

Annual Report
China Taiping Insurance (Singapore) Pte. Ltd.
2010



中国太平
CHINA TAIPING

在整个视觉识别系统中，图形识别元素是中国太平经营目标和经营理念在视觉上的具体呈现，是其他视觉元素的领导者。

图形中的“太平”二字为象形的根植大地，拥抱蓝天、枝繁叶茂的参天大树，寓意中国太平充满活力，永续经营。

太平蓝象征天空的广阔与博大，诠释了中国太平通过诚信优质的理财服务和保险保障，为客户营造了一片安宁祥和的生活空间。

太平绿象征大地的生机与活力，寓意中国太平热爱自然、关爱生命的美好愿望以及积极进取、持续创新的企业风貌。

整体的造型为“圆”形，强化了“中国太平是中国保险行业第一家跨国公司”的个性特点，是中国太平全球化发展战略的形象诠释。

Following the rebranding exercise of the group, together with the change of the company name, China Taiping Insurance (Singapore) adopted the unifying logo used by all entities within the group.

In the visual identity system, graphic identity is the most important component and it is the most effective way in which China Taiping can convey its business objectives and philosophies.

The two chinese characters “Tai Ping” are shaped like dense lush green tall trees that stand deeply rooted in the soil of Mother Earth, and that stand tall to embrace the wide blue sky, representing the company’s dynamism and perpetual business sustainability.

The blue colour component represents the wide vastness of the big blue sky, signifying the company’s commitment to create well-being in life and peace of mind for its customers through diligent management and utmost sincerity in providing the best financial and insurance solutions.

The green colour component represents the vitality and vigour of Mother Earth, signifying the company’s deep passion for nature and caring for all life on it, as well as its corporate philosophy of continuously striving for upgrading and innovation.

The overall round shape of the logo presents China Taiping’s unique characteristic of being the first company in China’s insurance industry to bring business operations to the multinational level and also symbolically refers to the company’s future strategy of becoming truly globalized.



中国太平
CHINA TAIPING



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中国太平保险（新加坡）有限公司（简称“太平新加坡”）前身为中国保险股份有限公司新加坡分公司，创立于1938年，并于2001年与太平保险有限公司新加坡分公司合并，2003年1月1日改建为中国保险（新加坡）有限公司。为配合集团统一使用“中国太平”品牌，于2009年9月9日更名中国太平保险（新加坡）有限公司。

太平新加坡是“中国太平保

Established in 1938, China Taiping Insurance (Singapore) Pte. Ltd. (“CTIS”), is formerly known as China Insurance Co. Ltd, Singapore Branch. In 2001, the company merged with The Tai Ping Insurance Co. Ltd, Singapore Branch. On 1 January 2003, China Insurance Co. Ltd, Singapore Branch was restructured into China Insurance Co. (Singapore) Pte Ltd. In line with the group to consolidate its operations under the same brand name, the company was known as China Taiping Insurance (Singapore) Pte. Ltd. from 9 September 2009.

CTIS is a wholly owned subsidiary of China Taiping Insurance Group (HK) Company Ltd, which is owned by China Taiping Insurance Group Co (“CTIG”), and the ultimate shareholder being the State Council of the People’s Republic of China.

险集团（香港）有限公司”的全资子公司，最终股东为中国国务院直属的“中国太平保险集团公司”（简称“中国太平保险集团”）。中国太平保险集团作为业务种类最多、机构网络分布最广的中资金融保险集团之一，业务范围涵盖财产保险、人寿保险、再保险、保险经纪外，还涉及企业年金、资产管理、实业投资、证券经纪、财务融资、基金管理等领域，属下机构遍及中国境内、港澳、新加坡、日本、印度尼西亚、英国、

As a financial and insurance group with diversified business coverage and wide network, CTIG’s business covers life insurance, general insurance, reinsurance, reinsurance broking and, also extended to asset management, trust investment, real estate development, securities broking and pensions etc. It has more than 20 subsidiaries across the world, including Mainland China, Hong Kong, Macau, Singapore, Japan, Indonesia, the United Kingdom, the Netherlands and New Zealand.

Being one of the pioneers of the insurance industry in Singapore, CTIS has grown to become one of the leading general insurers in the country. Today, its paid-up capital and shareholders’ fund has grown to S\$50 million and S\$78 million respectively with total assets worth more than

荷兰、新西兰等国家和地区，共有超过 20 家所属子公司。

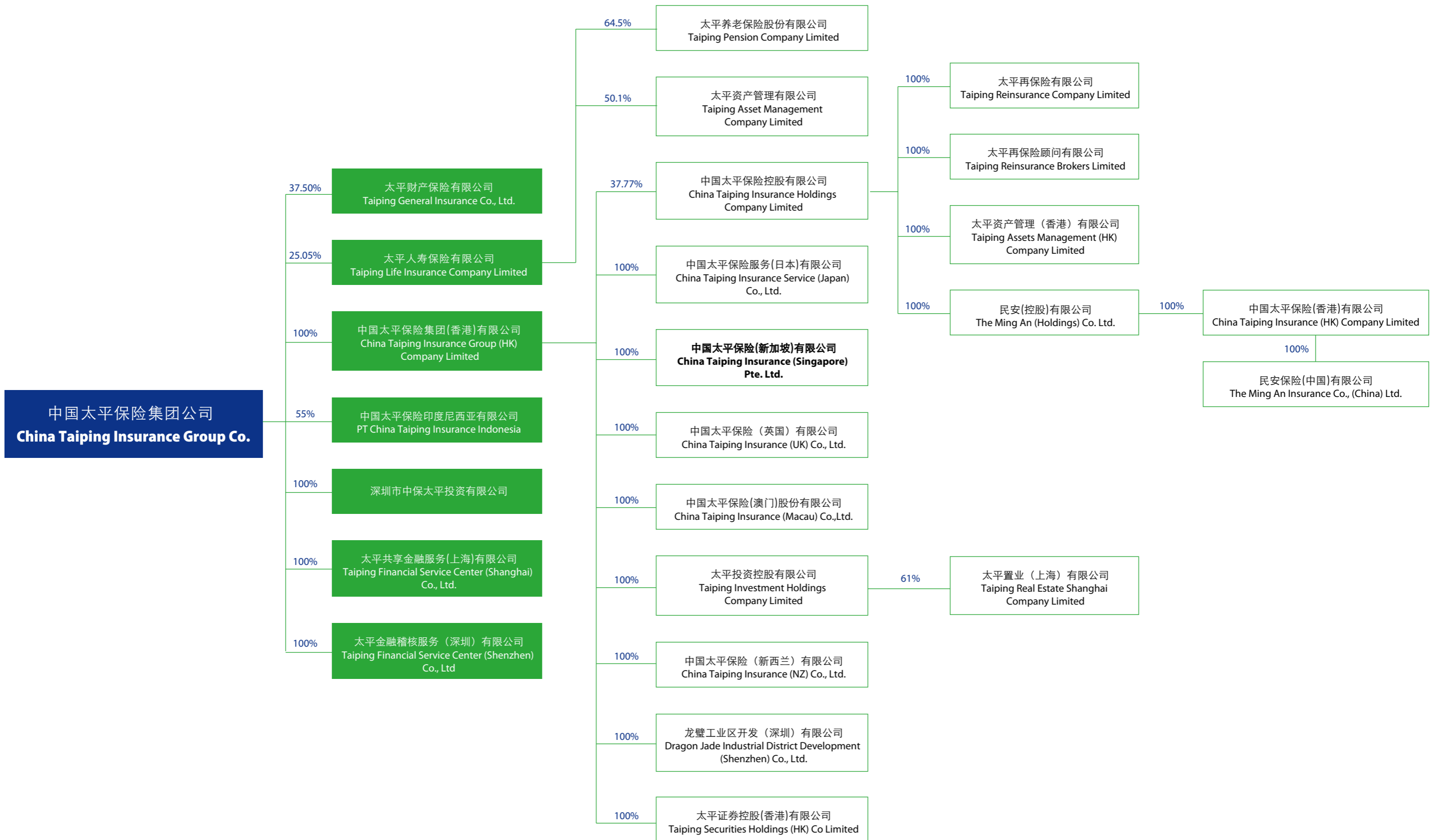
身为新加坡历史最悠久的普通保险公司之一，太平新加坡已经发展成为在全国领先的普通保险公司之一，缴足资本达 5000 万新元，股东资金增至 7800 万新元，总资产值超过 2 亿 3500 万新元。其雄厚的财务实力也获得信用评级公司的肯定，A.M.Best 授予公司的财务实力评级“A-”（优秀）及发行人信贷评级“a-”，两项评级展望为稳定。

太平新加坡的主要保险产品包括汽车险、住屋综合险、旅游保险、个人意外保险、火险、公共责任险、货物运输保险、工伤险、建筑工程险、履约保证险、外籍劳工担保和外籍劳工医疗保险。此外，作为中国太平保险集团境外产险业务的主要力量和东南亚及大洋洲区域管理中心，公司还协助集团管理区内新西兰、印尼等产险业务。

S\$235 million. It was assigned by A.M.Best a financial strength rating of A- (Excellent) and issuer credit rating of "a-". Outlook for both ratings is stable.

CTIS is principally engaged in the underwriting of general insurance businesses such as motor, home, travel, personal accident, fire, public liability, marine, work injury compensation, contractor’s all risks, performance bond, foreign worker’s bond and medical insurance etc. In addition, as the main support of CTIG’s overseas general insurance business and the Group’s regional management center in Southeast Asia and Oceania, CTIS is assisting in managing its general insurance business in New Zealand and Indonesia.

- 1938** Established The Tai Ping Insurance Co Ltd, Singapore Branch.
- 1939** Established China Insurance Co Ltd, Singapore Branch.
- 1986** Tai Ping Insurance made long-term commitment to Singapore with purchase of office space in a building at 62 Cecil Street. It was renamed TPI Building.
- 1993** China Insurance expanded with purchase of two floors of office space in The Octagon in the central business district.
- 2002** China Insurance Co Ltd, Singapore Branch merged with The Tai Ping Insurance Co Ltd, Singapore Branch, with the combined entity operating as China Insurance Co Ltd, Singapore Branch.
- 2003** China Insurance Co Ltd, Singapore Branch locally incorporated into China Insurance Co (Singapore) Pte Ltd with a paid-up capital of S\$45million. With the leasing of the additional floor of office space, all Departments were finally housed under one roof in The Octagon. Part of TPI Building was designated to be the operation recovery centre with full facilities for business continuity operations.
- 2006** Paid-up Capital increased to S\$50million to further strengthen the company's financial standing.
- 2007** Assigned by Standard & Poor's the rating of "BBB" long term insurer of financial strength and counterparty credit ratings with stable outlook.
- 2008** Standard & Poor's revised its outlook on the Company from stable to positive. Local currency insurer financial strength and counterparty credit ratings were affirmed at "BBB".
- 2009** Attained Standard & Poor's rating upgrade to "BBB+" on its long-term financial strength and counterparty credit ratings.
- 2009** In line with the Group to consolidate all its operations under the unified brand name and logo, the company was renamed as China Taiping Insurance (Singapore) Pte Ltd and adopted the new logo.
- 2010** Standard & Poor's affirmed its long-term insurer financial strength and counterparty credit ratings of "BBB+" with stable outlook.
- 2011** Assigned by A.M. Best a financial strength rating of A- (Excellent) and issuer credit rating of "a-". Outlook for both ratings is stable.



卓越管理单位

“Excellence in Management” Award

This is a highly coveted award within the China Taiping Insurance Group and is given out annually to only two or three companies within its stable of more than 70 companies. Companies receiving this award must have demonstrated outstanding performance in key areas such as operational processes, marketing & sales strategies and overall company’s growth.

The selection criteria is stringent, amongst which is first meeting and fulfilling all the requirements for the “Outstanding Management” Award. “Excellence in Management (Gold)” Award is the highest recognition given to the Most Outstanding Company within the Group for each financial year. Being the most prestigious award given by the Group, it may not be conferred if there is no qualifying candidate for the year.

优秀管理单位

“Outstanding Management” Award

This is another prestigious award which sees keen competition amongst the 70 over member companies within the China Taiping Insurance Group annually.

For companies which meet the high expectations set by the award, it is the culmination of efforts made in achieving excellent standards in all departments ranging from human resource management to general business management.

From 2009, this award was further separated into three levels of honour, namely the Bronze, Silver, and Gold. Selection criteria are still as stringent but it is seeing increasingly intense competition amongst all the member companies that have demonstrated outstanding growth and good corporate governance.

Companies obtaining the “Outstanding Management (Gold)” Award will be put to keen competition to vie for the “Excellence in Management (Gold)” Award.

先进集体

“Value-Added Performance” Award

This award is given to any company within the China Taiping Insurance Group that has demonstrated improvements in business performance and management. It recognizes companies who constantly review their business processes and innovate to attain higher operational efficiency.

- ① 2004 - Value-Added Performance
- ② 2005 - Excellence in Management (Silver)
- ③ 2006 - Outstanding Management
- ④ 2007 - Outstanding Management
- ⑤ 2008 - Excellence in Management (Silver)
- ⑥ 2009 - Outstanding Management (Gold)
- ⑦ 2010 - Excellence in Management (Gold)



At China Taiping Insurance (Singapore), we are deeply committed to protecting the customers' corporate and personal interests with our comprehensive range of products and services. Our team of insurance professionals strives to understand and manage diverse needs.

Commercial Lines

We offer a broad range of insurance products with affordable premiums and favourable terms for customers in this segment. Our Commercial insurance plans provide business solutions to both multinational corporations and small-medium enterprises through efficient distribution channels. The plans include Property, Contractors' All Risks insurance, Work Injury Compensation insurance, Biztrenz Packages, Foreign workers' medical insurance, Corporate Hospitalisation and Surgical insurance, and Casualty insurance.

Personal Lines

China Taiping Insurance (Singapore) endeavours to provide a wide range of insurance solutions with competitive benefits and features. These include plans covering Travel, Personal Accident, Home, Hospital Cash, Motor and Overseas Student Care to cater to individual needs and wants. Focused and concerted efforts have been made to upgrade and modify plans in keeping with changing demands. This is evidenced by our tie-up with AXS Pte Ltd helped to facilitate purchase of Travel Insurance via AXS Stations.

Marine

We are committed to providing comprehensive Marine Cargo coverage to meet both multinational corporations' and small-medium enterprises' specific needs. Our product is customized for shipments of cargo by a range of modes: sea, air, courier, parcel post and/or land conveyance. We also specialize in bulk of shipments and other general merchandise and offer technical expertise in areas of underwriting, marine risks management and claims support services.

Credit

As one of the most prominent insurers in the Foreign Workers' security bond business, we are most focused on delivering efficient and timely services for organizations. Our established network of intermediaries allows us to provide our customers with support in both application and claims matters. Domestic Maid Insurance, Undertaking Bond, Rental Bond and Performance Bond are amongst the products underwritten by this Department.

Customer Service

At China Taiping Insurance (Singapore), we pledge ourselves to provide a high level of service to all our customers. Besides our valued policyholders, we regard all external parties such as our intermediaries, panel lawyers, workshops and all other

business associates as China Taiping Insurance (Singapore)'s customers. An external appraisal system had been set up to collate feedback on our services and every feedback is handled with top priority.

Risks Management

Leveraging on a team of qualified professionals in their own specialized field, we have formulated stringent underwriting guidelines and operating procedures to ensure the continuing success for the Company. We adopt a proactive approach to exploring new business opportunities, but generating underwriting profits remains the core business objective. Our underwriters will assist customers to identify risk areas and recommend suitable risk management techniques. Within the group, the Internal Audit Department serves as an independent assessment body to ensure stringent compliance of our guidelines at all levels of hierarchy.



Li Tao
李涛

Meng Zhaoyi
孟昭亿

Li Weiguo
李卫国

CHINA TAIPING MANAGEMENT TEAM



Lynn Lee
李筱玲
Deputy General Manager

Huang Jun
黄骏
Deputy General Manager

Meng Zhaoyi
孟昭亿
Chairman of the board

Li Weiguo
李卫国
General Manager

Zheng Weimin
郑伟民
Deputy General Manager

董事长致词

我很荣幸代表公司董事会向各位呈上中国太平保险（新加坡）有限公司截至2010年12月31日的财务报告书。

回顾2010

新加坡经济在2010年强力回弹，表现比预期卓越。尽管面对美国经济复苏不确定性和一些欧洲国家主权债务问题的困扰，新加坡国内生产总值增幅创下14.5%的纪录。这股强劲的经济增长主要得益于制造业以及与旅游相关的服务行业的增长和两个综合度假胜地开业。

乘着经济急速复苏的步伐，新加坡普通保险业也表现特佳，毛保费收入增长3.7%，达30.3亿新元。承保利润更从2009年的1.897亿新元上升4.4%至1.981亿新元。这主要归功于工伤赔偿险业务在2010年转亏为盈，取得了500万新元的承保利润。另一方面，汽车险业绩恶化，毛保费收入虽然大幅增长，承保亏损却从2009年的4,450万新元增加至2010年的4,890万新元。

经营业绩

中国太平保险（新加坡）经营业绩在2010年继续取得改善，税前盈利增长25.1%，达1,370万新元，刷新2009年创下的1,100万新元的盈利纪录。承保利润取得53.8%的可观增长，从2009年的550万新元增加至2010年的840万新元。公司连续5年取得承保利润，是我们一贯坚持审慎的承保政策的成果。

2010年依然处于低利率水平的投资环境。公司实现投资收益690万新元，较2009年的640万新元增长8.0%。较好的承保业绩和投资收益也为公司的持续增长作出贡献，净资产增加10.4%，从2009年的7,070万新元上升到2010年的7,800万新元。

展望未来

2011年，全球经济预计将在美国经济复苏和以中国为首的新兴经济体持续增长的带动下，继续从2008-2009年金融危机中稳步复苏。亚洲仍将是世界上经济增长最快的地区，但增长预计将继2010年的V形强劲复苏后放缓，新加坡预计将在2011年取得较温和的4%至6%的经济增长。

然而，一些不确定因素仍然存在，全球经济的基本趋势将受中东动乱以及在日本发生的破坏性地震，海啸和核灾害的冲击。通货膨胀的压力和

日趋恶化的能源短缺将影响全球经济的持续复苏。因此，我们必须坚持严谨的承保政策和谨慎投资策略。2011年，公司将引入企业风险管理(ERM)系统，来应对更多的风险挑战，以确保公司的长期可持续发展。

感谢语

我谨此代表董事会感谢公司管理团队和全体员工。多年来，他们始终坚守“诚信”、“专业”、“价值”的核心价值观，使公司赢得了保险中介、被保险人，再保险公司和商业伙伴的坚定支持。同时，我也向长期支持和信赖中国太平保险（新加坡）的忠实的客户和商业伙伴表示衷心感谢。



孟昭亿
董事长

On behalf of the Board of Directors, it is my pleasure to present to you the annual report of China Taiping Insurance (Singapore) Pte Ltd for the financial year ended 31 December 2010.

The Year in Review

2010 was an exceptional good year when Singapore economy rebounded more strongly than expected. In spite of the lingering economic uncertainties in the United States and concerns over the sovereign debt problems in certain European countries, Singapore Gross Domestic Product expanded by a record-setting 14.5%. The stellar economic growth was largely boosted by strong expansion in Manufacturing together with tourism related services sectors and the opening of the two Integrated Resorts.

Riding on the sharp economic recoveries, the local general insurance industry also did exceptionally well in 2010 with a 3.7% growth bringing the gross written premium income to S\$3.03 billion. The underwriting profit rose by 4.4% to S\$198.1 million from S\$189.7 million in the previous year. Contributing positively to the better underwriting results is the Work Injury Compensation business which made a strong turnaround in 2010 with an underwriting profit of S\$5 million. Despite considerable growth in premium written, Motor insurance performance deteriorated to a bigger loss of S\$48.9 million last year from S\$44.5 million loss in 2009.

Results for the Year

China Taiping Insurance (Singapore) continues to improve on its performance in 2010. The Company achieved a record breaking profit before tax of S\$13.7 million, an increase of 25.1% from the previous height of S\$11.0 million recorded in 2009. During the year, the underwriting profit recorded an impressive growth of 53.8% to S\$8.4 million from S\$5.5 million registered in the previous year. This marked the 5th consecutive year that the Company is enjoying underwriting profit as a result of our prudent underwriting discipline.

The year 2010 continued to see a low interest-rate investment environment. The Company reported a realized investment income of S\$6.9 million, representing a 8.0% growth over the S\$6.4 million recorded in 2009. With the positive contribution from both the underwriting and investment activities, the net assets went up by 10.4% to S\$78.0 million from S\$70.7 million a year ago.

Looking Ahead

For 2011, the global economy is expected to continue its steady recovery from the financial crisis of 2008-2009, driven by the US recovery and the continued growth in emerging economies, led by China. However, growth in Asia is expected to moderate after the vigorous V-shaped recovery in 2010 though Asia will remain the fastest growing region in the world. In Singapore, the economy is projected to grow at a moderate 4% to 6% in 2011.

However, uncertainty prevails when the underlying trends in the global economy would be affected after the outbreak of the Middle East unrest and the triple whammies of devastating earthquake, tsunami and subsequent nuclear disaster in Japan. The mounting inflationary pressure and the worsening energy shortages will impact the global economy recovery in times to come. Thus we have to continue our approach of practicing sound and prudent underwriting and investment procedures in order to ensure long-term growth and success for the Company. We will embark on the enterprise risk management (ERM) system in 2011 in order to further strengthen the Company's risk management in preparation of the future challenges.

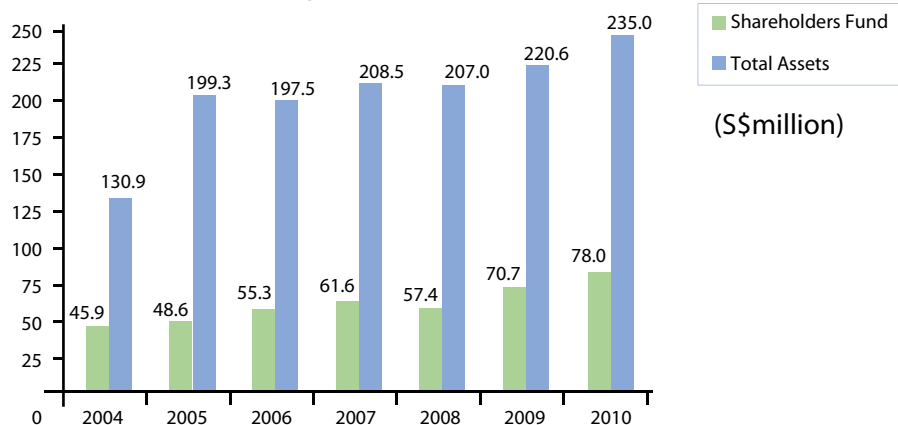
Appreciation

On behalf of the Board of Directors, I thank the management team and staff who have consistently upheld the company's core values of "Sincerity", "Expertise" and "Value" over the years. It is through these efforts that have helped the company gain the unwavering support of various intermediaries, policyholders, reinsurers, and business partners. I would also like to express my gratitude to our loyal customers and business partners for their continued support and confidence in China Taiping Insurance (Singapore).

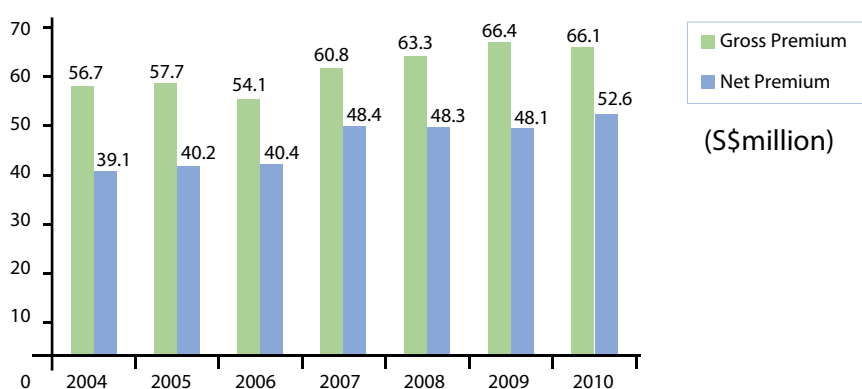


Meng Zhaoyi
Chairman of the board

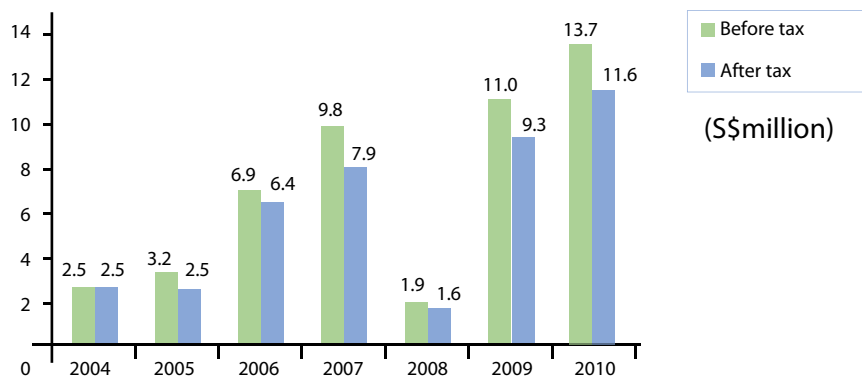
Shareholders Fund/Total Assets



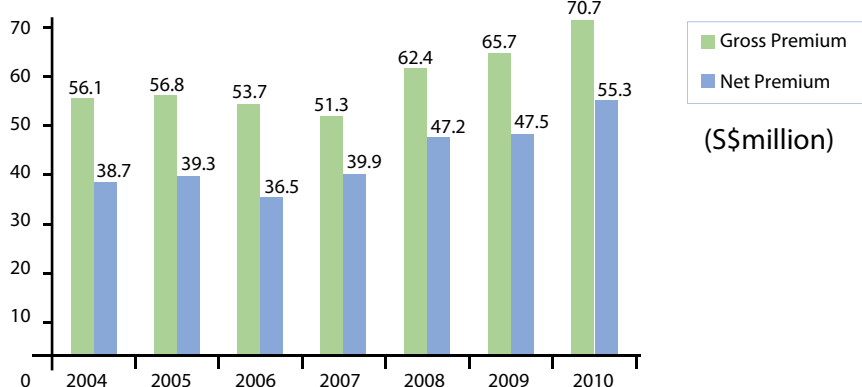
Written Premium



Profit before/after tax



Earned Premium



The directors present their report together with the audited financial statements of the company for the financial year ended December 31, 2010.

1. Directors

The directors of the company in office at the date of this report are:

Meng Zhaoyi
Li Weiguo
Li Tao
Huang Jun (Alternate director to Li Tao)

2. Arrangements To Enable Directors To Acquire Benefits By Means Of The Acquisition Of Shares And Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3. Directors' Interests In Shares And Debentures

The directors of the holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act.

4. Directors' Receipt And Entitlement To Contractual Benefits

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5. Share Options

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the company was granted.

(b) Options exercised

During the financial year, there were no shares of the

company issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the company under option.

6. Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



Li Weiguo



Huang Jun

March 31, 2011

In the opinion of the directors, the accompanying financial statements of the company as set out on pages 15 to 58 are drawn up so as to give a true and fair view of the state of affairs of the company as at December 31, 2010 and of the results, changes in equity and cash flows of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS



.....
Li Weiguo



.....
Huang Jun

March 31, 2011

Report on the Financial Statements

We have audited the accompanying financial statements of China Taiping Insurance (Singapore) Pte. Ltd. which comprise the statement of financial position as at December 31, 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 58.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at December 31, 2010 and of the results, changes in equity and cash flows of the company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provision of the Act.

Deloitte & Touche LLP

.....
Public Accountants and
Certified Public Accountants

Singapore
March 31, 2011

STATEMENT OF FINANCIAL POSITION

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December 31, 2010

	Note	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	78,982,378	83,045,993
Amounts due from related companies	7	16,798	4,793
Deposits, prepayments and other receivables	8	827,192	721,224
Insurance receivables	9	5,566,698	3,897,368
Investment in securities			
- Equity securities	10	26,169,989	20,726,370
- Debt securities	10	<u>8,566,460</u>	<u>21,352,317</u>
		120,129,515	129,748,065
Reinsurers' share of insurance liabilities			
Provision for unexpired risk on reinsurance ceded	13(a)	7,274,597	9,175,529
Provision for insurance claims recoverable from reinsurers	13(b)	<u>16,284,591</u>	<u>11,065,206</u>
		<u>143,688,703</u>	<u>149,988,800</u>
Non-current assets			
Investments in securities			
- Debt securities	10	73,954,385	52,420,270
Deposits, prepayments and other receivables	8	244,287	323,990
Property and equipment	11	12,945,310	13,499,957
Investment properties	12	<u>4,176,423</u>	<u>4,321,910</u>
		<u>91,320,405</u>	<u>70,566,127</u>
Total assets		<u><u>235,009,108</u></u>	<u><u>220,554,927</u></u>

December 31, 2010

	Note	2010	2009
		\$	\$
LIABILITIES AND EQUITY			
Current liabilities			
Insurance payables	14	3,774,472	3,595,113
Other payables and accruals	15	7,745,002	8,199,749
Amounts due to related companies	7	917,141	993,902
Current tax payable		<u>2,670,143</u>	<u>2,485,179</u>
		15,106,758	15,273,943
Gross Insurance liabilities			
Provision for unexpired risks	13(a)	45,841,096	50,446,689
Provision for insurance claims	13(b)	<u>83,679,000</u>	<u>68,693,000</u>
		<u>144,626,854</u>	<u>134,413,632</u>
Non-current liabilities			
Other payables and accruals	15	12,196,196	15,058,781
Deferred tax liabilities	16	<u>161,823</u>	<u>381,000</u>
		<u>12,358,019</u>	<u>15,439,781</u>
Total liabilities		<u>156,984,873</u>	<u>149,853,413</u>
Shareholder's equity			
Share capital	17	50,000,000	50,000,000
Fair value reserves		1,270,090	2,649,486
Retained earnings		<u>25,152,609</u>	<u>16,450,492</u>
		76,422,699	69,099,978
Advance capital from holding company	18	<u>1,601,536</u>	<u>1,601,536</u>
		<u>78,024,235</u>	<u>70,701,514</u>
Total liabilities and equity		<u>235,009,108</u>	<u>220,554,927</u>

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

STATEMENT OF COMPREHENSIVE INCOME

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Year ended December 31, 2010

	Note	2010	2009
		\$	\$
Revenue			
Gross written premiums		66,119,402	66,414,462
Change in gross provision for unexpired risks		<u>4,605,593</u>	<u>(743,716)</u>
Gross earned premium revenue	13(a)	<u>70,724,995</u>	<u>65,670,746</u>
Written premiums ceded to reinsurers		(13,561,663)	(18,271,718)
Reinsurers' share of change in provision for unexpired risks		<u>(1,900,932)</u>	<u>126,873</u>
Reinsurance premium expense	13(a)	<u>(15,462,595)</u>	<u>(18,144,845)</u>
Net earned premium revenue	13(a)	55,262,400	47,525,901
Commission income	19	3,733,527	4,934,302
Net investment income	20	6,615,197	6,165,541
Other income	21	<u>343,247</u>	<u>372,582</u>
Total income		<u>65,954,371</u>	<u>58,998,326</u>
Gross claims incurred	13(b)	(38,914,194)	(27,384,437)
Reinsurers' share of claims incurred	13(b)	<u>9,626,101</u>	<u>1,806,543</u>
Net claims incurred	13(b)	<u>(29,288,093)</u>	<u>(25,577,894)</u>
Commission expense		(11,142,554)	(11,114,717)
Staff costs	22	(6,769,081)	(7,055,496)
Depreciation of property and equipment	11	(638,221)	(675,287)
Depreciation of investment property	12	(145,487)	(146,071)
Other operating expenses	23	<u>(4,223,970)</u>	<u>(3,438,665)</u>
Total claims and expenses		<u>(52,207,406)</u>	<u>(48,008,130)</u>
Profit before income tax		13,746,965	10,990,196
Income tax	24	<u>(2,163,348)</u>	<u>(1,648,921)</u>
Profit for the year		<u>11,583,617</u>	<u>9,341,275</u>
Other comprehensive income			
Available-for-sale investments			
- Reclassification to profit or loss from equity on disposal of available-for-sale investments		(2,395,498)	1,593,161
- Change in fair value of available-for sale investments		733,575	4,911,129
- Deferred tax (liability) asset recognised for available-for-sale investments		<u>282,527</u>	<u>(1,138,551)</u>
Other comprehensive income (loss) for the year, net of tax		<u>(1,379,396)</u>	<u>5,365,739</u>
Total comprehensive income for the year, net of tax		<u>10,204,221</u>	<u>14,707,014</u>

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

	Share capital	Fair value reserves	Retained earnings	Advance capital from holding company	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2008	50,000,000	(2,716,253)	8,558,817	1,601,536	57,444,100
Total comprehensive income for the year	-	5,365,739	9,341,275	-	14,707,014
Tax exempt interim dividend (Note 25)	-	-	(1,449,600)	-	(1,449,600)
Balance at December 31, 2009	50,000,000	2,649,486	16,450,492	1,601,536	70,701,514
Total comprehensive income (loss) for the year	-	(1,379,396)	11,583,617	-	10,204,221
Tax exempt interim dividend (Note 25)	-	-	(2,881,500)	-	(2,881,500)
Balance at December 31, 2010	<u>50,000,000</u>	<u>1,270,090</u>	<u>25,152,609</u>	<u>1,601,536</u>	<u>78,024,235</u>

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

STATEMENT OF CASH FLOWS

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Year ended December 31, 2010

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		\$	\$
Operating activities			
Profit before income tax		13,746,965	10,990,196
Adjustments for:			
Depreciation of property and equipment	11	638,221	675,287
Depreciation of investment property	12	145,487	146,071
Gain on disposals of equity securities	20	(1,301,383)	(1,380,835)
(Gain) Loss on redemption of debt securities	20	31,550	(212,326)
Dividend income	20	(858,941)	(712,280)
Interest income	20	(4,393,142)	(3,801,810)
Interest expense	23	122,437	128,382
Net gain in fair value of debt securities at fair value through profit or loss	20	(93,281)	(58,290)
Net change in provision for unexpired risks		(2,704,661)	616,843
Net change in provision for insurance claims		<u>9,766,615</u>	<u>445,300</u>
Operating profit before changes in working capital		15,099,867	6,836,538
Insurance receivables		(1,669,330)	578,358
Deposits, prepayments and other receivables		79,703	(81,121)
Amounts due from related companies		(12,005)	636
Insurance payables		179,359	(673,123)
Other payables and accruals		(472,687)	250,056
Amounts due to related companies		<u>(76,761)</u>	<u>(208,897)</u>
Cash generated from operations		13,128,146	6,702,447
Interest expense paid	23	(122,437)	(128,382)
Interest income received		4,287,174	3,909,308
Dividend income received	20	858,941	712,280
Income tax paid		<u>(2,082,248)</u>	<u>(412,501)</u>
Net cash from operating activities		<u>16,069,576</u>	<u>10,783,152</u>

	Note	2010	2009
		\$	\$
Investing activities			
Purchase of property and equipment	11	(83,574)	(120,159)
Purchase of equity securities		(29,316,838)	(26,555,368)
Proceeds from disposal of equity securities		22,779,106	17,436,457
Purchase of debt securities		(40,562,693)	(40,780,516)
Proceeds from redemption of debt securities		32,776,953	39,279,825
Dividends paid	25	<u>(2,881,500)</u>	<u>(1,449,600)</u>
Net cash used in investing activities		<u>(17,288,546)</u>	<u>(12,189,361)</u>
Net decrease in cash and cash equivalents			
		(1,218,970)	(1,406,209)
Cash and cash equivalents at beginning of year		<u>70,913,264</u>	<u>72,319,473</u>
Cash and cash equivalents at end of year*		<u>69,694,294</u>	<u>70,913,264</u>
* Cash and cash equivalents for the purpose of cash flow statements comprise of (Note 6):			
Cash and bank balance		78,982,378	83,045,993
Cash collaterals held in respect of insurance bonds		(8,788,084)	(11,632,729)
Statutory deposits held by the bank as a collateral		<u>(500,000)</u>	<u>(500,000)</u>
		<u>69,694,294</u>	<u>70,913,264</u>

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

December 31, 2010

1. General

The company (Registration No. 200208384E) is incorporated in the Republic of Singapore with its principal place of business and registered office at 105 Cecil Street, #19-00, The Octagon, Singapore 069534. The financial statements are expressed in Singapore dollars.

The company was registered as a direct general insurer on December 16, 2002 under the Insurance Act, Chapter 142 ("Insurance Act") to underwrite general insurance business.

The financial statements of company for the year ended December 31, 2010 were authorised for issue by the Board of Directors on March 31, 2011.

2. Summary Of Significant Accounting Policies

2.1. Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

The assets and liabilities of the company, which relate to the insurance business carried on in Singapore, are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the insurance funds established under Section 17 of the Insurance Act. Surplus assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 and the company continues to be able to meet the solvency requirements of Section 18. All other assets and liabilities are accounted for in the books of the "shareholder's fund". These financial statements represent the combined assets and liabilities, and income and expenses of the insurance funds and the shareholder's fund.

2.2. Adoption of new and revised standards

In the current financial year, the company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2010. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the company were issued but not effective:

- Improvements to Financial Reporting Standards (issued in October 2010)
- FRS 24 (Revised) *Related Party Disclosures*
- Amendments to FRS 12 *Income Taxes*
- Amendments to FRS 107 *Financial Instruments: Disclosures – Transfers of Financial Asset*

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRS and amendments to FRS in future periods will not have a material impact on the financial statements of the company in the period of their initial adoption.

2.3. Classification of insurance contracts

Contracts under which the company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if, and only if, an insured event could cause the company to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

2.4. Insurance contracts

Written premiums and earned premium revenue

Written premiums include premiums on contracts entered during the financial year, irrespective of whether they relate in whole or in part to later financial years. Written premiums are disclosed gross of commission payable to insurance companies and intermediaries and include adjustments to premiums written in prior financial years.

The earned portion of written premiums is recognised as revenue. Earned premium revenue comprises premiums written during the financial year and changes in provision for unexpired risks.

Provision for unexpired risks

The provision for unexpired risks includes a provision for unearned premiums and any additional provision for premium deficiency. The provision for unearned premiums is calculated using the 365th method on written premiums less commission expense for all classes of business except for marine cargo business which is calculated at 25% of written premiums. An additional provision for premium deficiency is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of the reporting period exceeds the provision for unearned premiums in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

Claims incurred and provision for insurance claims

Claims incurred comprises claims paid during the financial year, net of subrogation recoveries, and changes in provision for insurance claims.

Provision for insurance claims comprise provisions for the company's estimate of the ultimate cost of settling all claims incurred but unpaid at the end of the reporting period whether reported or not, and related internal and external claims handling expenses, as well as a provision for adverse deviation. Provision for insurance claims are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provision for insurance claims is discounted where there is a particularly long period from end of the reporting period to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

Reinsurance

The company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the company from its direct obligations to its policyholders.

Reinsurance premium expense and reinsurers' share of claims incurred are presented in the statement of comprehensive income and statement of financial position on a gross basis.

Reinsurance assets comprise reinsurers' share of insurance contract provisions and balances due from reinsurance companies.

December 31, 2010

The amounts recognised as reinsurers' share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Balances due from reinsurance companies in respect of claims paid are included within insurance receivables on the statement of financial position.

Reinsurance assets are assessed for impairment at the end of each reporting period. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due and that the event has as reliably measurable impact on the amounts that the company will receive from the reinsurer.

Commissions

Commission expenses paid to intermediaries (brokers, agents) upon acquiring new and renewal insurance business are recognised in profit or loss.

Commission income comprises reinsurance and profit commissions received and/or receivable. Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying insurance contracts. Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

Liability adequacy test

The liability of the company under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of insurance contract provisions for unexpired risks and insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in profit or loss.

2.5. Financial instruments

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expenses are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates where the company has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain equity and debt securities held by the company are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the company's right to receive payments is established. The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Insurance and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

December 31, 2010

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised directly in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments**Classification as debt or equity**

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

Other financial liabilities

Insurance and other payables are initially measured at fair value net of transaction cost, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

December 31, 2010

2.6. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The company as lessee

Assets held under finance leases are recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.7. Property and equipment

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

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold and leasehold properties	-	50 years
Furniture, fixtures and equipment	-	5 years
Computers	-	5 years
Motor vehicles	-	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2.8. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold and leasehold properties - 50 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2.9. Impairment of assets

At the end of each reporting period, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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2.11. Revenue

Earned premiums from insurance contracts

The accounting policy for the recognition of gross earned premium revenue from insurance contracts is disclosed in Note 2.4.

Commission income

The accounting policy for the recognition of commission income from insurance contracts is disclosed in Note 2.4.

Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

Interest income

Interest income is recognised and accounted for on an accrual basis.

Rental income

The company's policy for recognition of revenue from operating leases is described in Note 2.6.

2.12. Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.13. Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.14. Income tax

Income tax represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.15. Foreign currency transactions and translation

The financial statements of the company are measured and presented in Singapore dollars which is the currency of the primary economic environment in which the company operates (its functional currency) and the presentation currency for the financial statements.

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

3. Critical Accounting Estimates And Judgements In Applying Accounting Policies

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

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

Judgements made by management in the application of FRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the following year are discussed in below.

Management has assessed the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates.

The critical accounting estimates made by the management in applying accounting policies related to the provisions for unexpired risks and insurance claims. For this purpose, management has relied significantly on the actuarial valuation performed by an approved actuary in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis below. The sensitivity analysis has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

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Process used to determine the assumptions for measuring insurance contracts

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in establishing a provision for outstanding claims, it is likely that the final outcome will prove to be different from the original liability established.

Provision is made at the end of the reporting period for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amount already paid.

The source of data used as inputs for the assumptions are typically internal to the company, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information.

The company pays particular attention to current trends. Where in early years, there is insufficient information to make a reliable estimate of claims development, prudent assumptions are used.

The estimation of incurred but not reported ("IBNR") claims is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to the company until many years after the occurrence of the event given rise to the claim.

Each notified claim is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provision estimation difficulties differ by class of business due to a number of reasons, including but not limited to:

- Differences in the terms and conditions of the insurance contracts;
- Differences in the complexity of claims;
- The severity of individual claims; and
- Difference in the period between the occurrence and reporting of claims.

The liability class of claims will typically display greater variation between initial estimates and the actual outcome because there is a greater degree of difficulty in estimating the IBNR provisions. For the other classes of business, claims are typically reported reasonably soon after the claim event, and hence tend to display lower levels of variability.

The cost of outstanding claims and the IBNR provisions are estimated using a range of statistical methods. Such method extrapolate the development of paid and incurred claims for each accident year based upon observed development of earlier years and expected loss ratios.

The key statistical methods used, which remain unchanged from prior years, are:

- Paid Claims Development ("PCD") and Incurred Claims Development ("ICD") methods; and
- Incurred Bornheutter - Ferguson ("IBF") and Paid Bornheutter - Ferguson ("PBF") method.

The results produced by these methods were compared and selected based on what the company deemed most appropriate for a particular class of business.

The PCD and ICD methods involved the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident or underwriting year for which the data is not yet fully developed to produce an estimated claims cost for each accident or underwriting year. This method is appropriate for mature classes of business, which has a relatively stable claim development pattern, but is less appropriate for classes of business which do not have a claims development history.

The IBF method makes use of the ICD method and combines it with an assessment of ultimate loss ratios i.e. incurred claims divided by earned premium, for each class of business. For each accident or underwriting year, the claim reserves is calculated by the following formula:

$$(1 - 1/LDF) \times \text{ultimate loss ratio} \times \text{earned premium}$$

Ultimate loss ratios for a particular class of business may be based upon general industry experience or based upon a combination of the company's own experience and general industry experience. The IBF method is appropriate for a class of business for which there is a lack of developed claims experience.

For the best estimate ultimate loss ratio, the company has weighted each year's ultimate loss ratio so as to provide more weightage to recent years and less weightage to earlier years. Large claims are generally assessed separately and are measured on a case-by-case basis or projected separately in order to allow for possible distorting effect on development and incidence of these large claims.

To the extent that these methods use historical claims development information, the company assumes that the historical claims development pattern will occur again in the future. These are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods.

Such reason include:

- Economic, legal, political and social trends (resulting, for example, in a difference in expected levels of inflation);
- Changes in the mix of insurance contracts incepted; and
- The impact of large losses.

The assumptions used that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to premiums.

Sensitivity analysis

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of outstanding claim and premium liabilities as at December 31, 2010. In this context, the total outstanding claim and premium liabilities are defined as the total claim and premium liabilities for the Singapore Insurance Fund business and Offshore Insurance Fund business combined, including the provision for adverse deviation (this is referred to as the "based scenario" in the sensitivity analysis summary).

To test the sensitivity of claims and premium liabilities, separately for gross and net of reinsurance recoveries, to changes in the discount rates, simultaneous changes in the discount rate for all durations were considered. The level of change is from - 5% to +5%. The result at each change level is then compared to the claims liabilities, separately for gross and net of reinsurance recoveries.

The sensitivity values shown are independent of changes to other assumptions items. In practice, a combination of adverse and favourable changes could occur. The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

The sensitivity analysis was performed on the premiums and claims liabilities, both gross and net of reinsurance recoveries, based on changes in assumptions that may affect the level of liabilities. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full. The assumption considered in the sensitivity analysis are as follows:

- Discount Rate;
- Initial Expected Loss Ratio ("IELR") for accident year 2010;
- Indirect Claims Handling Expenses ("ICHE");
- Maintenance Expense Rate; and
- Provision for Adverse Deviation ("PAD").

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The results of the sensitivity analysis and the impact of the premium liabilities and claim liabilities are as follows:

<u>Variable</u>	<u>Change in variable</u>	<u>Increase (Decrease) in net claim liabilities</u>	
		<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
Initial Expected Loss Ratio	+ 5% points	1,487	486
Initial Expected Loss Ratio	- 5% points	(1,364)	(481)
Discount Rate	+ 1% points	(1,178)	(3,227)
Discount Rate	- 1% points	980	2,958
Indirect Claims Handling Expenses	+ 2% points	1,258	998
Indirect Claims Handling Expenses	- 2% points	(1,258)	(998)
Provision for Adverse Deviation	+ 5% points	2,989	2,496
Provision for Adverse Deviation	- 5% points	(2,989)	(2,496)

<u>Variable</u>	<u>Change in variable</u>	<u>Increase (Decrease) in net premium liabilities</u>	
		<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
Ultimate Loss Ratio	+ 5% points	2,130	1,998
Ultimate Loss Ratio	- 5% points	(636)	(1,998)
Maintenance Expense Rate	+ 2% points	615	734
Maintenance Expense Rate	- 2% points	(615)	(734)
Provision for Adverse Deviation	+ 5% points	1,159	2,976
Provision for Adverse Deviation	- 5% points	(636)	(2,976)

4. Insurance And Financial Risk Management

4.1. Risk management objectives and policies for mitigating insurance risk

Underwriting strategy

The underwriting strategy of the company is to seek diversity to ensure a balanced portfolio. The underwriting department prepares business plans every year that establishes the classes of business and industry sectors in which the company is prepared to underwrite. The strategy is cascaded to individual underwriters through detailed underwriting authorities that set out the limit that any one underwriter can write by line, size, class of business and industry in order to ensure appropriate risk selection within the portfolio of business to be underwritten.

For general insurance contracts that are annual in nature, the underwriting department has the right to refuse renewal or change the terms and conditions of the contracts at renewal.

The underwriting department's performance and adherence to the underwriting guidelines/authority limits are measured on monthly basis and discussed at the monthly corporate action plan meetings.

Reinsurance strategy

The company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect its capital resources. The company purchases a combination of proportionate and non-proportionate treaties to reduce its net exposure for any single event. In addition, underwriters are allowed to purchase facultative reinsurance in certain specific circumstances. All purchases of facultative reinsurance are subject to pre-approval and the total expenditure of facultative reinsurance is being closely monitored.

Ceded reinsurances contain credit risks, and such reinsurance recoverables are reported after impairment provisions as a result of occurred recognised asset. The company monitors the financial conditions of reinsurers on an on-going basis and reviews its reinsurance arrangement periodically.

As the company is required to monitor its solvency margin and capital adequacy ratio under the Risk-Based Capital Framework introduced by the Monetary Authority of Singapore (the "MAS"), the company deals mainly with reinsurers approved by the immediate holding company with good credit ratings. Prior approval is required to be sought from the Principal Officer and management for any deviations.

Asset-liability matching

Part of management's strategies in the management of risks is to match the timing of cash flows of its assets and liabilities.

The company proactively manages its financial position using an approach that balances quality, diversification, liquidity and investment return. The goal of the investment process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis. The investment portfolio is managed by the company's investment manager under the close supervision of the Principal Officer and the investment committee. The company also holds investment portfolios with an asset management company, which is a subsidiary of the holding company. The monthly management report submitted to the holding company includes the performance of the investment portfolios. The holding company also reviews the investment guidelines and limits on a periodic basis, and provides oversight on the asset/liability management process.

4.2. Terms and conditions of insurance contracts

Product features

The company has a range of general insurance policies insuring a range of risks from the major classes of business: fire, motor, marine cargo, marine hull, miscellaneous, liability and workmen's compensation. The majority of claims are finalised and settled within 3 years after occurrence.

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Managing of risks

The key risks associated with general insurance are underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural disasters). The company may also be exposed to risk of dishonest actions by policyholders.

Underwriting risk is the risk that the company does not charge adequate premiums appropriate for the different risks it insures. The risk on any policy will vary according to factors such as location, safety measures in place, age of property, vehicle etc.

Insurance risk is managed primarily through estimated pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates, especially in Singapore where the company underwrites the majority of its insurance risks.

4.3. Concentrations of insurance risk

A key aspect of the insurance risk faced by the company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contracts tranche.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geographic or demographic trend or a particular group of companies that belong to the same shareholder.

The company's key methods in managing these risks are as follows:

Firstly, the risk is managed through appropriate underwriting procedures. Underwriters are not permitted to underwrite risks unless the expected profits commensurate with the risks assumed.

Secondly, the risk is managed through the use of reinsurance. The company purchases both excess of loss covers as well as treaty arrangements with reputable reinsurers that provide protection on the insurance business written by the company above a certain net retention of risk. The costs and benefits associated with the reinsurances programmes are being reviewed periodically.

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The following tables disclose the concentration of gross and net written premiums in relation to the type of insurance risk accepted by the company:

	December 31, 2010		December 31, 2009	
	Gross written premium	Net written premium	Gross written premium	Net written premium
	\$	\$	\$	\$
Lines of business				
- Motor	23,330,763	21,544,459	20,275,125	18,662,627
- Workmen's compensation	8,409,948	6,360,782	7,804,577	6,052,392
- Marine cargo	5,403,338	3,150,943	4,233,936	2,978,521
- Marine hull	2,279,032	1,883,067	3,071,801	1,478,515
- Fire	4,552,854	1,802,388	4,768,495	1,745,502
- Bonds	12,595,734	12,156,679	18,036,677	13,258,598
- Personal accident	650,203	541,309	675,018	505,952
- Health	2,869,183	2,662,997	1,564,481	935,301
- Public liability	808,146	211,356	899,421	235,616
- Engineering/CAR/EAR	2,607,298	879,171	2,267,590	843,025
- Professional indemnity	10,267	5,351	10,203	5,290
- Others	<u>2,602,636</u>	<u>1,359,238</u>	<u>2,807,138</u>	<u>1,441,405</u>
	<u>66,119,402</u>	<u>52,557,740</u>	<u>66,414,462</u>	<u>48,142,744</u>

The company sets out the total aggregate exposure that it is prepared to accept in relation to concentration of risks based on the guidelines given by The Monetary Authority of Singapore under the Risk-Based Capital Framework. It monitors these exposures both at the time of underwriting a risk, and on a quarterly basis by reviewing reports which show the key aggregations of risks to which the company is exposed.

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Claims development

The table details the claims development for accident years 2003 to 2010.

(i) Analysis of claims development - gross of reinsurance

	Accident year								Total \$'000
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	
Estimate of cumulative claims:									
At end of accident year	48,411	55,801	39,622	37,075	44,414	42,851	42,134	42,189	
- One year later	44,555	49,499	36,963	30,850	41,037	34,717	34,888		
- Two years later	42,734	47,681	33,492	27,196	39,276	32,231			
- Three years later	42,830	44,747	29,667	26,937	37,633				
- Four years later	40,854	42,451	28,962	26,656					
- Five years later	39,695	41,949	28,797						
- Six years later	39,382	41,682							
- Seven years later	39,415								
Current cumulative ultimate claims payment	39,415	41,682	28,797	26,656	37,633	32,231	34,888	42,189	283,491
Cumulative payments	38,720	41,178	27,840	22,325	29,997	24,416	21,412	8,860	214,748
Estimate of claims Reserves	695	504	957	4,331	7,636	7,815	13,476	33,329	68,743
Indirect claim expenses	36	26	49	223	394	403	695	1,719	3,545
Effect of discount	(15)	(11)	(21)	(95)	(167)	(171)	(295)	(731)	(1,506)
Best estimate of claim liabilities	716	519	985	4,459	7,863	8,047	13,876	34,317	70,782
Estimated claims for prior Accident years									3,763
Provision for adverse deviation									9,134
Gross provision for insurance claims									<u>83,679</u>

(ii) Analysis of claims development - net of reinsurance

	Accident year								Total \$'000
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	
Estimate of cumulative claims:									
At end of accident year	26,730	30,000	30,162	28,586	37,175	37,355	36,237	34,982	
- One year later	24,196	27,877	28,330	25,614	32,726	29,907	28,858		
- Two years later	24,249	26,934	25,162	22,541	32,541	26,735			
- Three years later	23,939	25,428	21,689	22,790	31,009				
- Four years later	22,871	24,015	21,652	22,449					
- Five years later	22,158	23,981	21,419						
- Six years later	22,190	23,737							
- Seven years later	22,181								
Current cumulative ultimate claims payment	22,181	23,737	21,419	22,449	31,009	26,735	28,858	34,982	211,370
Cumulative payments	21,624	23,332	20,652	18,977	24,886	20,469	18,052	7,959	155,951
Estimate of claims Reserves	557	405	767	3,472	6,123	6,266	10,806	27,023	55,419
Indirect claim expenses	36	26	49	223	394	403	695	1,719	3,545
Effect of discount	(12)	(9)	(17)	(77)	(136)	(139)	(240)	(593)	(1,223)
Best estimate of net claim liabilities	581	422	799	3,618	6,381	6,530	11,261	28,149	57,741
Estimated claims for prior Accident years									2,329
Provision for adverse deviation									7,324
Net provision for insurance claims									<u>67,394</u>

There were no claims development data for the accident year 2002 as the company was incorporated on September 27, 2002 and registered only as a direct general insurer on December 16, 2002 under the Insurance Act to underwrite general insurance business. The information prior to 2003 relates to the claims information of its predecessor companies.

4.4. Financial Instruments, Financial Risk And Capital Risk Management

(a). Categories of financial instruments

	<u>2010</u>	<u>2009</u>
	\$	\$
Financial Assets		
Fair value through profit or loss (FVTPL)	15,543	522,840
Loans and receivables (including cash and cash equivalents)	85,480,723	87,757,610
Available-for-sale financial assets	75,425,291	80,726,117
Held to maturity financial assets	<u>33,250,000</u>	<u>13,250,000</u>
Financial Liabilities		
Amortised cost	<u>21,147,315</u>	<u>24,336,361</u>

(b). Financial risk management policies and objectives

The company has documented financial risk management policies. These policies set out the company's overall business strategies and its risk management philosophy. The company's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the company. Management provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk and interest rate risk. Such written policies are reviewed annually by the management and periodic reviews are undertaken to ensure that the company's policy guidelines are complied with. Risk management is carried out by the underwriting committee under the policies approved by the Management.

There has been no change to the company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

The company does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions, and other financial assets and liabilities created in the ordinary course of business.

(i). Interest rate risk management

The company's exposure to changes in interest rates relate primarily to interest-earning financial assets. Interest rate risk is managed by the company on an on-going basis with the primary objective limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. However, the company does not hedge against such exposures.

Summary quantitative data of the company's interest-bearing financial instruments can be found in Note 4.6.

(ii). Foreign currency risk management

During the ordinary course of business, the company engages in foreign currency denominated transactions. As a result, the company is exposed to movements in foreign currency exchange rates.

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At the end of the reporting period, the carrying amounts of financial assets and liabilities in currencies other than the company's functional currencies are as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
United States dollars	591,193	337,409	12,787,181	9,036,112
Australian dollars	-	-	-	1,020,739
Hong Kong dollars	<u>(25,914)</u>	<u>1,450,600</u>	<u>18,045,897</u>	<u>16,881,774</u>

Those exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

A 10% strengthening (weakening) of the functional currency against the following currencies at the end of the reporting periods would increase (decrease) profit after tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<u>2010</u>		<u>2009</u>	
	<----- Increase (Decrease) ----->			
	<u>Profit</u>	<u>Equity</u>	<u>Profit</u>	<u>Equity</u>
	<u>after tax</u>		<u>after tax</u>	
	\$	\$	\$	\$
United States dollar	215,523	1,122,314	68,250	801,620
Hong Kong dollars	327,508	1,474,490	604,381	938,736
Australian dollars	<u>-</u>	<u>-</u>	<u>102,074</u>	<u>-</u>

(iii). Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The company's exposure and the credit rating to its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the credit control committee.

The carrying amount of claims recoverable from reinsurers, investments in debt securities, insurance and other receivables, and cash and cash equivalents represent the company's maximum exposure to credit risk.

The company extends credit to its brokers and customers based on normal commercial terms. The outstanding balances are closely monitored and ageing information of major debtors are highlighted in the monthly credit control committee meeting.

The company also has exposure to credit risk to reinsurers generally and also to specific reinsurers. The reinsurance department is responsible for setting guidelines about the quality of reinsurers used. The reinsurance committee monitors the recovery from these reinsurers.

At the end of the reporting period, there is no significant concentration of credit risk and exposures are well spread. The company's exposure to credit risk relating to its financial assets is summarised below:

	Neither past-due nor impaired			Past due but not impaired	Total
	Grade* (BBB to AAA)	Grade* (C to BB)	Not Rated		
	\$	\$	\$	\$	\$
2010					
Cash and cash equivalents	78,980,378	-	2,000	-	78,982,378
Amount due from related companies	-	-	-	16,798	16,798
Other receivables	827,192	-	1,025	15,222	843,439
Receivables arising from insurance contracts	-	-	4,546,856	974,646	5,521,502
Receivables arising from reinsurance contracts	-	-	(1,944)	47,114	45,170
Reinsurance deposits held by cedants	-	-	-	26	26
Debt securities at available for sale:					
- Singapore Government Securities	1,043,000	-	-	-	1,043,000
- Public authority bonds	1,010,800	-	-	-	1,010,800
- Quoted corporate bonds	-	-	1,555,575	-	1,555,575
- Unquoted corporate bonds	28,808,527	974,300	15,863,100	-	45,645,927
Debt securities at fair value through profit or loss:					
- Unquoted corporate bond	15,543	-	-	-	15,543
Debt securities at held to maturity:					
- Unquoted corporate bond	11,000,000	-	22,250,000	-	33,250,000
	<u>121,685,440</u>	<u>974,300</u>	<u>44,216,612</u>	<u>1,053,806</u>	<u>167,930,158</u>
2009					
Cash and cash equivalents	83,043,993	-	2,000	-	83,045,993
Amount due from related companies	-	-	-	4,793	4,793
Other receivables	721,224	-	8,477	6,745	736,446
Receivables arising from insurance contracts	-	-	3,177,000	457,982	3,634,982
Receivables arising from reinsurance contracts	18,984	-	83,262	160,114	262,360
Reinsurance deposits held by cedants	-	-	-	26	26
Debt securities at available for sale:					
- Singapore Government Securities	1,045,200	-	-	-	1,045,200
- Public authority bonds	1,001,200	-	-	-	1,001,200
- Quoted corporate bonds	-	-	1,532,250	-	1,532,250
- Unquoted corporate bonds	34,260,131	909,300	21,251,666	-	56,421,097
Debt securities at fair value through profit or loss:					
- Unquoted corporate bond	522,840	-	-	-	522,840
Debt securities at held to maturity:					
- Unquoted corporate bond	6,000,000	-	7,250,000	-	13,250,000
	<u>126,613,572</u>	<u>909,300</u>	<u>33,304,655</u>	<u>629,660</u>	<u>161,457,187</u>

* Based on public ratings assigned by external rating agencies ie: Standard & Poor and Moody's.

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Age analysis of financial assets past-due but not impaired:

	<u>< 6 mths</u>	6 mths to <u>12 mths</u>	<u>Total</u>
	\$	\$	\$
2010			
Receivables arising from insurance contracts	926,158	48,488	974,646
Receivables arising from reinsurance contracts	33,034	14,080	47,114
Reinsurance deposits held by cedants	-	26	26
Amount due from related companies	16,798	-	16,798
Other receivables	<u>-</u>	<u>15,222</u>	<u>15,222</u>
	<u>975,990</u>	<u>77,816</u>	<u>1,053,806</u>
2009			
Receivables arising from insurance contracts	600,982	(143,000)	457,982
Receivables arising from reinsurance contracts	185,621	(25,507)	160,114
Reinsurance deposits held by cedants	-	26	26
Amount due from related companies	4,793	-	4,793
Other receivables	<u>4,205</u>	<u>2,540</u>	<u>6,745</u>
	<u>795,601</u>	<u>(165,941)</u>	<u>629,660</u>

Receivables from insurance and reinsurance contracts includes balances amounting to \$485,550 and \$520,091 (2009 : \$389,998 and \$417,045), respectively which have been impaired.

The company has not recognised an allowance for doubtful receivables for the remaining financial assets as there has not been a significant change in credit quality and the amounts are still considered recoverable.

(iv) Liquidity risk management

An important aspect of the company's management of assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. The company maintains cash and liquid deposits to meet these demands on a daily basis. In normal circumstances, the majority of claims are settled with the bank balances and cash deposits available. The company also constantly reviews its investment portfolio allocation to ensure that there are sufficient cash and liquid deposits to meet its estimated cash outflow from its insurance contracts. Details of the contractual maturities for financial assets and liabilities can be found in Note 4.6.

(v) Equity price risk management

The company is exposed to equity risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The company does not actively trade available-for-sale investments.

Further details of these equity investments can be found in Note 10 to the financial statements.

The sensitivity analysis on the exposure to equity price risks at the end of the reporting period can be found in Note 4.7.

4.5. Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, insurance and other current receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined by standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices:

- The fair values of quoted equities and debt securities are based on quoted bid prices from the relevant exchanges; and
- Fair values of unquoted equities and debt securities are based on bid prices obtained from investment intermediaries.

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and Receivables	85,480,723	85,480,723	87,757,609	87,757,609
Available for sale				
Government and public authority securities	2,053,800	2,053,800	2,046,400	2,046,400
Quoted Equity	25,643,989	25,643,989	20,222,386	20,222,386
Unquoted Equity	526,000	526,000	503,984	503,984
Quoted debt securities	1,555,575	1,555,575	1,532,250	1,532,250
Unquoted debt securities	45,645,927	45,645,927	56,421,097	56,421,097
Held to maturity investments	33,250,000	33,662,800	13,250,000	13,455,700
Unquoted debt securities				
Held for trade debt securities	15,543	15,543	522,840	522,840
	<u>194,171,557</u>	<u>194,584,357</u>	<u>182,256,566</u>	<u>182,462,266</u>

The company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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Financial Instruments measured at fair value			
	Total	Level 1	Level 2
	\$	\$	\$
<u>2010</u>			
Financial Assets			
Financial assets at fair value through profit or loss:			
- Held for trading investments	15,543	15,543	-
Available for sale investments			
- Government and public authority securities	2,053,800	2,053,800	-
- Quoted equity	25,643,989	25,643,989	-
- Unquoted equity	526,000	-	526,000
- Quoted debt securities	1,555,575	1,555,575	-
- Unquoted debt securities	45,645,927	-	45,645,927
Held to maturity financial asset			
- Unquoted debt securities	<u>33,662,800</u>	<u>-</u>	<u>33,662,800</u>
	<u>109,103,634</u>	<u>29,268,907</u>	<u>79,834,727</u>
<u>2009</u>			
Financial Assets			
Fair value through profit or loss, financial asset			
- held for trade	522,840	522,840	-
Available for sale financial asset			
- Government and public authority securities	2,046,400	2,046,400	-
- Quoted equity	20,222,386	20,222,386	-
- Unquoted equity	503,984	-	503,984
- Quoted debt securities	1,532,250	1,532,250	-
- Unquoted debt securities	56,421,097	-	56,421,097
Held to maturity financial asset			
- Unquoted debt securities	<u>13,455,700</u>	<u>-</u>	<u>13,455,700</u>
	<u>94,704,657</u>	<u>24,323,876</u>	<u>70,380,781</u>

The company has no financial liabilities carried at fair value in 2010 and 2009.

4.6. Liquidity and interest rate risk analysis

Non-derivative financial liabilities and insurance liabilities

The following tables detail the remaining contractual maturity for financial liabilities and insurance liabilities that have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principle cash flow.

	Weighted average effective interest rate %	On demand or within 1 year \$	Within 2 to 5 years \$	Total \$
<u>2010</u>				
Insurance liabilities net of reinsurance shares	-	105,960,908	-	105,960,908
Financial liabilities:				
- Non-interest bearing	-	11,799,311	8,788,084	20,587,395
- Variable interest rate	0.45	<u>559,920</u>	<u>-</u>	<u>559,920</u>
<u>2009</u>				
Insurance liabilities net of reinsurance shares	-	98,898,954	-	98,898,954
Financial liabilities:				
- Non-interest bearing	-	12,169,116	11,632,729	23,801,845
- Variable interest rate	0.30	<u>534,516</u>	<u>-</u>	<u>534,516</u>

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Non-derivative financial assets

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial positions.

	Effective					
	interest rate %	Within 1 year \$	Within 2 to 5 years \$	After 5 years \$	Adjustment \$	Total \$
<u>2010</u>						
Debt securities at fair value through profit or loss						
- Fixed rate unquoted corporate bonds	7.00	1,088	4,352	37,273	(27,170)	15,543
Debt securities available for-sale						
- Fixed rate government and public authority bonds	2.56	38,000	2,100,321	-	(84,521)	2,053,800
- Fixed rate unquoted corporate bonds	4.53	10,267,272	29,987,373	17,388,695	(11,997,413)	45,645,927
- Fixed rate quoted corporate bonds	7.75	120,000	1,662,424	-	(226,849)	1,555,575
Debt securities at held to maturity						
- Fixed rate unquoted corporate bonds	3.79	1,260,740	30,474,320	7,408,301	(5,893,361)	33,250,000
Fixed rate short-term bank deposits	0.65	<u>71,390,036</u>	<u>-</u>	<u>-</u>	<u>(461,038)</u>	<u>70,928,998</u>
		<u>83,077,136</u>	<u>64,228,790</u>	<u>24,834,269</u>	<u>(18,690,352)</u>	<u>153,449,843</u>
<u>2009</u>						
Debt securities at fair value through profit or loss						
- Fixed rate unquoted corporate bonds	7.00	36,599	146,395	1,290,412	(950,566)	522,840
Debt securities available for-sale						
- Fixed rate government and public authority bonds	2.57	38,000	2,130,921	-	(122,521)	2,046,400
- Fixed rate unquoted corporate bonds	4.35	23,172,645	30,722,038	19,483,504	(16,957,090)	56,421,097
- Fixed rate quoted corporate bonds	7.75	120,000	1,759,099	-	(346,849)	1,532,250
Debt securities at held to maturity						
- Fixed rate unquoted corporate bonds	4.40	582,675	14,208,690	1,260,055	(2,801,420)	13,250,000
Fixed rate short-term bank deposits	0.84	<u>73,264,747</u>	<u>-</u>	<u>-</u>	<u>(610,297)</u>	<u>72,654,450</u>
		<u>97,214,666</u>	<u>48,967,143</u>	<u>22,033,971</u>	<u>(21,788,743)</u>	<u>146,427,037</u>

4.7. Sensitivity analysis

In managing its interest rate and currency risks, the company aims to reduce the impact of short-term fluctuations on the company's earnings to the extent possible. Over the longer term, however, any prolonged adverse changes in foreign exchange and interest rates would have an impact on earnings.

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the profit and loss and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after tax.

Variables	Change in variable	Impact on profit after tax		Impact on equity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Equity prices	+10%	-	-	2,616,999	2,072,637
Equity prices	-10%	<u>-</u>	<u>-</u>	<u>(2,616,999)</u>	<u>(2,072,637)</u>
Interest rate	+100bps	1,534,498	1,464,270	-	-
Interest rate	-100bps	<u>(1,534,498)</u>	<u>(1,464,270)</u>	<u>-</u>	<u>-</u>

4.8. Capital risk management policies and objectives

The company reviews its capital structure to ensure that it will be able to continue as a going concern and comply with the regulators' fund solvency and capital adequacy requirements of the markets in which the company operates while maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the company comprises of share capital, fair value reserves, retained earnings and advance capital from holding company. The company's overall strategy remains unchanged from 2009.

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5. Holding Company And Related Company Transactions

The company is a subsidiary of China Taiping Insurance Group (HK) Company Limited, incorporated in Hong Kong SAR. The company's ultimate holding company is China Taiping Insurance Group Co, incorporated in Beijing, China. Related companies in these financial statements refer to members of ultimate holding company's group of companies.

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, the company had the following significant transactions with its immediate holding company and related companies:

	<u>2010</u>	<u>2009</u>
	\$	\$
Companies within the group:		
Gross premium written	(98,573)	(117,964)
Written premium ceded	2,761,272	2,524,495
Commission received	(815,201)	(746,833)
Commission paid	12,439	17,878
Claims recovery	888,227	760,321
Claims paid	374	7,164
Interest on reinsurance deposit	<u>2,599</u>	<u>3,200</u>
Immediate holding company:		
Management fee	<u>664,000</u>	<u>600,000</u>

Key management personnel

Key management personnel of the company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors, the principal officer and certain executive officers are considered as key management personnel of the company.

Short-term employee benefits paid/payable to key management personnel (included in staff costs) was \$1,072,022 (2009 : \$817,966).

6. Cash And Cash Equivalents

	<u>2010</u>	<u>2009</u>
	\$	\$
Cash at banks and in hand	4,752,385	2,925,759
Short-term bank deposits	70,928,998	72,654,450
Deposits managed by related company	<u>3,300,995</u>	<u>7,465,784</u>
	<u>78,982,378</u>	<u>83,045,993</u>

Bank deposits of \$500,000 (2009 : \$500,000) are held by the banks as collateral for banker's guarantee issued in favour of the MAS in place of the statutory deposit of an equivalent amount required by Section 14(1) of the Insurance Act, Cap. 142.

Bank deposits include \$8,788,084 (2009 : \$11,632,729) held by the company as cash collateral in respect of insurance bonds issued on behalf of customers and for credit terms granted to agents (Note 15).

7. Amounts Due From (To) Related Companies

	<u>2010</u>	<u>2009</u>
	\$	\$
Amounts due from related companies		
- Trade	<u>16,798</u>	<u>4,793</u>
Amounts due to related companies:		
- Trade	227,980	377,280
- Reinsurance deposits	<u>689,161</u>	<u>616,622</u>
	<u>917,141</u>	<u>993,902</u>

Amounts due from (to) related companies are unsecured, interest-free and repayable on demand.

8. Deposits, Prepayments And Other Receivables

	<u>2010</u>	<u>2009</u>
	\$	\$
Accrued interest receivable:		
- Debt securities	761,890	580,174
- Fixed deposits and interest on bank	65,302	141,050
Club memberships	48,400	48,400
Deposits	71,410	73,010
Prepayments	108,230	187,358
Sundry receivables	<u>16,247</u>	<u>15,222</u>
	<u>1,071,479</u>	<u>1,045,214</u>
Current	827,192	721,224
Non-current	<u>244,287</u>	<u>323,990</u>
	<u>1,071,479</u>	<u>1,045,214</u>

9. Insurance Receivables

	<u>2010</u>	<u>2009</u>
	\$	\$
Receivables arising from insurance contracts	6,007,052	4,024,980
Receivables arising from reinsurance contracts	565,261	679,405
Reinsurance deposits withheld by cedants	<u>26</u>	<u>26</u>
	6,572,339	4,704,411
Allowance for doubtful insurance receivables:		
- insurance contracts	(485,550)	(389,998)
- reinsurance contracts	<u>(520,091)</u>	<u>(417,045)</u>
	<u>5,566,698</u>	<u>3,897,368</u>

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The average credit period is 30 days to 90 days (2009 : 30 days to 90 days). No interest is charged on the overdue outstanding insurance receivables.

The company has provided fully for all receivables over 12 months based on estimated irrecoverable amounts determined by reference to past default experience.

Movement in the allowance for doubtful debts:		
	<u>2010</u>	<u>2009</u>
	\$	\$
Balance at beginning of the year	807,043	701,970
Amounts written off during the year	-	(626)
Increase in allowance recognised in profit or loss	<u>198,598</u>	<u>105,699</u>
Balance at end of the year	<u>1,005,641</u>	<u>807,043</u>

10. Investment In Securities

	<u>2010</u>	<u>2009</u>
	\$	\$
<u>Equity securities available-for-sale</u>		
- Quoted	25,643,989	20,222,386
- Unquoted	<u>526,000</u>	<u>503,984</u>
	<u>26,169,989</u>	<u>20,726,370</u>
<u>Debt securities at fair value through profit or loss</u>		
Unquoted corporate bonds	<u>15,543</u>	<u>522,840</u>
<u>Debt securities available-for-sale</u>		
Singapore government securities	1,043,000	1,045,200
Public authority bonds	1,010,800	1,001,200
Corporate bonds:		
- Quoted	1,555,575	1,532,250
- Unquoted	<u>45,645,927</u>	<u>56,421,097</u>
	<u>49,255,302</u>	<u>59,999,747</u>
<u>Held to maturity</u>		
Unquoted corporate bonds	<u>33,250,000</u>	<u>13,250,000</u>
Total debt securities	<u>82,520,845</u>	<u>73,772,587</u>
Investment in securities is classified as follows:		
Current		
- Equity securities	26,169,989	20,726,370
- Debt securities	<u>8,566,460</u>	<u>21,352,317</u>
Non-current		
- Debt securities	<u>73,954,385</u>	<u>52,420,270</u>

There is no impairment loss recognized during the year.

The investments above include investments in quoted equity securities that offer the company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The weighted average effective interest rate of debt securities at the end of the reporting period and the periods in which they mature are disclosed in Note 4.6.

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11. Property And Equipment

	Freehold properties	Leasehold properties	Furniture, fixtures and equipment	Computers	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Cost:						
At January 1, 2009	14,100,800	5,367,770	1,174,758	1,086,148	562,996	22,292,472
Additions	-	-	25,750	94,409	-	120,159
Write off	-	-	(73,905)	-	-	(73,905)
At December 31, 2009	14,100,800	5,367,770	1,126,603	1,180,557	562,996	22,338,726
Additions	-	-	30,271	53,303	-	83,574
Disposal	-	-	(9,025)	-	-	(9,025)
At December 31, 2010	<u>14,100,800</u>	<u>5,367,770</u>	<u>1,147,849</u>	<u>1,233,860</u>	<u>562,996</u>	<u>22,413,275</u>
Accumulated depreciation:						
At January 1, 2009	4,552,476	1,471,672	992,277	812,356	408,606	8,237,387
Depreciation	275,419	108,225	74,344	128,687	88,612	675,287
Write off	-	-	(73,905)	-	-	(73,905)
At December 31, 2009	4,827,895	1,579,897	992,716	941,043	497,218	8,838,769
Depreciation	275,419	108,225	77,568	111,231	65,778	638,221
Disposal	-	-	(9,025)	-	-	(9,025)
At December 31, 2010	<u>5,103,314</u>	<u>1,688,122</u>	<u>1,061,259</u>	<u>1,052,274</u>	<u>562,996</u>	<u>9,467,965</u>
Carrying amount:						
At December 31, 2010	<u>8,997,486</u>	<u>3,679,648</u>	<u>86,590</u>	<u>181,586</u>	<u>-</u>	<u>12,945,310</u>
At December 31, 2009	<u>9,272,905</u>	<u>3,787,873</u>	<u>133,887</u>	<u>239,514</u>	<u>65,778</u>	<u>13,499,957</u>

The fair value of freehold and leasehold property as at December 31, 2010 based on the valuation performed by Knight Frank Pte Ltd, a firm of independent professional valuer, at open market values on an existing use basis, amounted to \$21,140,000 (2009 : \$19,100,000).

12. Investment Properties

	Freehold properties	Leasehold property	Total
	\$	\$	\$
Cost:			
At January 1, 2009, at December 31, 2009 and December 31, 2010	<u>2,209,289</u>	<u>4,632,230</u>	<u>6,841,519</u>
Accumulated depreciation			
At January 1, 2009	565,903	1,807,635	2,373,538
Depreciation	<u>41,654</u>	<u>104,417</u>	<u>146,071</u>
At December 31, 2009	607,557	1,912,052	2,519,609
Depreciation	<u>41,070</u>	<u>104,417</u>	<u>145,487</u>
At December 31, 2010	<u>648,627</u>	<u>2,016,469</u>	<u>2,665,096</u>
Carrying amount:			
At December 31, 2010	<u>1,560,662</u>	<u>2,615,761</u>	<u>4,176,423</u>
At December 31, 2009	<u>1,601,732</u>	<u>2,720,178</u>	<u>4,321,910</u>

The fair value of investment properties as at December 31, 2010 is based on the valuation performed by Knight Frank Pte Ltd, a firm of independent professional valuer, at open market values on an existing use basis, amounted to \$11,280,000 (2009 : \$10,420,000).

The property rental income from the company's investment properties all of which are leased out under operating leases, amounted to \$319,875 (2009 : \$253,876). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to \$118,218 (2009 : \$96,160).

December 31, 2010

13. Insurance Contracts Provisions

	2010	2009
	\$	\$
Gross		
Provision for unexpired risks	45,841,096	50,446,689
Provision for insurance claims	<u>83,679,000</u>	<u>68,693,000</u>
	<u>129,520,096</u>	<u>119,139,689</u>
Reinsurance		
Provision for unexpired risks	(7,274,597)	(9,175,529)
Provision for insurance claims	<u>(16,284,591)</u>	<u>(11,065,206)</u>
	<u>(23,559,188)</u>	<u>(20,240,735)</u>
Net		
Provision for unexpired risks	38,566,499	41,271,160
Provision for insurance claims	<u>67,394,409</u>	<u>57,627,794</u>
	<u>105,960,908</u>	<u>98,898,954</u>
Current assets		
Provision for unexpired risk on reinsurance ceded	7,274,597	9,175,529
Provision for insurance claims recoverable from reinsurers	<u>16,284,591</u>	<u>11,065,206</u>
Current liabilities		
Provision for unexpired risk	45,841,096	50,446,689
Provision for insurance claims	<u>83,679,000</u>	<u>68,693,000</u>

(a) Analysis of movements in provision for unexpired risks

	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
At 1 January	50,446,689	(9,175,529)	41,271,160	49,702,973	(9,048,656)	40,654,317
Premiums written	66,119,402	(13,561,663)	52,557,739	66,414,462	(18,271,718)	48,142,744
Premiums earned	<u>(70,724,995)</u>	<u>15,462,595</u>	<u>(55,262,400)</u>	<u>(65,670,746)</u>	<u>18,144,845</u>	<u>(47,525,901)</u>
At 31 December	<u>45,841,096</u>	<u>(7,274,597)</u>	<u>38,566,499</u>	<u>50,446,689</u>	<u>(9,175,529)</u>	<u>41,271,160</u>

(b) Analysis of movements in provision for insurance claims

	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
At 1 January	68,693,000	(11,065,206)	57,627,794	70,971,000	(13,788,506)	57,182,494
Claims paid	(23,928,194)	4,406,716	(19,521,478)	(29,662,437)	4,529,843	(25,132,594)
Claims incurred	<u>38,914,194</u>	<u>(9,626,101)</u>	<u>29,288,093</u>	<u>27,384,437</u>	<u>(1,806,543)</u>	<u>25,577,894</u>
At 31 December	<u>83,679,000</u>	<u>(16,284,591)</u>	<u>67,394,409</u>	<u>68,693,000</u>	<u>(11,065,206)</u>	<u>57,627,794</u>

14. Insurance Payables

	<u>2010</u>	<u>2009</u>
	\$	\$
Payables arising from insurance contracts	392,526	347,046
Payables arising from reinsurance contracts	2,822,026	2,713,551
Reinsurance deposits	<u>559,920</u>	<u>534,516</u>
	<u><u>3,774,472</u></u>	<u><u>3,595,113</u></u>

Insurance payables principally comprise amounts outstanding from insurance and reinsurance contracts. The company has financial risk management policies in place to ensure that all payables are within the credit timeframe.

15. Other Payables And Accruals

	<u>2010</u>	<u>2009</u>
	\$	\$
Accrued expenses	6,143,437	7,127,465
Collateral deposits held	8,788,084	11,632,729
Advance received from a reinsurer	3,408,112	3,426,052
GST payable (net)	654,584	526,564
Sundry payables	869,597	460,585
Provision for unutilised staff annual leave	<u>77,384</u>	<u>85,135</u>
	<u><u>19,941,198</u></u>	<u><u>23,258,530</u></u>
Current	7,745,002	8,199,749
Non-current	<u>12,196,196</u>	<u>15,058,781</u>
	<u><u>19,941,198</u></u>	<u><u>23,258,530</u></u>

Accrued expenses principally comprise of accruals for operating expenses. Collateral deposits are held in respect of insurance bonds issued on behalf of customers and for credit terms granted to agents.

Advances received from a reinsurer pertain to an amount held in view of the commutation of reinsurance treaties in the event of future claims by insured parties.

December 31, 2010

16. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the company and the movements thereon, during the current and prior reporting periods:

	Accelerate tax depreciation \$	Unutilised leave \$	Available for sale investments \$	Others \$	Total \$
At January 1, 2009	(96,553)	21,037	488,925	182,476	595,885
Over (Under) provision in the prior year	20,199	(7,349)	107,326	(67,883)	52,293
Charged to equity for the year	-	-	(1,105,792)	-	(1,105,792)
Credited to profit or loss for the year (Note 24)	12,191	1,545	-	98,886	112,622
Change in tax rate from 18% to 17%	<u>4,242</u>	<u>(760)</u>	<u>(33,125)</u>	<u>(6,365)</u>	<u>(36,008)</u>
At December 31, 2009	(59,921)	14,473	(542,666)	207,114	(381,000)
Charged to equity for the year	-	-	282,527	-	282,527
Credited (Charged) to profit or loss for the year (Note 24)	<u>15,617</u>	<u>(1,318)</u>	<u>-</u>	<u>(77,649)</u>	<u>(63,350)</u>
At December 31, 2010	<u>(44,304)</u>	<u>13,155</u>	<u>(260,139)</u>	<u>129,465</u>	<u>(161,823)</u>

Certain deferred tax assets and liabilities have been offset in accordance with the company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2010 \$	2009 \$
Deferred tax assets	142,620	221,587
Deferred tax liabilities	<u>(304,443)</u>	<u>(602,587)</u>
	<u>(161,823)</u>	<u>(381,000)</u>

17. Share Capital

	2010 \$	2009 \$
Issued and fully paid:		
At the beginning and at the end of the year	<u>50,000,000</u>	<u>50,000,000</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

18. Advance Capital From Holding Company

This represents an amount invested in the company by the immediate holding company. The amount is non-interest bearing and is not expected to be repaid to the immediate holding company. The amount is available for payment of future issued shares in the company.

19. Commission Income

	<u>2010</u>	<u>2009</u>
	\$	\$
Reinsurance commission income	3,407,713	4,350,263
Profit commission income	<u>325,814</u>	<u>584,039</u>
	<u>3,733,527</u>	<u>4,934,302</u>

20. Net Investment Income

	<u>2010</u>	<u>2009</u>
	\$	\$
Interest income from available for sale investments:		
- Singapore government securities and public authority bonds	50,673	103,196
- Corporate bonds	2,639,415	2,839,377
Interest income from held to maturity investments:		
- Corporate bonds	1,226,381	190,196
Interest income from short-term bank deposits	455,690	618,207
Interest income from fair value through profit or loss:		
- Corporate bonds	20,983	50,834
Dividend income	858,941	712,280
Net gain in fair value of debt securities at fair value through profit or loss	93,281	58,290
Gain on disposals from available-for-sale equity securities	1,301,383	1,380,835
(Loss) Gain on redemption from available-for-sale debt securities	<u>(31,550)</u>	<u>212,326</u>
	<u>6,615,197</u>	<u>6,165,541</u>

21. Other Income

	<u>2010</u>	<u>2009</u>
	\$	\$
Miscellaneous income	23,007	118,069
Rental income from investment properties	319,875	253,876
Transfer fees	<u>365</u>	<u>637</u>
	<u>343,247</u>	<u>372,582</u>

22. Staff Costs

Included in staff costs are contributions to a statutory defined contribution scheme of \$462,624 (2009 : \$457,758).

December 31, 2010

23. Other Operating Expenses

	2010	2009
	\$	\$
Administrative expenses	928,150	829,124
Addition of insurance receivables	194,892	44,647
Bad debts recovery, net	(83,465)	(25,485)
Foreign exchange loss	1,126,144	323,674
Management fee paid to immediate holding company (Note 5)	664,000	600,000
Marketing expenses	907,515	808,415
Interest expense	122,437	128,382
Investment expenses	109,747	392,826
Office rental expense	<u>254,550</u>	<u>337,082</u>
	<u>4,223,970</u>	<u>3,438,665</u>

24. Income Tax

	2010	2009
	\$	\$
Current tax expense:		
Current year	2,099,998	1,777,828
Deferred tax expense:		
Overprovision in the prior year	-	(52,293)
Reversal of temporary differences	63,350	(112,622)
Change in tax rate	<u>-</u>	<u>36,008</u>
Total income tax	<u>2,163,348</u>	<u>1,648,921</u>
Reconciliation of effective tax rate:		
Profit before income tax	<u>13,746,965</u>	<u>10,990,196</u>
Tax calculated using Singapore corporate tax rate of 17% (2009 : 17%)	2,336,984	1,868,333
Effects of:		
Exempt income	(25,925)	(25,926)
Expenses not deductible for tax purposes	71,385	(28,063)
Income taxed at concessionary rates	(184,092)	(149,138)
Overprovision in the prior years	-	(52,293)
Reversal of temporary difference	63,350	-
Others	(98,354)	-
Change in tax rate	<u>-</u>	<u>36,008</u>
Income tax as per profit and loss statement	<u>2,163,348</u>	<u>1,648,921</u>

25. Dividends

During the financial year ended December 31, 2010, the company declared and paid a tax exempt one tier dividend of \$2,881,500 in respect of the financial year ended December 31, 2010.

In 2009, the company declared and paid a tax exempt one tier interim dividend of \$1,449,000 in respect of the financial year ended December 31, 2009.

26. Operating Lease Commitments*The company as lessee*

	<u>2010</u>	<u>2009</u>
	\$	\$
Minimum lease payment recognised as an expense during the year	<u>254,550</u>	<u>337,082</u>

Future minimum lease payments under operating leases are as follows:

Within one year	241,820	207,660
Beyond one year	<u>312,560</u>	<u>126,840</u>
	<u>554,380</u>	<u>334,500</u>

Operating lease payments represent rental payable by the company for its certain office premises and equipments. Leases are negotiated for an average of 2 years and rentals are fixed for an average of 2 years.

The company as lessor

The company rents out its investment properties (Note 12) in Singapore under operating leases.

Property rental income earned during the year was \$319,875 (2009 : \$253,876). Leases are negotiated for an average of 2 years and rental are fixed for an average of 2 years.

At the end of the reporting period, the company has contracted with tenants for the following future minimum lease payments:

	<u>2010</u>	<u>2009</u>
	\$	\$
Within one year	134,207	134,255
Beyond one year	<u>159,759</u>	<u>389,822</u>
	<u>293,966</u>	<u>524,077</u>

太平之歌

1=F $\frac{4}{4}$

(男女领唱, 合唱)

每分钟120拍 大气地

词: 集体创作

曲: 朱良镇

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让 我 们 开 创 万 世 太 平。 持 续 创 新 追 求 卓 越,

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太平之歌

(男女领唱, 合唱)

1=F $\frac{4}{4}$

每分钟120拍 大气地

词: 集体创作

曲: 朱良镇

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