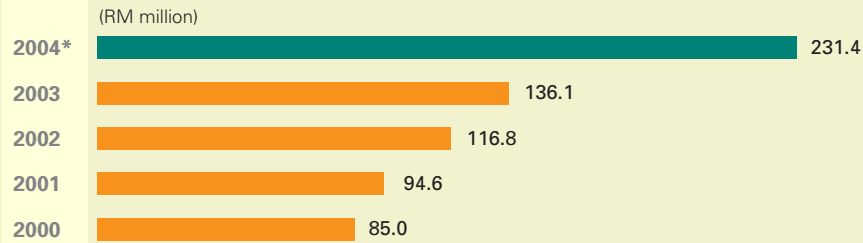
# Contents

## **RHB INSURANCE BERHAD**

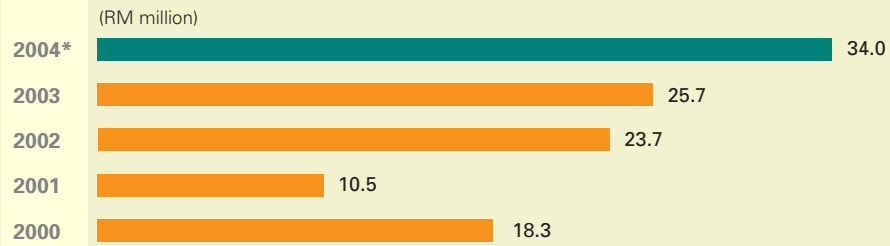
<b>2</b>	Financial Highlights
<b>5</b>	Corporate Information
<b>6</b>	Profile of the Board of Directors
<b>10</b>	Chairman's Letter 2004
<b>14</b>	RHB Group achievements & Awards
<b>15</b>	RHB Group Corporate Highlights
<b>21</b>	Statutory Financial Statements
<b>60</b>	Branches Network

# Financial highlights

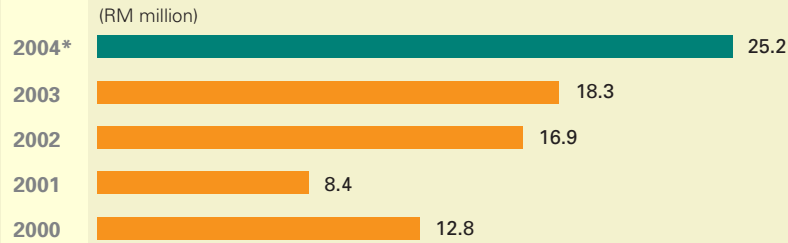
operating revenue



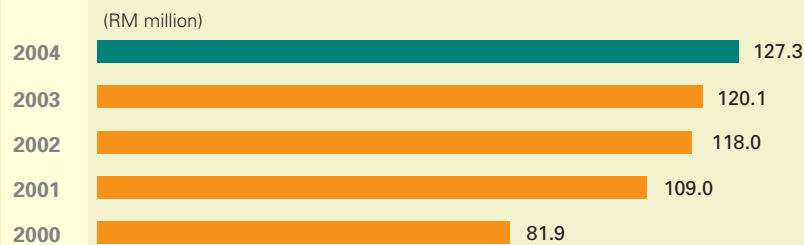
profit before taxation



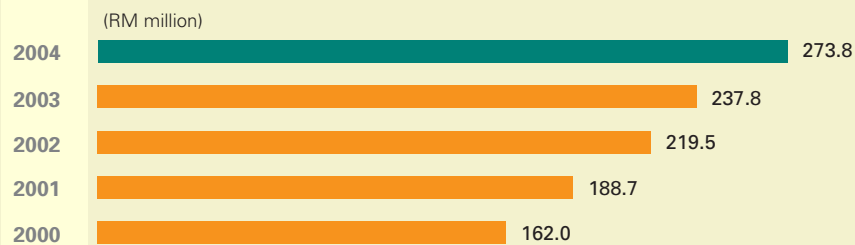
net profit for the financial year



shareholders' fund



total assets



\* The Company changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004 and accordingly, the results for that financial period are for eighteen months.

## Financial highlights

	<b>2004**</b> <b>RM million</b>	<b>2003</b> <b>RM million</b>	<b>2002</b> <b>RM million</b>	<b>2001</b> <b>RM million</b>	<b>2000</b> <b>RM million</b>
<b>RESULTS</b>					
Operating revenue	<b>231.4</b>	136.1	116.8	94.6	85.0
Profit before taxation	<b>34.0</b>	25.7	23.7	10.5	18.3
Net profit for the financial year	<b>25.2</b>	18.3	16.9	8.4	12.8
Dividends – Net	<b>18.0*</b>	23.4	14.4	4.3	5.4
<b>BALANCE SHEETS</b>					
Share capital	<b>100.0</b>	100.0	100.0	100.0	50.0
Shareholders' fund	<b>127.3</b>	120.1	118.0	109.0	81.9
Total Assets	<b>273.8</b>	237.8	219.5	188.7	162.0
<b>RATIOS</b>					
Dividends per share Gross – sen	<b>25.0*</b>	32.5	20.0	6.0	15.0
Net tangible assets per share – (RM)	<b>1.27</b>	1.20	1.18	1.09	1.64

\* Subject to the approval of shareholders at the forthcoming Annual General Meeting.

\*\* The company changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004 and accordingly, the results for that financial period are for eighteen months.

The image features two butterflies on a watercolor background. One butterfly, with yellow and black wings, is positioned in the upper right quadrant. The other, with black wings and yellow spots, is in the lower left. The background consists of abstract watercolor splashes in shades of green and yellow on a white base. The text is centered in the middle of the page.

To be Malaysia's premier  
financial products & services Group



# Corporate information

as at 1 May 2005

## BOARD OF DIRECTORS

Dato' Mohd Salleh bin Hj Harun

Independent Non-Executive Chairman

Vaseehar Hassan bin Abdul Razack

Non-Independent Non-Executive Director

Dato' Mohamed Khadar bin Merican

Independent Non-Executive Director

Lim Cheng Yeow

Independent Non-Executive Director

Haji Khairuddin bin Ahmad

Independent Non-Executive Director

Wong Yoke Ming

Independent Non-Executive Director

## SECRETARY

Azman Shah bin Md Yaman

## RISK MANAGEMENT COMMITTEE

Dato' Mohamed Khadar bin Merican

Chairman

Lim Cheng Yeow

Haji Khairuddin bin Ahmad

## AUDIT COMMITTEE

Dato' Mohamed Khadar bin Merican

Chairman

Haji Khairuddin bin Ahmad

Wong Yoke Ming

## INVESTMENT COMMITTEE

Dato' Mohd Salleh bin Hj Harun

Chairman

Vaseehar Hassan bin Abdul Razack

Dato' Mohamed Khadar bin Merican

Wong Yoke Ming

## SENIOR MANAGEMENT

Koh Heng Kong

Chief Executive Officer

Winnie Tan

Deputy General Manager – Finance & Services

Chan Meng Onn

Assistant General Manager – Business Development & Operations

Richard Chen

Assistant General Manager – Business Development & Operations

Choo Seng Poh

Senior Manager – Technical

Anthony Ng

Senior Manager – Technical Training

Vasanthakumari Balasundram

Senior Manager – Claims

## HEAD OF DEPARTMENT

Yee Chee Loong

Agency

Abdul Latiff Mohd Ismail

Broking

Luke Chong

Group (Petaling Jaya)

Junaili Abdul Hamid

Group (Kuala Lumpur)

Trina Yee

Reinsurance

Wahizan Abdul Wahid

Risk Management (Underwriting)

Edmund Alexander

Information Technology

Lim Yit Lin

Finance & Administration

Vincent Ong

Business Support

Muhamad Hafiz

Enterprise – Wide Risk Management

Ahmad Zaidi

Compliance

Bernard Chin

Group (Selangor North)

Shirleen Gan

Direct Marketing and Bancassurance

Rabiatun A. Wahab

Human Resource

Wong Chin Yee

Systems & Methods

## REGISTERED OFFICE

Level 10, Tower One

RHB Centre

Jalan Tun Razak

50400 Kuala Lumpur

Tel : 603-92852233

Fax : 603-92819314

## PRINCIPAL PLACE OF BUSINESS

Level 8, Tower One

RHB Centre

Jalan Tun Razak

50400 Kuala Lumpur

or

P.O. Box 10835

50400 Kuala Lumpur

Tel : 603-92812731

Fax : 603-92812729

## COMPANY NO.

38000-U

## AUDITORS

PricewaterhouseCoopers

Chartered Accountants

11th Floor, Wisma Sime Darby

Jalan Raja Laut

50350 Kuala Lumpur

Malaysia.

## Profile of the board of directors as at 1 May 2005



**YBHG DATO' MOHD SALLEH BIN HJ HARUN**  
(60 years of age - Malaysian) **Independent Non-Executive Chairman**

YBhg Dato' Mohd Salleh bin Hj Harun ("YBhg Dato' Mohd Salleh") has 30 years of experience in the banking and finance sector. He was the Deputy Governor of Bank Negara Malaysia from 2000 to 2004. He has held various senior positions in Aseambankers Malaysia Berhad, Bank Kerjasama Rakyat Malaysia Berhad and Malayan Banking Berhad. He was the Executive Director of Malayan Banking Berhad from 1994 to 2000 prior to joining Bank Negara Malaysia. He is a Fellow of the Institute of Bankers and also a Member of the Malaysian Institute of Certified Public Accountants.

YBhg Dato' Mohd Salleh was appointed as a Director of RHB Insurance on 23 August 2004. He was subsequently appointed as Chairman of RHB Insurance on 15 September 2004. He also serves as the Chairman of the Investment Committee of RHB Insurance. His other directorships in public companies include RHB Capital Berhad, RHB Bank Berhad, RHB Islamic Bank Berhad and Titan Petrochemicals & Polymers Berhad.



**ENCIK VASEEHAR HASSAN BIN ABDUL RAZACK**  
(54 years of age - Malaysian) **Non-Independent Non-Executive Director**

Encik Vaseehar Hassan bin Abdul Razack ("Encik Vaseehar Hassan") has 25 years of experience in the financial sector. He holds a Bachelor Degree in Accounting, Masters in Business Administration as well as Specialised Masters in Consulting and Coaching and is currently pursuing a Doctoral Research at the Vrije Universiteit, Amsterdam.

Encik Vaseehar Hassan was appointed as a Director of RHB Insurance on 4 June 2003. He also serves as a Member of the Investment Committee of RHB Insurance. In addition to being the Chief Executive and Director of the Malaysian subsidiary of Dallah AlBaraka Group of Saudi Arabia, Encik Vaseehar Hassan's other directorships in public companies include Rashid Hussain Berhad, RHB Bank Berhad, RHB Islamic Bank Berhad (Chairman), RHB Sakura Merchant Bankers Berhad, Utama Banking Group Berhad, CMS Trust Management Berhad and Ingress Corporation Berhad.

## Profile of the board of directors as at 1 May 2005



**YBHG DATO' MOHAMED KHADAR BIN MERICAN**

(48 years of age – Malaysian) **Independent Non-Executive Director**

YBhg Dato' Mohamed Khadar bin Merican ("YBhg Dato' Khadar") has over 20 years financial and management experience in the commercial environment. He is a Member of the Institute of Chartered Accountants in England and Wales and also a Member of the Malaysian Institute of Accountants. He was the past President of the Malaysian Association of Hotel Owners.

YBhg Dato' Khadar has been the Chief Executive Officer of MKM Resources Sdn Bhd, which provides business advisory and consulting services, since May 2003.

YBhg Dato' Khadar was appointed as a Director of RHB Insurance on 7 July 2003. He also serves as the Chairman of the Risk Management Committee and Audit Committee as well as a Member of the Investment Committee of RHB Insurance. His other directorships in public companies include Rashid Hussain Berhad (RHB), RHB Sakura Merchant Bankers Berhad and Astro All Asia Networks plc ("AAAN"). He is the Chairman of RHB's Audit Committee and Nomination Committee and a Member of its Human Resource Committee. He is also the Chairman of the Nomination Committee and Corporate Governance Committee of AAAN and a Member of its Audit Committee and Remuneration Committee.



**TUAN HAJI KHAIRUDDIN BIN AHMAD**

(62 years of age – Malaysian) **Independent Non-Executive Director**

Tuan Haji Khairuddin bin Ahmad ("Tuan Haji Khairuddin") began his career in the banking industry and was previously with Citibank N.A., Southern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad. He had attended the Advance Management Course at Columbia Business School in New York, USA.

Tuan Haji Khairuddin was appointed as a Director of RHB Insurance on 28 June 2004. He also serves as a Member of the Risk Management Committee and Audit Committee of RHB Insurance. His other directorships in public companies include RHB Bank Berhad and RHB Unit Trust Management Berhad.

## Profile of the board of directors as at 1 May 2005



**MR LIM CHENG YEOW**

(70 years of age – Malaysian) **Independent Non-Executive Director**

Mr Lim Cheng Yeow (“Mr Lim”) began his career in the banking industry with Malayan Banking Berhad in 1960. He has held various positions including Chief Internal Auditor and Head Regional Branch Operations in Malayan Banking Berhad prior to his retirement in 1990. He holds a Master of Arts in Economics from Cambridge University.

Mr Lim was appointed as a Director of RHB Insurance on 28 June 2004. He also serves as a Member of the Risk Management Committee of RHB Insurance. His other directorships in public companies include RHB Delta Finance Berhad, RHB Unit Trust Management Berhad and Rock Chemical Industries (Malaysia) Berhad.



**MR WONG YOKE MING**

(52 years of age – Malaysian) **Independent Non-Executive Director**

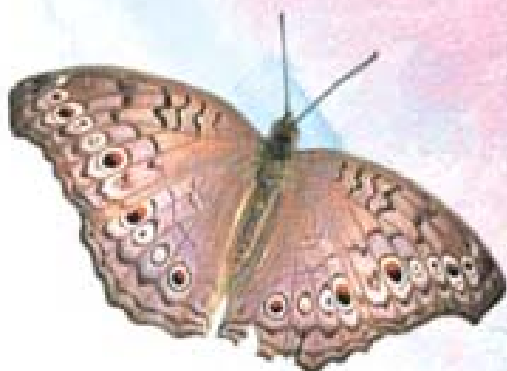
Mr Wong Yoke Ming (“Mr Wong”) has over 24 years of experience in finance, tax, treasury, corporate affairs and business and risk management. He began his career with an international tax consultancy firm and joined RJ Reynolds Tobacco Co Sdn Bhd in 1989 as Manager of Treasury and Tax, South East Asia. He served in Treasury and Tax, Financial Planning and Analysis as well as in Business Development Department within the RJ Reynolds Group. He left the RJ Reynolds Group in 1995 to join Hume Industries (Malaysia) Berhad as a Group Financial Controller. After serving for more than five years, he left Hume Industries in 2001 and became a business consultant specialising in corporate risk management. In June 2003, he joined NewFields Advisors Sdn Bhd as its Chief Executive Officer/Managing Director. He later relinquished his position as Chief Executive Officer of Newfields Advisor Sdn Bhd on 3 January 2005. Subsequent thereto he resigned as Director of the said company with effect from 31 March 2005.

He is a qualified Chartered Accountant (England & Wales) and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Mr Wong was appointed as a Director of RHB Insurance on 28 June 2004. He also serves as a Member of the Investment Committee and Audit Committee of RHB Insurance. His other directorships in public companies include Ho Hup Construction Co. Berhad, RHB Bank (L) Ltd and RHB Unit Trust Management Berhad.



To maintain focus on  
increasing market share  
and profitability



# Chairman's letter 2004



It is an honour for me to address you for the first time as Chairman.

The recent financial period was a challenging time for the global economy, in the aftermath of the Iraq War and with the burgeoning oil prices. Malaysia however, has exhibited resilience with strong fundamental and prudent proactive policies which greatly assisted domestic demand and enhance growth.

On behalf of the Board, I am pleased to present the Report and Audited Financial Statements of RHB Insurance Berhad ("RHB Insurance") for the 18 months ended 31 December 2004. The company changed its financial year from 30 June to 31 December to be co-terminous with that of its ultimate holding company, Rashid Hussain Berhad.

## FINANCIAL HIGHLIGHTS

The Malaysian insurance industry recorded a positive performance during year 2003. In the Bank Negara Malaysia Annual Report 2003 gross direct premium for the general insurance sector recorded satisfactory growth and wrote an overall premium totalling RM8,185 million. Motor class still maintained its dominance accounting for 44.1% share (2002: 46.1%) of the total premium, followed by Miscellaneous Classes at 25.2% (2002: 24.3%), Fire at 19.4% (2002: 19.6%) and Marine & Transit at 11.3% (2002: 10.0%).

In tandem with industry growth, RHB Insurance also recorded satisfactory growth in its gross premium income. Gross premium written increased RM90.7 million from RM127.3 million in the previous financial year to RM218.0 million. Similar to previous year, Fire class maintained its dominance in the gross premium written accounting for 41.0% share (RM89.3 million), followed by Miscellaneous classes at 31.0% (RM67.6 million), Motor class at 24.5% (RM53.4 million) and Marine & Transit class at 3.5% (RM7.7 million).

Net premium increased at a much higher rate as a result of management focus on keeping reinsurance premium outwards at an acceptable level.



We have emerged a stronger, more focused Group,  
fully prepared to seize the challenges of the future.

The underwriting surplus increased from RM12.7 million in the previous financial year to RM13.6 million. In proportion, the underwriting surplus was lower in the current financial period due to higher claims reported resulting from crime related losses. The Company will strive to maintain a healthy overall claims ratio through continued risk and claims management initiatives, in addition to maintaining a profitable portfolio of fire business.

The investment climate during the financial year was indeed turbulent. The equity market was troubled by the persistently high oil prices, potential hard landing of the Chinese economy and the possible US Federal Reserve hike of interest rate that represent brakes to the global economy.

Despite such a challenging investment climate, RHB Insurance achieved positive performance in its investment income, registering an increase of RM7.4 million from RM13.0 million in the previous financial year to RM20.4 million. Adding both underwriting surplus and investment income for the financial year, profit before taxation recorded an increase of RM8.3 million from RM25.7 million in the previous financial year to RM34.0 million. Total assets also recorded a healthy growth of RM36 million from RM237.8 million to RM273.8 million as at 31 December 2004.

#### **DIVIDEND**

On behalf of the Board of Directors, I am pleased to announce that the Board has recommended a final dividend payment of 25.0% (less tax of 28.0%) amounting to RM18.0 million for the financial period ended 31 December 2004.

#### **THE YEAR AHEAD**

Going forward, the global growth is likely to decelerate further in the first half of 2005 and gather pace from the second half of 2005 as global economy improves. Hence, the Malaysian economy is expected to moderate to a reasonably strong pace of 5.4% in 2005. Growth is likely to be underpinned by resilient consumer spending and the sustained growth in private investment. In anticipation of a more moderate growth in the Malaysian economy, the company is expected to face greater competition in increasing market share in 2005.

Amid such challenges, RHB Insurance will maintain focus to increase market share and concurrently maintain profitability. In tandem with RHB Group's business philosophy, RHB Insurance aspires to be a leader and model in the insurance industry by focusing on customer service and create standards of excellence. We will leverage on the RHB Group's integrated financial services platform to cross-sell products and services across the extensive network of the RHB Group of companies. The Group has implemented Group-Wide Cross-Selling processes and launched new initiatives successfully, including the well-received RHB Di Hati promotional roadshow nationwide. We will position our products and services to tap on such initiatives.



To develop e-insurance products  
rapidly to have  
the first-mover advantage







The launch of the electronic cover note (e-cover note) in October 2004 by the Company and in January 2005 by the whole insurance industry marked a major milestone for the Company as well as the industry. With the advent of e-cover note, it will pave the way for other e-insurance products with huge potential contribution to premium income. We are excited about this development and are striving to develop this new channel of business rapidly to have the first-mover advantage.

We have good risk management practice in place and will continue to review it regularly. We firmly believe that such measures will reduce downtime and indirect costs incurred to us as well as to the customers and ultimately enhance the value of the company.

With the Malaysian Government putting in place the Financial Sector Master Plan and with the anticipated growth in Gross Domestic Product, I am confident the company will be able to take advantage and compete successfully and profitably in the new business.

#### APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere thanks and appreciation to our business associates and shareholders, for your confidence in us and having been so supportive of RHB Insurance over the years. Your partnership has been instrumental to our success.

I would also like to record our gratitude to Bank Negara Malaysia and all other relevant authorities for their valuable guidance and understanding.

I wish to thank each and every one of our employees for their dedication and commitment which is vital to our continued success.

**Dato' Mohd Salleh bin Hj Harun**

Chairman

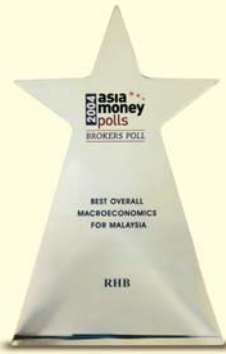
28 January 2005

# RHB Group

## Achievements and awards



Asiamoney Annual Awards 2005  
**Best Local Brokerage**  
 RHB Securities Sdn Bhd



Asiamoney Annual Awards 2005  
**Best Overall Macroeconomics**  
 RHB Research Institute Sdn Bhd



Asiamoney Annual Awards 2005  
**Best Services for All Trade Needs**  
 RHB Bank Berhad



Standard & Poor's The STAR  
 Investment Funds Award Malaysia 2004  
**Best Performing Equity Malaysia Fund  
 over 3 years**  
 RHB Malaysia Recovery Fund



Standard & Poor's The STAR  
 Investment Funds Award Malaysia 2004  
**Best Performing Sector  
 - TMT Malaysia Fund over 1 year**  
 RHB Technology Fund



With Appreciation from the Selangor  
 and Federal Territory Association  
 for Retarded Children



Anugerah Persekutuan  
 Orang Pekak Malaysia 2003  
**Caring Hearts**  
 RHB Unit Trust



The Edge-Lipper  
 Malaysia Unit Trust Fund Awards 2003  
**RHB Technology Fund  
 - No.1 in Equity Information  
 & Technology Funds**  
 RHB Unit Trust Management Sdn Bhd



The Edge-Lipper  
 Malaysia Unit Trust Fund Awards 2003  
**RHB Malaysia Recovery Fund  
 - No.1 in Equity Growth Funds**  
 RHB Unit Trust Management Sdn Bhd

# RHB Group Corporate highlights

## Business activities



10 June 2004

MASJA Biz Power & Zakat



2 September 2004

National E-Commerce Week 2004



5 October 2004

RHB MyKiosk Internet Banking Launch



8 October 2004

Hari Wanita & Takaful



12 October 2004

Listing of Air Asia Berhad on Bursa Malaysia  
Underwriting Ceremony for the Retail Offering



5 January 2005

Sale Agreement Signing Ceremony  
of Bandar Wawasan Office Tower



19 January 2005

RHB Bank 'Infinity Banking' Launch



25 January 2005

FinanceAsia 'Annual Capital Markets Conference'



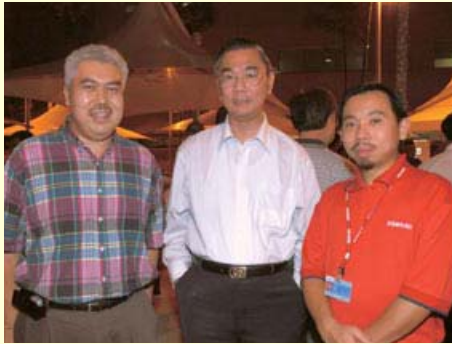
27 January 2005

VISA Infinite Credit Card Press Launch



## RHB Group Corporate highlights

# Social activities



**9 - 10 July 2004**

Boards of Directors Away-Day



**2 July & 14 August 2004**

RHB Bank's Staff Children's  
Academic Excellence Award



**10 August 2004**

The Edge Kuala Lumpur Rat Race 2004



**25 September 2004**

RHB Star SSO



**28 October 2004**

"Berbuka Puasa" – RHB Iftar



**28 October 2004**

Official Opening of Surau An-Nur, RHB Centre



**24 November 2004**

Malaysia International Fashion Awards (MiFA)  
in conjunction with Kuala Lumpur-Asia  
Fashion Week (KLAFW)



**5 December 2004**

RHB Group Hari Raya & Deepavali Open House



**25 February 2005**

RHB Bintang di Hati

## RHB Group Corporate highlights



### **Official Launch of RHB Islamic Bank Berhad and Handover of Islamic Banking Operating Licence**

by

YBhg. Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz

Governor, Bank Negara Malaysia

1 March 2005 (20 Muharram 1426)

RHB Centre, Kuala Lumpur



## RHB Group Corporate highlights



# RHB Di Hati *"Being With You"*

## Official Launch of RHB Di Hati Nationwide Roadshow

Pahang Darul Makmur by Menteri Besar YAB Dato' Sri Hj. Adnan Hj. Yaakob  
Terengganu Darul Iman by Menteri Besar YAB Dato' Seri Idris Jusoh





# RHB Group Corporate highlights

## RHB Group Hari Raya & Deepavali Open House 5 December 2004 RHB Centre, Kuala Lumpur





To compete successfully for greater  
momentum and growth





# Statutory financial statements

Directors' report	22 - 30
Balance sheet	31
Income statement	32
General insurance revenue account	33 - 34
Statement of changes in equity	35
Cash flow statement	36
Notes to the financial statements	37 - 57
Statement by directors	58
Statutory declaration	58
Report of the auditors to the members of RHB Insurance Berhad	59

# Directors' report

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the 18 months ended 31 December 2004.

## PRINCIPAL ACTIVITY

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

## CHANGE OF FINANCIAL YEAR END

The Company changed its financial year end from 30 June to 31 December to be co-terminous with that of its ultimate holding company, Rashid Hussain Berhad.

## FINANCIAL RESULTS

	RM
Net profit for the financial period	25,206,456
Retained earnings brought forward	20,099,172
Profits available for appropriation	45,305,628
Dividends	(18,000,000)
Retained earnings carried forward	27,305,628

## DIVIDENDS

The dividends paid or declared by the Company since 30 June 2003 are as follows:

	RM
In respect of the financial year ended 30 June 2003 as shown in the Directors' report of that financial year, a gross final dividend of 25% less tax at 28%, paid on 13 October 2003	18,000,000

The Directors now recommend the payment of a final gross dividend in respect of the 18 months ended 31 December 2004 of 25% on 100,000,000 ordinary shares, less income tax at 28%, amounting to RM18,000,000, subject to the approval of members at the forthcoming Annual General Meeting of the Company. If approved, the final dividend will be paid on a date to be determined later.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial period are shown in the financial statements.

## PROVISION FOR OUTSTANDING CLAIMS

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims.

## BAD AND DOUBTFUL DEBTS

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

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

# Directors' report

## **CURRENT ASSETS**

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

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

## **VALUATION METHODS**

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

## **CONTINGENT AND OTHER LIABILITIES**

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial period which secure the liabilities of any other person, or
- (b) any contingent liability in respect of the Company which has arisen since the end of the financial period.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

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

## **CHANGE OF CIRCUMSTANCES**

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

## **ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Company for the financial period were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

## **CORPORATE GOVERNANCE**

### **Introduction**

As part of the ongoing measures to raise corporate governance standards in the conduct of insurance business, Bank Negara Malaysia ("BNM") has developed a Prudential Framework of Corporate Governance for Insurance Companies ("the Framework") which was issued as JPI/GPI 25 for adoption by insurers. The primary objective of the Framework is to enhance the corporate accountability of insurers and promote the interests of their stakeholders, specifically those of policy owners, claimants and creditors. The Framework establishes basic principles of good corporate governance which focus on the processes and structures used to direct and manage the business and affairs of insurers.

The Directors are committed to ensure that the highest standards of corporate governance are practised by the Company as a fundamental part of discharging their responsibilities in order to promote the interests of stakeholders and enhance shareholders' value.

# Directors' report

## CORPORATE GOVERNANCE (CONTINUED)

### Board Responsibility And Oversight

The Board of Directors comprises six non-executive Directors, five of whom are independent. The Board of Directors is qualified and has wide business and financial experience to effectively provide directions in terms of corporate objectives and business strategies.

13 meetings were held during the 18 months ended 31 December 2004.

The details of attendance of each Director at Board meetings held during the financial period are set out below:

No	Name of Directors	Total meetings attended	Percentage of attendance (%)
1	Dato' Mohd Salleh bin Hj Harun (Appointed on 23 August 2004)	4/4	100
2	Dato' Mohamed Khadar bin Merican	13/13	100
3	Vaseehar Hassan bin Abdul Razack	10/13	77
4	Lim Cheng Yeow (Appointed on 28 June 2004)	5/5	100
5	Haji Khairuddin bin Ahmad (Appointed on 28 June 2004)	4/5	80
6	Wong Yoke Ming (Appointed on 28 June 2004)	5/5	100
7	Dato Sri Sulaiman Abdul Rahman Taib (Resigned on 1 November 2004)	9/12	75
8	Tan Sri Geh Ik Cheong (Retired on 6 October 2003)	2/2	100
9	Senator Dato' Taha Ariffin (Resigned on 29 December 2003)	4/4	100
10	Mohammad Nizar bin Idris (Resigned on 7 July 2003)	-	-
11	Tan Sri Clifford Francis Herbert (Resigned on 7 July 2003)	-	-

Each Director is required, pursuant to BNM Guidelines (JPI/GPI 25), to attend at least 75% of board meetings. All Directors of the Company complied with this requirement for the 18 months ended 31 December 2004.

The Company has obtained approval from BNM on 24 July 2003 to continue utilising the Audit Committee, Nominating Committee and Remuneration and Human Resource Committee of its holding company, RHB Capital Berhad, to undertake the role of the Company's Audit Committee, Nominating Committee and Remuneration and Human Resource Committee respectively, and to be responsible for proposing new nominees for appointment to the Board and the development of relevant policies on the remuneration of Directors and senior management executives.

The Audit Committee, Nomination Committee and Remuneration and Human Resource Committee of RHB Capital Berhad currently comprise the following members:-

#### Audit Committee

- 1 Lim Cheng Yeow (Chairman/Senior Independent Non-Executive Director)
- 2 Dato' Mohd Salleh bin Hj Harun (Member/Independent Non-Executive Director)
- 3 Vaseehar Hassan bin Abdul Razack (Member/Non-Independent Non-Executive Director)

#### Nominating Committee

- 1 Lim Cheng Yeow (Chairman/Senior Independent Non-Executive Director)
- 2 Dato' Mohd Salleh bin Hj Harun (Member/Independent Non-Executive Director)
- 3 Dato Sri Sulaiman Abdul Rahman Taib (Member/Non-Independent Non-Executive Director)
- 4 Vaseehar Hassan bin Abdul Razack (Member/Non-Independent Non-Executive Director)
- 5 Akira Miyama (Member/Non-Independent Non-Executive Director)

# Directors' report

## **CORPORATE GOVERNANCE (CONTINUED)**

### **Board Responsibility And Oversight (Continued)**

#### **Remuneration and Human Resource Committee**

- 1 Lim Cheng Yeow (Chairman/Senior Independent Non-Executive Director)
- 2 Dato Sri Sulaiman Abdul Rahman Taib (Member/Non-Independent Non-Executive Director)
- 3 Vaseehar Hassan bin Abdul Razack (Member/Non-Independent Non-Executive Director)
- 4 Akira Miyama (Member/Non-Independent Non-Executive Director)

The Company had established a Risk Management Committee comprising:

- 1 Dato' Mohamed Khadar bin Merican (Chairman/Independent Non-Executive Director)
- 2 Lim Cheng Yeow (Member/Senior Independent Non-Executive Director)
- 3 Haji Khairuddin bin Ahmad (Member/Independent Non-Executive Director)

The primary objective of the Risk Management Committee is to oversee the Senior Management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

The Company will continually improve in the methodology to identify and monitor risks. Management is in the process of reviewing towards a better management of risks by adopting a holistic approach to risk management to capture and monitor risks in systematic way.

#### **Management Accountability**

The Company has a well-documented and updated organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees. Management obtains a quarterly declaration from staff on adherence to the insurance industry's Code of Ethics.

Policies and procedures are documented in the operating manuals for all the core functions of the Company such as underwriting, claims, reinsurance and finance. Monthly meetings are scheduled for Senior Management and various working committees i.e. Technical, Marketing, Information Technology Review, Credit Control to communicate on the affairs and operations of the Company. In addition, regular departmental/branch meetings are also held to discuss each operating unit's affairs and to communicate relevant information to staff.

#### **Corporate Independence**

The related party transactions are on terms and conditions no more favorable than those available on similar transactions to the Company's other customers. All material related party transactions have been disclosed in the financial statements.

#### **Internal Controls And Operational Risk Management**

The Directors acknowledge their responsibility for the system of internal controls maintained by the Company and for reviewing its effectiveness. The system of internal controls covers not only financial controls but also operational and compliance controls as well as risk management. The system, by its nature, can only provide reasonable but not absolute assurance against misstatement, loss or fraud.

The Board maintains a control-conscious culture across all areas of operations in the Company. There is an on-going process for identifying, evaluating and managing all significant risks faced by the Company which will be regularly reviewed by the Board.

The Group's internal audit regularly reports on compliance with the system of internal controls and procedures to the Management, Audit Committee and the Board. There are also procedures for external auditors to report conclusions and recommendations to the Management, Audit Committee and the Board.

The Group's internal audit will ensure that recommendations to improve controls are followed through by the Management on a timely manner.

# Directors' report

## CORPORATE GOVERNANCE (CONTINUED)

### Public Accountability

The Company upholds the principles of fairness and professionalism in the conduct of its business. The requirement of a written disclosure in insurance policies pertaining to the existence of the Insurance Mediation Bureau ("IMB") and BNM's Customer Service Bureau ("CSB") is effected on all new and renewal policies issued. The notice will inform the policyholders on the procedures for complaints to the IMB and CSB of any unfair market practices.

### Financial Reporting

The Management ensures that proper records are maintained to support all financial transactions and the financial statements are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. In accordance with Section 95(1) of the Insurance Act 1996, on a yearly basis, the statutory financial statements are published in two local newspapers within fourteen days of the Annual General Meeting.

The Board and Senior Management receive regular financial and management reports to enable them to effectively monitor the financial performance and condition of the Company in relation to the corporate objectives and responsibilities.

The Management ensures that the monthly and annual returns are submitted to BNM on a timely basis.

## DIRECTORS AND THEIR INTERESTS IN SECURITIES

The Directors who have held office during the period since the date of the last report are:

Dato' Mohd Salleh bin Hj Harun	(Appointed on 23 August 2004)
Dato' Mohamed Khadar bin Merican	
Vaseehar Hassan bin Abdul Razack	
Lim Cheng Yeow	(Appointed on 28 June 2004)
Haji Khairuddin bin Ahmad	(Appointed on 28 June 2004)
Wong Yoke Ming	(Appointed on 28 June 2004)
Dato Sri Sulaiman Abdul Rahman Taib	(Resigned on 1 November 2004)
Tan Sri Geh Ik Cheong	(Retired on 6 October 2003)
Senator Dato' Taha Ariffin	(Resigned on 29 December 2003)

In accordance with Article 74 of the Company's Articles of Association, Vaseehar Hassan bin Abdul Razack retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 80 of the Company's Articles of Association, Haji Khairuddin bin Ahmad, Wong Yoke Ming and Dato' Mohd Salleh bin Hj Harun retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 80 of the Company's Articles of Association and Section 129 of the Companies Act, 1965, Lim Cheng Yeow retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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

	Number of ordinary shares of RM1 each			
	As at 1.7.2003/ date of appointment	Bought	Sold	As at 31.12.2004
<b>Ultimate Holding Company</b>				
<b>Rashid Hussain Berhad</b>				
Vaseehar Hassan bin Abdul Razack				
– Indirect <sup>1</sup>	226,127,000	12,000,000 <sup>#</sup>	–	<b>238,127,000</b>
Dato' Mohamed Khadar bin Merican				
– Direct	13,000	–	8,000	<b>5,000</b>

## Directors' report

**DIRECTORS AND THEIR INTERESTS IN SECURITIES (CONTINUED)**

	Number of ordinary shares of RM1 each			As at 31.12.2004
	As at 1.7.2003/ date of appointment	Bought	Sold	
<b>Holding Company</b>				
<b>RHB Capital Berhad</b>				
Vaseehar Hassan bin Abdul Razack				
– Indirect <sup>2</sup>	1,182,896,459	–	–	<b>1,182,896,459</b>
Haji Khairuddin bin Ahmad				
– Direct	15,000	–	–	<b>15,000</b>
Dato' Mohamed Khadar bin Merican				
– Direct	10,000	–	–	<b>10,000</b>
Dato' Mohd Salleh bin Hj Harun				
– Direct	15,000	–	–	<b>15,000</b>

**Nominal Amount (RM) of 2002/2012**  
**0.5% Irredeemable Convertible Unsecured Loan Stocks**  
**of RM1.00 each nominal value ('RHB ICULS-A')**

	As at 1.7.2003	Bought	Sold	As at 31.12.2004
	<b>Ultimate Holding Company</b>			
<b>Rashid Hussain Berhad</b>				
Vaseehar Hassan bin Abdul Razack				
– Indirect <sup>1</sup>	461,206,479	–	12,000,000 <sup>#</sup>	<b>449,206,479</b>

Each RHB ICULS-A entitles the registered holder of the RHB ICULS-A to convert into one (1) new ordinary share of RM1.00 each in Rashid Hussain Berhad ('New Share') at the conversion price of RM1.00 per New Share ('Conversion Price') at any time within a period of ten (10) years from the date of issue on 24 December 2002 in accordance with the Trust Deed constituting the RHB ICULS-A dated 24 December 2002. The Conversion Price shall be satisfied by surrendering for conversion into New Shares such nominal value of RHB ICULS-A equal to the Conversion Price.

**Nominal Amount (RM) of 2002/2012**  
**3.0% Irredeemable Convertible Unsecured Loan Stocks**  
**of RM1.00 each nominal value ('RHB ICULS-B')**

	As at 1.7.2003	Bought	Sold	As at 31.12.2004
	<b>Ultimate Holding Company</b>			
<b>Rashid Hussain Berhad</b>				
Vaseehar Hassan bin Abdul Razack				
– Indirect <sup>1</sup>	403,471,898	–	–	<b>403,471,898</b>

Each RHB ICULS-B entitles the registered holder of the RHB ICULS-B to convert into one (1) new ordinary share of RM1.00 each in Rashid Hussain Berhad ('New Share') at the conversion price of RM1.13 per New Share ('Conversion Price') at any time within a period of ten (10) years from the date of issue on 24 December 2002 in accordance with the Trust Deed constituting RHB ICULS-B dated 24 December 2002. The Conversion Price shall be satisfied by surrendering for conversion into New Shares such nominal value of RHB ICULS-B which equal to the Conversion Price or a combination of such nominal value of RHB ICULS-B and cash which aggregates to the Conversion Price, provided that at least RM1.00 nominal value of RHB ICULS-B is surrendered for conversion into one (1) New Share.

# Directors' report

## DIRECTORS AND THEIR INTERESTS IN SECURITIES (CONTINUED)

	Number of Warrants 1999/2009			As at 31.12.2004
	As at date of appointment	Bought	Sold	
<b>Ultimate Holding Company</b>				
<b>Rashid Hussan Berhad</b>				
Haji Khairuddin bin Ahmad				
- Direct	5,000	-	-	<b>5,000</b>

Every twenty (20) Warrants 1999/2002 entitle the registered holder to 7 new Warrants 1999/2002 shares held at the issue price of RM0.10 per warrant at any time of from the date of issue on 17 August 1999 at an initial exercise price of RM4.35 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 23 June 1999. Pursuant to a Supplemental Deed Poll dated 20 March 2002, the exercise period of the Warrants 1999/2002 has been extended by approximately seven (7) years to expire on 16 August 2009 and the Warrants 1999/2002 are now known as Warrants 1999/2009.

	Number of Warrants 1997/2007			As at 31.12.2004
	As at date of appointment	Bought	Sold	
<b>Ultimate Holding Company</b>				
<b>Rashid Hussan Berhad</b>				
Haji Khairuddin bin Ahmad				
- Indirect <sup>3</sup>	3,000	-	-	<b>3,000</b>

Each Warrant 1997/2002 entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in Rashid Hussain Berhad at any time within a period of four and three quarter (4<sup>3/4</sup>) years from the date of issue on 25 June 1997 at an exercise price of RM18.30 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll created on 25 June 1997. Pursuant to a Supplemental Deed Poll executed on 23 June 1999, the exercise period for the Warrants 1997/2002 was extended by five (5) years to expire on 24 March 2007 and the Warrants 1997/2002 are now known as Warrants 1997/2007.

	Number of Warrants 2001/2007			As at 31.12.2004
	As at 1.7.2003/ date of appointment	Bought	Sold	
<b>Ultimate Holding Company</b>				
<b>Rashid Hussan Berhad</b>				
Vaseehar Hassan bin Abdul Razack				
- Indirect <sup>1</sup>	8,000,000	-	-	<b>8,000,000</b>
Haji Khairuddin bin Ahmad				
- Indirect <sup>3</sup>	13,000	-	-	<b>13,000</b>

Each warrant of Rashid Hussain Berhad ('Warrants 2001/2002') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in Rashid Hussain Berhad at any time from the date of issue on 4 April 2001 at an exercise price of RM1.90 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 13 February 2001. Pursuant to a Supplemental Deed Poll dated 20 March 2002, the exercise period of the Warrants 2001/2002 has been extended by five (5) years to expire on 24 March 2007 and the Warrants 2001/2002 are now known as Warrants 2001/2007.



# Directors' report

## DIRECTORS AND THEIR INTERESTS IN SECURITIES (CONTINUED)

	Number of Warrants 1994/2004			As at 31.12.2004
	As at 1.7.2003/ date of appointment	Bought	Sold	
<b>Holding Company</b>				
<b>RHB Capital Berhad</b>				
Vaseehar Hassan bin Abdul Razack				
– Indirect <sup>2</sup>	101,243,559	–	–	– <sup>@</sup>
Haji Khairuddin bin Ahmad				
– Indirect <sup>3</sup>	3,000	–	–	– <sup>@</sup>
Dato' Mohd Salleh bin Hj Harun				
– Direct	5,250	–	–	– <sup>@</sup>

Each Warrant 1994/1999 entitles the registered holder to subscribe for one new ordinary share in RHB Capital Berhad at any time within a period of five (5) years from the date of issue on 28 December 1994 at an exercise price of RM5.40 per share. The exercise price of the Warrants 1994/1999 is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll created on 7 December 1994. Pursuant to the execution of a second supplemental deed poll on 23 June 1999, the subscription period for the Warrants 1994/1999 has been extended by five (5) years to expire on 27 December 2004 and the Warrants 1994/1999 are now known as Warrants 1994/2004.

### Notes:

- <sup>1</sup> Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his indirect substantial interest in Utama Banking Group Berhad ("UBG").
- <sup>2</sup> Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his indirect substantial interest in the ultimate holding company, Rashid Hussain Berhad.
- <sup>3</sup> Indirect interest held by family members.
- <sup>#</sup> On 3 September 2004, 12,000,000 new ordinary shares of RM1.00 each in Rashid Hussain Berhad were allotted and issued to UBG pursuant to UBG's conversion of RM12,000,000 RHB ICULS-A.
- <sup>@</sup> Warrants 1994/2004 expired on 27 December 2004 and any Warrants 1994/2004 not exercised on the expiry date have lapsed and become null and void and ceased to be exercisable thereafter. Accordingly, the Warrants 1994/2004 were removed from the Official List of Bursa Malaysia Securities Berhad on 28 December 2004.

By virtue of his indirect substantial interest in the shares of Rashid Hussain Berhad ("RHB"), Vaseehar Hassan bin Abdul Razack is also deemed to have an indirect substantial interest in the securities of the Company and all the subsidiary companies of RHB to the extent RHB has an interest.

Other than the above, none of the other Directors in office at the end of the financial period held any interest in the shares in or debentures of the Company or its related corporations during the financial period.

# Directors' report

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related company with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain Directors received remuneration from the Company's holding company and other related corporations.

During and at the end of the financial period, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **HOLDING AND ULTIMATE HOLDING COMPANIES**

The holding company is RHB Capital Berhad and the Directors regard Rashid Hussain Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

## **AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 28 January 2005.

**DATO' MOHD SALLEH BIN HJ HARUN**  
CHAIRMAN

**VASEEHAR HASSAN BIN ABDUL RAZACK**  
DIRECTOR

Kuala Lumpur  
28 January 2005

# Balance sheet

AS AT 31 DECEMBER 2004

	Note	31.12.2004 RM	30.6.2003 RM
<b>ASSETS</b>			
Property, plant and equipment	5	4,189,257	2,942,109
Investments	6	236,400,513	210,410,187
Deferred tax assets	7	365,000	-
Tax recoverable		2,212,002	-
Loans	8	688,482	492,984
Receivables	9	28,124,060	23,308,666
Cash and cash equivalents	10	1,790,646	606,306
<b>Total assets</b>		<b>273,769,960</b>	<b>237,760,252</b>
<b>LIABILITIES</b>			
Deferred tax liabilities	7	-	451,000
Provision for outstanding claims	11	84,556,784	56,332,847
Payables	12	21,232,478	21,221,336
Current tax liabilities		211,402	6,968,112
		<b>106,000,664</b>	84,973,295
Unearned premium reserves	13	40,463,668	32,687,785
<b>Total liabilities</b>		<b>146,464,332</b>	<b>117,661,080</b>
<b>SHAREHOLDERS' FUND</b>			
Share capital	14	100,000,000	100,000,000
Retained earnings	15	27,305,628	20,099,172
		<b>127,305,628</b>	120,099,172
<b>Total liabilities and shareholders' fund</b>		<b>273,769,960</b>	<b>237,760,252</b>

The above Balance Sheet is to be read in conjunction with the notes to the financial statements on pages 37 to 57.

# Income statement

FOR THE 18 MONTHS ENDED 31 DECEMBER 2004

	Note	18 months ended 31.12.2004 RM	12 months ended 30.6.2003 RM
Operating revenue	16	<b>231,356,384</b>	136,057,519
Surplus transferred from Revenue Account		<b>33,945,705</b>	25,705,486
Non-insurance fund:			
Management expenses	17	<b>(7,850)</b>	(5,850)
Investment income	18	<b>61,106</b>	37,089
Profit before taxation		<b>33,998,961</b>	25,736,725
Taxation	20	<b>(8,792,505)</b>	(7,486,314)
Net profit for the financial period/year		<b>25,206,456</b>	18,250,411
Earnings per share (sen)	21	<b>25.21</b>	18.25
Dividend per share (sen)	22	<b>25.00</b>	32.50

The above Income Statement is to be read in conjunction with the notes to the financial statements on pages 37 to 57.

# General insurance revenue account

FOR THE 18 MONTHS ENDED 31 DECEMBER 2004

	<b>Note</b>	<b>Fire RM</b>	<b>Motor RM</b>	<b>Marine Aviation &amp; Transit RM</b>	<b>Miscellaneous RM</b>	<b>Total RM</b>
Gross premium		89,338,027	53,367,131	7,696,289	67,555,651	217,957,098
Less: Reinsurance		(38,765,534)	(3,996,409)	(3,243,504)	(27,154,431)	(73,159,878)
Net premium		50,572,493	49,370,722	4,452,785	40,401,220	144,797,220
Less:						
Increase in unearned premium reserves	13	(2,541,263)	(4,420,474)	(8,895)	(805,251)	(7,775,883)
Earned premium		48,031,230	44,950,248	4,443,890	39,595,969	137,021,337
Net claims incurred	23	(10,344,625)	(36,688,468)	(1,711,702)	(31,089,090)	(79,833,885)
Net commission		(2,749,372)	(4,586,518)	(437,692)	(5,283,272)	(13,056,854)
Underwriting surplus before management expenses		34,937,233	3,675,262	2,294,496	3,223,607	44,130,598
Management expenses	17					(30,566,061)
Underwriting surplus						13,564,537
Investment income	18					13,338,180
Other income – net	19					7,042,988
Transfer to Income Statement						33,945,705

The above General Insurance Revenue Account is to be read in conjunction with the notes to the financial statements on pages 37 to 57.

# General insurance revenue account

FOR THE 12 MONTHS ENDED 30 JUNE 2003

	<b>Note</b>	<b>Fire RM</b>	<b>Motor RM</b>	<b>Marine Aviation &amp; Transit RM</b>	<b>Miscellaneous RM</b>	<b>Total RM</b>
Gross premium		57,847,919	28,583,507	4,293,776	36,577,568	127,302,770
Less: Reinsurance		(29,599,960)	(2,717,222)	(1,745,395)	(16,522,743)	(50,585,320)
Net premium		28,247,959	25,866,285	2,548,381	20,054,825	76,717,450
Less:						
Increase in unearned premium reserves	13	(521,556)	(3,109,587)	(92,713)	(2,148,096)	(5,871,952)
Earned premium		27,726,403	22,756,698	2,455,668	17,906,729	70,845,498
Net claims incurred	23	(5,672,802)	(16,649,821)	(870,024)	(10,981,940)	(34,174,587)
Net commission		(807,835)	(2,434,116)	(236,986)	(2,679,420)	(6,158,357)
Underwriting surplus before management expenses		21,245,766	3,672,761	1,348,658	4,245,369	30,512,554
Management expenses	17					(17,764,060)
Underwriting surplus						12,748,494
Investment income	18					8,717,660
Other income – net	19					4,239,332
Transfer to Income Statement						<u>25,705,486</u>

The above General Insurance Revenue Account is to be read in conjunction with the notes to the financial statements on pages 37 to 57.

# Statement of changes in equity

FOR THE 18 MONTHS ENDED 31 DECEMBER 2004

	Note	Issued and fully paid ordinary shares		Distributable	Total RM
		No. of shares	Nominal value RM	Retained earnings RM	
<b>18 months ended 31 December 2004</b>					
At beginning of the financial period		100,000,000	100,000,000	20,099,172	120,099,172
Net profit for the financial period		-	-	25,206,456	25,206,456
Dividends for financial year ended					
- 30 June 2003 (final)	22	-	-	(18,000,000)	(18,000,000)
At end of the financial period		100,000,000	100,000,000	27,305,628	127,305,628
<b>12 months ended 30 June 2003</b>					
At beginning of the financial year		100,000,000	100,000,000	18,048,761	118,048,761
Net profit for the financial year		-	-	18,250,411	18,250,411
Dividends for financial year ended					
- 30 June 2002 (final)		-	-	(10,800,000)	(10,800,000)
- 30 June 2003 (interim)	22	-	-	(5,400,000)	(5,400,000)
At end of the financial year		100,000,000	100,000,000	20,099,172	120,099,172

The above Statement Of Changes In Equity is to be read in conjunction with the notes to the financial statements on pages 37 to 57.

# Cash flow statement

FOR THE 18 MONTHS ENDED 31 DECEMBER 2004

	Note	18 months ended 31.12.2004 RM	12 months ended 30.6.2003 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the financial period/year		25,206,456	18,250,411
Adjustments for:			
Profit on sale of investments		(6,842,898)	(4,070,933)
Allowance for diminution in value of investments		179,865	–
Allowance for bad and doubtful debts		237,207	24,634
Accretion of discounts net of amortisation of premiums		(673,614)	(571,495)
Depreciation of property, plant and equipment		1,842,929	1,113,820
Profit on sale of property, plant and equipment		(110,037)	(5,517)
Increase in unearned premium reserves		7,775,883	5,871,952
Investment income		(12,725,672)	(8,183,254)
Unrealised (gain)/loss on foreign exchange		(12,832)	378
Taxation expense		8,792,505	7,486,314
Operating profit before changes in operating assets and liabilities		23,669,792	19,916,310
Purchase of investments		(214,426,074)	(86,895,693)
Proceeds from sale of investments		189,588,390	75,595,644
Interest received		10,894,357	8,222,319
Dividend received		1,241,053	556,370
Decrease/(increase) in fixed and call deposits		6,184,005	(5,675,863)
Increase in loans		(195,498)	(218,386)
Increase in amounts due from insureds, agents, brokers and reinsurers		(4,508,884)	(3,073,040)
Decrease in other receivables		61,562	6,357,947
Increase in provision for outstanding claims		28,223,937	9,821,221
(Decrease)/increase in amounts due to insureds, agents, brokers and reinsurers		(1,328,684)	459,539
Increase in other payables		1,339,826	167,492
Cash generated from operations		40,743,782	25,233,860
Income taxes paid		(18,577,217)	(7,573,215)
Net cash generated from operating activities	24	22,166,565	17,660,645
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,166,020)	(1,101,300)
Proceeds from sale of property, plant and equipment		185,980	5,948
Net cash used in investing activities	24	(2,980,040)	(1,095,352)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(18,000,000)	(16,200,000)
Net cash used in financing activities	24	(18,000,000)	(16,200,000)
Effects of exchange rate changes on cash and cash equivalents		(2,185)	(915)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,184,340	364,378
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD/YEAR		606,306	241,928
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD/YEAR	10	1,790,646	606,306

The above Cash Flow Statement is to be read in conjunction with the notes to the financial statements from pages 37 to 57.



# Notes to the financial statements

31 DECEMBER 2004

## 1 PRINCIPAL ACTIVITY

The Company, a public limited liability company, incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial period.

## 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements comply with the applicable accounting standards in Malaysia approved by Bank Negara Malaysia ("BNM") under Section 90 of the Insurance Act, 1996, the provisions of the Companies Act, 1965, the Insurance Act, 1996 and relevant Guidelines/Circulars issued by BNM.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

### (a) Accounting convention

The financial statements are prepared under the historical cost convention, unless otherwise indicated in the accounting policies below.

### (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Long term leasehold land and buildings are depreciated on the straight line method over the terms of the respective leases, which range from 80 to 95 years. Other property, plant and equipment are depreciated on the straight line method to write off the cost of the property, plant and equipment over their estimated useful lives using the following annual depreciation rates:

Motor vehicles	20% to 33 $\frac{1}{3}$ %
Furniture, fixtures and fittings, office equipment	20% to 33 $\frac{1}{3}$ %

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement or revenue account.

### (c) Investments

Malaysian Government Securities and other investments as specified by BNM are stated at cost, adjusted for the amortisation of premiums or accretion of discounts calculated on an effective yield basis from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statement/revenue accounts.

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution in value of a particular investment is not regarded as temporary, allowance is made against the value of that investment.

Unquoted investments are stated at cost and an allowance for diminution in value is made, where in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the financial period in which the decline is identified.

Gains and losses arising on disposals of investments are credited or charged to the income statement or revenue account.

# Notes to the financial statements

31 DECEMBER 2004

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Investment income

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

Other interest income, including the amount of amortisation of premiums or accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

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

### (e) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement/revenue account immediately.

Subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement/revenue account immediately.

### (f) Allowance for bad and doubtful debts

Known bad debts are written off and allowance is made for any debt considered to be doubtful of collection. In addition, allowance is made for any premiums, including agents' and reinsurers' balances, which remain outstanding for more than six months from the date on which they become receivable.

### (g) General insurance underwriting results

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

#### **Premium income**

Premium income is recognised on the date of assumption of risk. Premium in respect of risks incepted for which policies have not been raised as of the balance sheet date are accrued at the date.

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

#### **Unearned premium reserves**

Unearned premium reserves ("UPR") represent the portion of premium income not yet earned at the balance sheet date. UPR is computed with reference to the month of accounting for the premium on the following bases:

- (i) 25% method for marine and aviation cargo, and transit business;
- (ii) time apportionment method for non-annual policies reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM;
- (iii) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and
- (iv) 1/8th method for all classes of overseas inward treaty business with a deduction of 20% for acquisition costs.

# Notes to the financial statements

31 DECEMBER 2004

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) General insurance underwriting results

#### *Provision for claims*

Provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at the balance sheet date, based on an actuarial valuation by an independent actuary.

#### *Acquisition costs*

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

#### *Inward treaty business*

Premiums, claims and other transactions of inward treaty business are accounted for in the revenue account as and when the statements of account are received.

### (h) Foreign currencies

All transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Assets and liabilities at balance sheet date are translated at the approximate rates of exchange ruling at that date. Exchange differences are taken to the revenue account or income statement.

The principal closing rate used in the translation of foreign currency balances is as follows:

Foreign currency	31.12.2004	30.6.2003
1 Singapore Dollar	RM2.328	RM2.157

### (i) Income taxes

Current income tax is determined according to the tax laws of the jurisdiction in which the Company operates and includes all taxes based upon the taxable profits.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise mainly from depreciation of property, plant and equipment, accretion of discounts net of amortisation of premiums, general allowance for doubtful debts, unearned premium reserves, provision for gratuities and allowance for diminution in value of investments.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

### (j) Employee benefits

#### (i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, and bonuses are accrued in the financial period in which the associated services are rendered by employees of the Company.

#### (ii) Post-employment benefits – Defined contribution plan

The Company contributes to the Employees' Provident Fund, the national defined contribution plan. The Company's contributions to the defined contribution plan are charged to the income statement/revenue account in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

# Notes to the financial statements

31 DECEMBER 2004

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the revenue account or income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

### (l) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits.

### (m) Dividends

Dividends on ordinary shares are recognised as liabilities when the obligation to pay is established.

### (n) Financial instruments

The basis of estimation of fair values for financial instruments is as follows:

- (i) The fair values of Malaysian Government Securities are based on the indicative middle prices obtained from Bank Negara Malaysia.
- (ii) The fair values of corporate debt securities are based on the discounted cash flows by using the discount rates at valuation date on securities with similar rating and maturity.
- (iii) The fair values of quoted shares, warrants and loan stocks are based on the quoted market price.
- (iv) The fair values of loans are based on the discounted cash flows by using the interest rates at valuation date on similar loans.
- (v) The carrying amounts of other financial assets and liabilities with maturity period of less than one year are assumed to approximate their fair values.

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company carries out its financial risk management through internal control procedures, standard operating procedures, investment guidelines and strategies, and adherence to all rules and regulations as stipulated by the guidelines for investments issued by BNM.

Arising from the Company's financial instruments, the main financial risks which the Company is exposed to are interest rate risk, market risk, credit risk, liquidity risk and currency risk.

### (a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to the potential adverse changes in market interest rates.

Interest rate risk has an impact on the market values of investments in equities, fixed income securities and fixed deposits. The Company manages this risk by adopting a diversified approach to investment portfolios to achieve a desired overall interest rate profile based on regular reviews of interest rate outlook and economic condition.

# Notes to the financial statements

31 DECEMBER 2004

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of the potential adverse changes in market prices.

The Company's investments in equities and fixed income securities are outsourced to professional fund managers. To deal with this risk, the Investment Committee oversees the formulation of investment policies and strategies. During the 18 months ended 31 December 2004, the Investment Committee held 14 meetings to review and monitor the performance of the fund managers.

### (c) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet payment obligations.

The Investment Committee manages the credit risk associated with investments by setting guidelines on minimum credit ratings and prevent risk concentrations by setting maximum credit exposure for each class of investment and for any one borrower or group of borrowers.

A credit control committee has been established to manage the credit risk of receivables.

### (d) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet commitments and obligations when they fall due.

This is managed by monitoring the daily and monthly projected and actual cash flows, and ensuring that a reasonable quantum of financial assets is maintained in liquid instruments at all times.

### (e) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate.

The Company's exposure to currency risk is confined to a current account maintained with a bank in Singapore and certain expenses denominated in foreign currency. The current account was opened to facilitate the collection of premiums from reinsurers in Singapore and the amount involved is very minimal.

# Notes to the financial statements

31 DECEMBER 2004

## 5 PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land and buildings RM	Motor vehicles RM	Furniture, fixtures and fittings, office equipment RM	Total RM
<b>18 months ended 31.12.2004</b>				
<b>Net book value</b>				
At beginning of financial period	1,077,873	325,375	1,538,861	2,942,109
Additions	–	1,077,000	2,089,020	3,166,020
Disposals	–	(75,772)	(171)	(75,943)
Depreciation charge	(19,614)	(343,904)	(1,479,411)	(1,842,929)
At end of financial period	1,058,259	982,699	2,148,299	4,189,257
<b>At 31 December 2004</b>				
Cost	1,152,255	2,036,140	11,348,231	14,536,626
Accumulated depreciation	(93,996)	(1,053,441)	(9,199,932)	(10,347,369)
Net book value	1,058,259	982,699	2,148,299	4,189,257
<b>At 30 June 2003</b>				
Cost	1,152,255	1,436,587	9,273,029	11,861,871
Accumulated depreciation	(74,382)	(1,111,212)	(7,734,168)	(8,919,762)
Net book value	1,077,873	325,375	1,538,861	2,942,109
<b>12 months ended 30.6.2003</b>				
Depreciation charge for the financial year	13,077	205,596	895,147	1,113,820

## 6 INVESTMENTS

	31.12.2004		30.6.2003	
	Cost RM	Market Value RM	Cost RM	Market Value RM
Malaysian Government Securities	21,898,560		–	
Amortisation of premiums net of accretion of discounts	(233,289)		–	
	21,665,271	22,093,790	–	–
Quoted in Malaysia:				
Shares of corporations	36,819,573	36,721,229	18,034,841	19,336,296
Warrants of corporations	1,897,321	1,815,800	–	–
Loan stocks of a corporation	60,000	62,400	–	–
	38,776,894	38,599,429	18,034,841	19,336,296
Allowance for diminution in value	(179,865)		–	
	38,597,029		18,034,841	

## Notes to the financial statements

31 DECEMBER 2004

## 6 INVESTMENTS

	31.12.2004		30.6.2003	
	Cost RM	Market Value RM	Cost RM	Market Value RM
Unquoted:				
Corporate debt securities	82,332,363		88,704,219	
Accretion of discounts net of amortisation of premiums	910,893		3,848,808	
	<b>83,243,256</b>		92,553,027	
Shares of a corporation	-		60,000	
Loan stocks of a corporation	-		683,357	
	<b>83,243,256</b>		93,296,384	
Fixed and call deposits with:				
Licensed banks	65,923,751		53,146,824	
Licensed finance companies	14,069,992		44,288,138	
Other corporations	12,901,214		1,644,000	
	<b>92,894,957</b>		99,078,962	
<b>TOTAL INVESTMENTS</b>	<b>236,400,513</b>		210,410,187	

The maturity structure of Malaysian Government Securities, loan stocks, corporate debt securities and fixed and call deposits above is as follows:

	31.12.2004 RM	30.6.2003 RM
Maturity within 12 months	97,894,957	114,289,345
Maturity after 12 months	99,968,527	78,026,001
	<b>197,863,484</b>	192,315,346

## 7 DEFERRED TAX ASSETS/(LIABILITIES)

	31.12.2004 RM	30.6.2003 RM
At beginning of financial period/year	(451,000)	(227,108)
Credited/(charged) to income statement (Note 20)	816,000	(223,892)
At end of financial period/year	<b>365,000</b>	(451,000)

The movements in deferred tax assets/(liabilities) during the financial period comprise the tax effects of the following:

	At beginning of financial period/year RM	Credited/ (charged) to income statement RM	At end of financial period/year RM
<b>18 months ended 31.12.2004</b>			
Excess of capital allowances over depreciation	(112,000)	(99,000)	(211,000)
Accretion of discounts net of amortisation of premiums	(1,078,000)	888,000	(190,000)
General allowance for doubtful debts	671,000	75,000	746,000
Unearned premium reserves	17,000	(131,000)	(114,000)
Provisions	51,000	33,000	84,000
Allowance for diminution in value of investments	-	50,000	50,000
Total	(451,000)	816,000	365,000

# Notes to the financial statements

31 DECEMBER 2004

## 7 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	At beginning of financial period/year RM	Credited/ (charged) to income statement RM	At end of financial period/year RM
<b>12 months ended 30.6.2003</b>			
Excess of capital allowances over depreciation	(107,792)	(4,208)	(112,000)
Accretion of discounts net of amortisation of premiums	(833,954)	(244,046)	(1,078,000)
General allowance for doubtful debts	637,173	33,827	671,000
Unearned premium reserves	17,567	(567)	17,000
Provisions	59,898	(8,898)	51,000
<b>Total</b>	<b>(227,108)</b>	<b>(223,892)</b>	<b>(451,000)</b>

## 8 LOANS

	31.12.2004 RM	30.6.2003 RM
Mortgage loans	392,506	431,910
Other secured loans	291,996	60,897
Unsecured loans	3,980	177
	<b>688,482</b>	492,984
Receivable within 12 months	102,016	39,887
Receivable after 12 months	586,466	453,097
	<b>688,482</b>	492,984

## 9 RECEIVABLES

	31.12.2004 RM	30.6.2003 RM
<b>Trade receivables</b>		
Outstanding premiums including agents, brokers and co-insurers balances	18,711,351	15,220,746
Allowance for doubtful debts	(1,975,082)	(1,497,954)
	<b>16,736,269</b>	13,722,792
Amount due from reinsurers and ceding companies	6,505,287	5,471,992
Allowance for doubtful debts	(1,216,529)	(1,456,451)
	<b>5,288,758</b>	4,015,541
	<b>22,025,027</b>	17,738,333
<b>Other receivables</b>		
Other receivables, deposits and prepayments	737,014	1,543,078
Amount due from Malaysian Motor Insurance Pool	1,807,573	2,074,083
Amount due from stock brokers	1,011,012	-
Interest income due and accrued	2,530,834	1,953,172
Dividend income receivable	12,600	-
	<b>6,099,033</b>	5,570,333
	<b>28,124,060</b>	23,308,666



## Notes to the financial statements

31 DECEMBER 2004

**10 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits.

**11 PROVISION FOR OUTSTANDING CLAIMS**

	31.12.2004 RM	30.6.2003 RM
Provision for outstanding claims	141,387,622	104,620,472
Less: Recoverable from reinsurers thereon	(56,830,838)	(48,287,625)
Net outstanding claims	<b>84,556,784</b>	56,332,847

**12 PAYABLES**

	31.12.2004 RM	30.6.2003 RM
<b>Trade payables</b>		
Amount due to agents, brokers, insureds and co-insurers	5,125,300	5,093,198
Amount due to reinsurers and ceding companies	7,430,620	8,791,406
	<b>12,555,920</b>	13,884,604
<b>Other payables</b>		
Other payables	1,586,755	1,184,508
Cash collaterals held on behalf of insureds	2,052,265	2,217,891
Amount due to stock brokers	1,405,980	490,593
Accrued liabilities	3,631,558	3,443,740
	<b>8,676,558</b>	7,336,732
	<b>21,232,478</b>	21,221,336

**13 UNEARNED PREMIUM RESERVES**

	Fire RM	Motor RM	Marine Aviation & Transit RM	Miscellaneous RM	Total RM
<b>18 months ended 31.12.2004</b>					
At beginning of financial period	11,712,843	12,103,011	696,595	8,175,336	32,687,785
Increase in reserves	2,541,263	4,420,474	8,895	805,251	7,775,883
At end of financial period	<b>14,254,106</b>	<b>16,523,485</b>	<b>705,490</b>	<b>8,980,587</b>	<b>40,463,668</b>
<b>12 months ended 30.6.2003</b>					
At beginning of financial year	11,191,287	8,993,424	603,882	6,027,240	26,815,833
Increase in reserves	521,556	3,109,587	92,713	2,148,096	5,871,952
At end of financial year	11,712,843	12,103,011	696,595	8,175,336	32,687,785

# Notes to the financial statements

31 DECEMBER 2004

## 14 SHARE CAPITAL

	<b>31.12.2004</b>	<b>30.6.2003</b>
	<b>RM</b>	<b>RM</b>
Ordinary shares of RM1 each:		
Authorised:		
At beginning and end of financial period/year	<b>100,000,000</b>	100,000,000
Issued and fully paid:		
At beginning and end of financial period/year	<b>100,000,000</b>	100,000,000

## 15 RETAINED EARNINGS

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income accounts to pay dividends out of its entire retained earnings as at 31 December 2004.

## 16 OPERATING REVENUE

	<b>18 months</b>	<b>12 months</b>
	<b>ended</b>	<b>ended</b>
	<b>31.12.2004</b>	<b>30.6.2003</b>
	<b>RM</b>	<b>RM</b>
Gross premium	<b>217,957,098</b>	127,302,770
Investment income (Note 18):		
Insurance fund	<b>13,338,180</b>	8,717,660
Non-insurance fund	<b>61,106</b>	37,089
	<b>231,356,384</b>	136,057,519

## 17 MANAGEMENT EXPENSES

	<b>18 months</b>	<b>12 months</b>
	<b>ended</b>	<b>ended</b>
	<b>31.12.2004</b>	<b>30.6.2003</b>
	<b>RM</b>	<b>RM</b>
Personnel costs	<b>16,794,197</b>	9,714,688
Establishment costs	<b>4,049,929</b>	2,521,863
Marketing costs	<b>2,402,760</b>	1,271,970
Administrative and general expenses	<b>7,327,025</b>	4,261,389
	<b>30,573,911</b>	17,769,910

## Notes to the financial statements

31 DECEMBER 2004

**17 MANAGEMENT EXPENSES (CONTINUED)**

	<b>18 months ended 31.12.2004 RM</b>	<b>12 months ended 30.6.2003 RM</b>
The above expenditure is further analysed as follows:		
<b>Insurance fund</b>		
Staff salary and bonus	<b>13,367,090</b>	7,809,437
Defined contribution plan	<b>1,831,093</b>	1,057,364
Other staff benefits	<b>1,596,014</b>	847,887
Staff costs	<b>16,794,197</b>	9,714,688
Non-executive Directors' remuneration:		
Fee	<b>118,388</b>	97,836
Other emoluments	<b>181,354</b>	54,068
	<b>299,742</b>	151,904
Auditors' remuneration	<b>85,500</b>	52,500
Rental of offices	<b>1,890,046</b>	1,237,495
Depreciation of property, plant and equipment	<b>1,842,929</b>	1,113,820
Insurance Guarantee Scheme Fund levies	<b>539,478</b>	307,067
Allowance for bad and doubtful debts	<b>237,207</b>	24,634
Other expenses	<b>8,876,962</b>	5,161,952
	<b>30,566,061</b>	17,764,060
<b>Non-insurance fund</b>		
Corporate affairs expenses	<b>7,850</b>	5,850
	<b>30,573,911</b>	17,769,910

The number of employees in the Company as at the end of the financial period was 260 (30.6.2003: 229).

The estimated monetary value of benefits provided to certain Directors during the financial period by way of usage of the Company's assets amounted to RM5,138 (12 months ended 30.6.2003: RM10,500).

The remuneration, including benefit-in-kinds, attributable to the Chief Executive Officer of the Company during the financial period amounted to RM646,718 (12 months ended 30.6.2003: RM357,135).

## Notes to the financial statements

31 DECEMBER 2004

**18 INVESTMENT INCOME**

	<b>18 months ended 31.12.2004 RM</b>	<b>12 months ended 30.6.2003 RM</b>
<b>Insurance fund</b>		
Interest from:		
Malaysian Government Securities	957,608	–
Corporate debt securities	6,072,720	4,231,100
Loans	27,775	19,295
Fixed and call deposits	4,352,810	3,339,400
Accretion of discounts net of amortisation of premiums	673,614	571,495
Gross dividends from shares quoted in Malaysia	1,253,653	556,370
	<b>13,338,180</b>	<b>8,717,660</b>
<b>Non-insurance fund</b>		
Interest from fixed deposits	61,106	37,089
	<b>13,399,286</b>	<b>8,754,749</b>

**19 OTHER INCOME/(EXPENDITURE)**

	<b>18 months ended 31.12.2004 RM</b>	<b>12 months ended 30.6.2003 RM</b>
<b>Insurance fund</b>		
Profit on sale of property, plant and equipment	110,037	5,517
Profit on sale of investments	6,842,898	4,070,933
Allowance for diminution in value of investments	(179,865)	–
Sundry income	285,073	197,061
Interest paid to reinsurers	(27,113)	(31,548)
Unrealised gain/(loss) on foreign exchange	12,832	(378)
Realised gain/(loss) on foreign exchange	(874)	(2,253)
Other income – net	<b>7,042,988</b>	<b>4,239,332</b>

**20 TAXATION**

	<b>18 months ended 31.12.2004 RM</b>	<b>12 months ended 30.6.2003 RM</b>
Malaysian taxation:		
Current taxation	9,608,505	7,262,422
Deferred taxation (Note 7)	(816,000)	223,892
	<b>8,792,505</b>	<b>7,486,314</b>

## Notes to the financial statements

31 DECEMBER 2004

**20 TAXATION (CONTINUED)**

	<b>18 months ended 31.12.2004 RM</b>	<b>12 months ended 30.6.2003 RM</b>
<b>Current taxation</b>		
Current financial period/year	<b>10,569,000</b>	7,138,000
(Over)/under accrual in respect of prior financial years	<b>(960,495)</b>	124,422
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<b>(816,000)</b>	223,892
	<b>8,792,505</b>	7,486,314

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	<b>18 months ended 31.12.2004 RM</b>	<b>12 months ended 30.6.2003 RM</b>
Profit before taxation	<b>33,998,961</b>	25,736,725
Tax calculated at a tax rate of 28% (12 months ended 30.6.2003: 28%)	<b>9,519,709</b>	7,206,283
Expenses not deductible for tax purposes	<b>329,575</b>	218,032
Expenses allowed for double deduction	-	(23,953)
Income exempted for tax purposes	<b>(90,596)</b>	(30,576)
Income subject to different tax rate	<b>(5,688)</b>	(7,894)
(Over)/under accrual in respect of prior financial years	<b>(960,495)</b>	124,422
Tax expense	<b>8,792,505</b>	7,486,314

**21 EARNINGS PER SHARE**

The earnings per ordinary share has been calculated based on the net profit for the financial period amounting to RM25,206,456 (12 months ended 30.6.2003: RM18,250,411) divided by the number of ordinary shares in issue of 100,000,000 (30.6.2003: 100,000,000) during the financial period.

**22 DIVIDENDS**

Dividends declared or proposed in respect of the 18 months ended 31 December 2004 are as follows:

	<b>18 months ended 31.12.2004</b>		<b>12 months ended 30.6.2003</b>	
	<b>Gross dividend per share Sen</b>	<b>Amount of dividend, net of tax RM</b>	<b>Gross dividend per share RM</b>	<b>Amount of dividend, net of tax RM</b>
Interim dividend paid	-	-	7.5	5,400,000
Proposed final dividend	<b>25.0</b>	<b>18,000,000</b>	25.0	18,000,000
	<b>25.0</b>	<b>18,000,000</b>	32.5	23,400,000

The Directors recommend the payment of a final gross dividend in respect of the 18 months ended 31 December 2004 of 25% on 100,000,000 ordinary shares, less income tax at 28%, amounting to RM18,000,000, subject to the approval of members at the forthcoming Annual General Meeting of the Company. The proposed final dividend will be reflected in the financial statements of the next financial year ending 31 December 2005 when approved by shareholders. If approved, the final dividend will be paid on a date to be determined later.

# Notes to the financial statements

31 DECEMBER 2004

## 23 NET CLAIMS INCURRED

	Fire RM	Motor RM	Marine Aviation & Transit RM	Miscellaneous RM	Total RM
<b>18 months ended 31.12.2004</b>					
Gross claims paid less salvage	22,206,988	28,949,804	2,455,274	27,674,742	81,286,808
Reinsurance recoveries	(12,634,723)	(1,872,805)	(1,123,655)	(14,045,677)	(29,676,860)
Net claims paid	9,572,265	27,076,999	1,331,619	13,629,065	51,609,948
Net outstanding claims:					
At end of financial period	7,191,927	36,749,779	5,173,510	35,441,568	84,556,784
At beginning of financial period	(6,419,567)	(27,138,310)	(4,793,427)	(17,981,543)	(56,332,847)
Net claims incurred	10,344,625	36,688,468	1,711,702	31,089,090	79,833,885
<b>12 months ended 30.6.2003</b>					
Gross claims paid less salvage	26,417,138	12,570,609	2,023,700	16,076,684	57,088,131
Reinsurance recoveries	(21,186,118)	(1,059,990)	(983,709)	(9,504,948)	(32,734,765)
Net claims paid	5,231,020	11,510,619	1,039,991	6,571,736	24,353,366
Net outstanding claims:					
At end of financial year	6,419,567	27,138,310	4,793,427	17,981,543	56,332,847
At beginning of financial year	(5,977,785)	(21,999,108)	(4,963,394)	(13,571,339)	(46,511,626)
Net claims incurred	5,672,802	16,649,821	870,024	10,981,940	34,174,587

## 24 CASH FLOW SEGMENT INFORMATION

	18 months ended 31.12.2004			12 months ended 30.6.2003		
	Insurance fund RM	Non- insurance fund RM	Total RM	Insurance fund RM	Non- insurance fund RM	Total RM
Cash flows from:						
Operating activities	22,203,333	(36,768)	22,166,565	17,672,762	(12,117)	17,660,645
Investing activities	(2,980,040)	–	(2,980,040)	(1,095,352)	–	(1,095,352)
Financing activities	–	(18,000,000)	(18,000,000)	–	(16,200,000)	(16,200,000)
Effects of exchange rate changes on cash and cash equivalents	(2,185)	–	(2,185)	(915)	–	(915)
Transfer from insurance fund to non-insurance fund	(18,036,768)	18,036,768	–	(16,212,117)	16,212,117	–
	1,184,340	–	1,184,340	364,378	–	364,378
Net increase in cash and cash equivalents	1,184,340	–	1,184,340	364,378	–	364,378
Cash and cash equivalents:						
At beginning of financial period/year	606,306	–	606,306	241,928	–	241,928
At end of financial period/year	1,790,646	–	1,790,646	606,306	–	606,306

# Notes to the financial statements

31 DECEMBER 2004

## 25 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

The holding company is RHB Capital Berhad and the Directors regard Rashid Hussain Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

By virtue of being a subsidiary of RHB Capital Berhad and Rashid Hussain Berhad, the Company is deemed related to parties related to RHB Capital Berhad and Rashid Hussain Berhad. The related parties of RHB Capital Berhad and Rashid Hussain Berhad are disclosed in the financial statements of those companies.

The significant related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
RHB Capital Berhad	Holding company
Rashid Hussain Berhad	Ultimate holding company
RHB Bank Berhad	Subsidiary of holding company
RHB Hartanah Sdn Bhd	Subsidiary of holding company
RHB Delta Finance Berhad	Subsidiary of holding company
RHB Leasing Sdn Bhd	Subsidiary of holding company
RHB Sakura Merchant Bankers Berhad	Subsidiary of holding company
RHB Securities Sdn Bhd	Subsidiary of holding company
RHB-Daewoo Sdn Bhd	Subsidiary of ultimate holding company

The following are the significant related party transactions and balances in respect of transactions entered into during the current financial period. The related party transactions described below were on terms and conditions no more favourable than those available on similar transactions to the Company's other customers.

Related party transactions	Nature of transaction		18 months	12 months
			ended	ended
			31.12.2004	30.6.2003
			RM	RM
RHB Bank Berhad	Interest income		808,333	1,274,912
	Insurance premium earned		17,072,504	6,402,319
	Commission paid and payable		(5,729,068)	(3,075,601)
RHB Delta Finance Berhad	Interest income		1,411,241	726,207
	Commission paid and payable		(1,311,419)	(287,905)
RHB Sakura Merchant Bankers Berhad	Insurance premium earned		850,580	613,302
RHB Leasing Sdn Bhd	Commission paid and payable		(569,195)	(756,651)
RHB Securities Sdn Bhd	Insurance premium earned		530,646	5,540
RHB Hartanah Sdn Bhd	Rental expense		(1,495,728)	(988,896)
RHB-Daewoo Sdn Bhd	Insurance premium earned		710,235	437,725
<b>Related party balances</b>	<b>Types of balances</b>	<b>Note</b>	<b>31.12.2004</b>	<b>30.6.2003</b>
			<b>RM</b>	<b>RM</b>
RHB Bank Berhad	Fixed and call deposits	6	15,672,454	27,136,825
	Cash at bank	10	1,686,665	557,287
	Insurance premium	9	548,460	647,889
RHB Delta Finance Berhad	Fixed and call deposits	6	32,837,670	28,788,138
	Interest receivable	9	732,166	498,007

# Notes to the financial statements

31 DECEMBER 2004

## 26 CAPITAL COMMITMENTS

Capital expenditure on property, plant and equipment approved by Directors but not provided for in the financial statements amounted to approximately:

	31.12.2004 RM	30.6.2003 RM
Authorised and contracted for	55,829	92,366
Authorised but not contracted for	491,121	347,867

## 27 FINANCIAL INSTRUMENTS

### (a) Interest rate risk

The following table provides information about financial assets and financial liabilities, showing the weighted average effective interest rate and the maturity date of each class of interest bearing financial instrument in the balance sheet.

#### At 31 December 2004

	Non-interest bearing RM	1 year or less RM	1 to 5 years RM	More than 5 years RM	Total carrying amount RM	Weighted average effective interest rate %
<b>Financial assets</b>						
Investments:						
- Malaysian Government Securities	-	-	21,665,271	-	21,665,271	7.41
- Shares quoted in Malaysia	36,721,229	-	-	-	36,721,229	-
- Warrants quoted in Malaysia	1,815,800	-	-	-	1,815,800	-
- Loan stocks quoted in Malaysia	-	-	60,000	-	60,000	3.05
- Corporate debt securities	-	5,000,000	43,098,444	35,144,812	83,243,256	7.03
- Fixed and call deposits	-	92,894,957	-	-	92,894,957	3.22
Loans	281,750	-	44,632	362,100	688,482	4.23
Other receivables	3,999,557	-	-	-	3,999,557	-
Cash and cash equivalents	1,790,646	-	-	-	1,790,646	-
	<b>44,608,982</b>	<b>97,894,957</b>	<b>64,868,347</b>	<b>35,506,912</b>	<b>242,879,198</b>	
Other financial assets*					<b>23,832,600</b>	
Total financial assets					<b>266,711,798</b>	
Other assets					<b>7,058,162</b>	
Total assets as per balance sheet					<b>273,769,960</b>	
<b>Financial liabilities</b>						
Other payables	<b>5,831,076</b>	-	-	-	<b>5,831,076</b>	
Other financial liabilities*					<b>99,462,867</b>	
Total financial liabilities					<b>105,293,943</b>	
Other liabilities					<b>41,170,389</b>	
Total liabilities as per balance sheet					<b>146,464,332</b>	



## Notes to the financial statements

31 DECEMBER 2004

**27 FINANCIAL INSTRUMENTS (CONTINUED)****(a) Interest rate risk (Continued)**

At 30 June 2003

	Non-interest bearing RM	1 year or less RM	1 to 5 years RM	More than 5 years RM	Total carrying amount RM	Weighted average effective interest rate %
<b>Financial assets</b>						
Investments:						
- Shares quoted in Malaysia	18,034,841	-	-	-	18,034,841	-
- Corporate debt securities	-	15,539,275	59,395,742	17,618,010	92,553,027	6.94
- Unquoted shares	60,000	-	-	-	60,000	-
- Loan stocks	683,357	-	-	-	683,357	-
- Fixed and call deposits	-	98,750,070	328,892	-	99,078,962	3.43
Loans	177	-	60,897	431,910	492,984	4.35
Other receivables	3,203,601	-	-	-	3,203,601	-
Cash and cash equivalents	606,306	-	-	-	606,306	-
	<u>22,588,282</u>	<u>114,289,345</u>	<u>59,785,531</u>	<u>18,049,920</u>	<u>214,713,078</u>	
Other financial assets*					<u>17,738,333</u>	
Total financial assets					<u>232,451,411</u>	
Other assets					<u>5,308,841</u>	
Total assets as per balance sheet					<u>237,760,252</u>	
<b>Financial liabilities</b>						
Other payables	<u>4,937,344</u>	-	-	-	<u>4,937,344</u>	-
Other financial liabilities*					<u>72,616,839</u>	
Total financial liabilities					<u>77,554,183</u>	
Other liabilities					<u>40,106,897</u>	
Total liabilities as per balance sheet					<u>117,661,080</u>	

\* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts and employee benefits is not shown as they are excluded from the scope of MASB Standard 24 "Financial Instruments: Disclosure and Presentation."

# Notes to the financial statements

31 DECEMBER 2004

## 27 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Credit risk

The Company's credit risk exposure is analysed as follows:

	31.12.2004	Carrying amount 30.6.2003
	RM	RM
Analysed by rating:		
<b>Unquoted corporate debt securities</b>		
Government Guaranteed	–	20,626,220
AAA	14,622,644	26,812,802
AA	43,141,216	36,259,609
A	25,479,396	8,854,396
	<b>83,243,256</b>	<b>92,553,027</b>
<b>Staff loans</b>		
No rating	688,482	492,984
	<b>83,931,738</b>	<b>93,046,011</b>

The rating categories are based on the grading of reputable rating agencies.

	31.12.2004	Carrying amount 30.6.2003
	RM	RM
Analysed by industries:		
<b>Unquoted corporate debt securities</b>		
Manufacturing	1,507,555	–
Electricity, gas and water	29,533,942	24,923,458
Construction	14,594,278	5,945,127
Real Estate	5,525,482	5,537,674
Transport, storage and communication	13,311,615	20,167,083
Finance, insurance and business services	14,544,816	13,854,396
General Commerce	504,570	–
Hospital	3,720,998	–
Government and government agencies	–	15,539,275
Industrial products	–	3,586,014
Conglomerate	–	3,000,000
	<b>83,243,256</b>	<b>92,553,027</b>
<b>Staff loans</b>	<b>688,482</b>	<b>492,984</b>
	<b>83,931,738</b>	<b>93,046,011</b>

## Notes to the financial statements

31 DECEMBER 2004

**27 FINANCIAL INSTRUMENTS (CONTINUED)****(c) Foreign currency risk**

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date, stated in Ringgit Malaysia or foreign currency stated in Ringgit Malaysia equivalent, are set out as below:

**At 31 December 2004**

	<b>Ringgit Malaysia RM</b>	<b>Singapore Dollar RM</b>	<b>Total RM</b>
<b>Financial assets</b>			
Investments:			
– Malaysian Government Securities	21,665,271	–	21,665,271
– Shares quoted in Malaysia	36,721,229	–	36,721,229
– Warrants quoted in Malaysia	1,815,800	–	1,815,800
– Loan stocks quoted in Malaysia	60,000	–	60,000
– Corporate debt securities	83,243,256	–	83,243,256
– Fixed and call deposits	92,894,957	–	92,894,957
Loans	688,482	–	688,482
Other receivables	3,999,557	–	3,999,557
Cash and cash equivalents	1,764,663	25,983	1,790,646
	<b>242,853,215</b>	<b>25,983</b>	<b>242,879,198</b>
Other financial assets*			<b>23,832,600</b>
Total financial assets			<b>266,711,798</b>
Other assets			<b>7,058,162</b>
Total assets as per balance sheet			<b>273,769,960</b>
<b>Financial liabilities</b>			
Other payables	5,831,076	–	5,831,076
Other financial liabilities*			<b>99,462,867</b>
Total financial liabilities			<b>105,293,943</b>
Other liabilities			<b>41,170,389</b>
Total liabilities as per balance sheet			<b>146,464,332</b>

## Notes to the financial statements

31 DECEMBER 2004

**27 FINANCIAL INSTRUMENTS (CONTINUED)****(c) Foreign currency risk (Continued)****At 30 June 2003**

	<b>Ringgit Malaysia RM</b>	<b>Singapore Dollar RM</b>	<b>Total RM</b>
<b>Financial assets</b>			
Investments:			
- Shares quoted in Malaysia	18,034,841	-	18,034,841
- Corporate debt securities	92,553,027	-	92,553,027
- Unquoted shares	60,000	-	60,000
- Loan stocks	683,357	-	683,357
- Fixed and call deposits	99,078,962	-	99,078,962
Loans	492,984	-	492,984
Other receivables	3,203,601	-	3,203,601
Cash and cash equivalents	546,714	59,592	606,306
	<u>214,653,486</u>	<u>59,592</u>	<u>214,713,078</u>
Other financial assets*			17,738,333
Total financial assets			<u>232,451,411</u>
Other assets			5,308,841
Total assets as per balance sheet			<u>237,760,252</u>
<b>Financial liabilities</b>			
Other payables	4,937,344	-	4,937,344
Other financial liabilities*			72,616,839
Total financial liabilities			<u>77,554,183</u>
Other liabilities			40,106,897
Total liabilities as per balance sheet			<u>117,661,080</u>

\* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts and employee benefits is not shown as they are excluded from the scope of MASB Standard 24 "Financial Instruments: Disclosure and Presentation."

## Notes to the financial statements

31 DECEMBER 2004

**27 FINANCIAL INSTRUMENTS (CONTINUED)****(d) Fair values**

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair values, except as set out as below:

**At 31 December 2004**

	<b>Carrying amount RM</b>	<b>Fair value RM</b>
Investments:		
– Malaysian Government Securities	21,665,271	22,093,790
– Loan stocks quoted in Malaysia	60,000	62,400
– Corporate debt securities	83,243,256	86,007,905
Staff loans	688,482	613,258
	<b>105,657,009</b>	<b>108,777,353</b>

**At 30 June 2003**

Investments:		
– Shares quoted in Malaysia	18,034,841	19,336,296
– Corporate debt securities	92,553,027	96,780,854
– Unquoted shares	60,000	**
– Loan stocks	683,357	665,000
Staff loans	492,984	429,173
	<b>111,824,209</b>	<b>117,211,323</b>

The carrying amount of staff loans at 31 December 2004 was not reduced to the fair value, as the loans are expected to be recovered in full.

\*\* *It was not practicable within the constraints of timeliness and cost to estimate the fair value of the above unquoted shares reliably.*

**28 CHANGE IN ACCOUNTING POLICY**

During the financial period, the Company changed its accounting policy to comply with new MASB Standard 29 "Employee Benefits".

In previous financial years, no accrual was recognised in respect of unutilised annual leave entitlement of the Company's employees.

The Company has now changed its accounting policy to recognise the said accrual in the financial statements, as disclosed in Note 3(j) to the financial statements.

This new accounting policy has the effect of reducing the Company's net profit for the 18 months ended 31 December 2004 by RM27,888. However, no prior year adjustment has been made as the effect on the Company's financial statements for the previous financial year ended 30 June 2003 is not material.

**29 CHANGE OF FINANCIAL YEAR END**

The Company changed its financial year end from 30 June to 31 December to be co-terminous with that of its ultimate holding company, Rashid Hussain Berhad.

**30 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 January 2005.

# Statement by directors

Pursuant to Section 169 (15) of the Companies Act, 1965, we, Dato' Mohd Salleh Bin Hj Harun and Vaseehar Hassan Bin Abdul Razack, two of the Directors of RHB Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 31 to 57 are drawn up so as to show a true and fair view of the state of affairs of the Company as at 31 December 2004 and of its results and cash flows for the 18 months ended 31 December 2004 in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 28 January 2005.

**DATO' MOHD SALLEH BIN HJ HARUN**  
CHAIRMAN

**VASEEHAR HASSAN BIN ABDUL RAZACK**  
DIRECTOR

Kuala Lumpur  
28 January 2005

# Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965, I, Koh Heng Kong, being the officer primarily responsible for the financial management of RHB Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 57 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )  
declared at Kuala Lumpur )  
on 28 January 2005 )  
)  
Before me, )

**KOH HENG KONG**

**ABAS BIN HASAN**  
COMMISSIONER FOR OATHS

Kuala Lumpur  
28 January 2005

# Report of the auditors

TO THE MEMBERS OF RHB INSURANCE BERHAD

We have audited the financial statements set out on pages 31 to 57. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Company as at 31 December 2004 and of the results and cash flows of the Company for the 18 months period ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**PRICEWATERHOUSECOOPERS**

(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
28 January 2005

**DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN**

(No. 1867/09/06 (J))  
Partner of the firm

# Network

AS AT 31 DECEMBER 2004

**1 HEAD OFFICE**

Level 8, Tower One, RHB Centre  
Jalan Tun Razak, P.O. Box 10835  
50726 Kuala Lumpur

**Koh Heng Kong**

Chief Executive Officer

Tel : (03) 9281 2731

Fax : (03) 9281 2729 – General

(03) 9281 2729 (pause 403)

– Claims Dept

(03) 9281 2729 (pause 374) – RI Dept

**2 IPOH BRANCH**

No. 37, Jalan Medan Ipoh 5  
Bandar Baru Medan Ipoh  
31400 Ipoh, Perak

**Raymond Ho Hee Ming**

Branch Manager

Tel : (05) 546 3123

Fax : (05) 546 1303

**3 JOHOR BAHRU BRANCH**

Suite 18.06, Level 18  
Johor Bahru City Square  
(Office Tower)  
106 – 108, Jln Wong Ah Fook  
80000 Johor Bahru, Johor

**Soh Jiun Hong**

Branch Manager

Tel : (07) 223 4982

Fax : (07) 223 0824

**4 KAJANG BRANCH**

2nd Floor  
No. 7, Jalan Raja Haroun  
43000 Kajang  
Selangor Darul Ehsan

**Vivience Lee Sau Fong**

Branch Manager

Tel : (03) 8737 6067

Fax : (03) 8737 9348

**5 KOTA BHARU BRANCH**

2nd Floor  
Lot 3729 – 3730, Jalan Tok Hakim  
15000 Kota Bharu  
Kelantan

**Sulaiman b. Abdul Razak**

Branch Manager

Tel : (09) 746 1611

Fax : (09) 746 1612

**6 KOTA KINABALU BRANCH**

1st Floor  
78, Jalan Gaya  
88000 Kota Kinabalu  
Sabah

**Jeff Toh Kim Chai**

Branch Manager

Tel : (088) 216 192

Fax : (088) 240 310

**7 KUANTAN BRANCH**

No. 74/1, 1st Floor  
Jalan Teluk Sisek  
25000 Kuantan, Pahang

**Abdul Rashid b. Abu Bakar**

Branch Manager

Tel : (09) 515 7115

Fax : (09) 516 3372

**8 KUCHING BRANCH**

1st Floor, Lot 7051  
Section 64, KTLD Jalan Sekama  
93300 Kuching  
Sarawak

**Wong Shon Kwang**

Branch Manager

Tel : (082) 482 642

Fax : (082) 482 641

**9 MELAKA BRANCH**

No. 339A  
Jalan Melaka Raya 3  
Taman Melaka Raya  
75000 Melaka

**Louis Teoh Choon Hoe**

Branch Manager

Tel : (06) 282 9978

Fax : (06) 282 0516

**10 PENANG BRANCH**

Unit No. 10.04,  
10th Floor, Menara PSCI  
39, Jalan Sultan Ahmad Shah  
10050 Pulau Pinang

**Norman Michael Tan**

Branch Manager

Tel : (04) 228 0311

Fax : (04) 228 0310

**11 SIBU BRANCH**

No. 91, Ground Floor  
Jalan Kampong Nyabor  
96000 Sibu  
Sarawak

**Sebatian Lo Ming Kong**

Branch Manager

Tel : (084) 331 876

Fax : (084) 331 873