



Hong Leong Assurance Berhad (94613-X)

A Member of the Hong Leong Group

**ANNUAL
REPORT
2008**



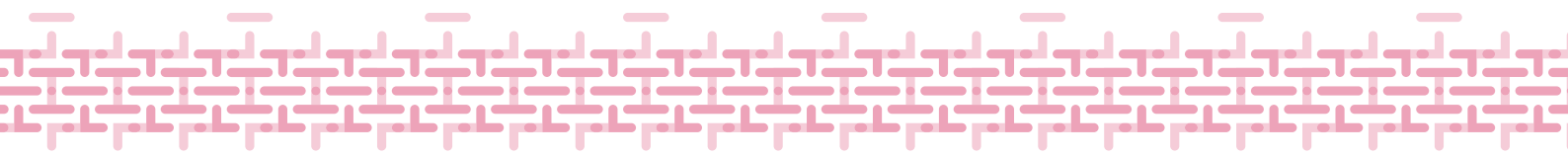
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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Assurance Berhad (“HLA”) and of the Group for the financial year ended 30 June 2008.

FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a pre-tax profit of RM 105.7million and a profit after tax of RM 78.9million, a decrease over the preceding financial year of 10% and 14% respectively. The lower profit was largely attributed to a lower contribution from investment performance. This was partially offset by a higher surplus transfer from the life insurance business and a higher underwriting surplus of the general insurance business.

Total assets of the Group stood at RM 5.5billion, a growth of 10% from RM 5.0billion in the preceding year primarily driven by the life insurance business where assets expanded from RM 4.2billion to RM 4.6billion.

Life insurance new business regular premiums soared to RM 179.1million, more than double of the preceding year of RM77.8 million whilst renewal premiums also strengthened. Overall, life insurance gross premiums surpassed the preceding year by 6%, totaling RM 782.1million for the financial year under review. Pre-tax operating surplus, however was lower by 36%, closing the financial year at RM 379.9million. The surplus was dampened by unrealized losses for investments and lower net realized gains on sale of investments as compared to the preceding year. Higher benefit payments to policyholders were also made for the financial year, with significantly higher maturities and bonuses.

Despite the lower operating surplus, the surplus transfer from life insurance business increased from RM 48.0million to RM 55.0million and bonus allocated to policyholders remained at a healthy level of RM 147.4million. Unallocated surplus increased by 24%, ending at RM 567.7million for the financial year.

The Company's general insurance underwriting surplus recorded a 41% increase, from RM 14.8million in the preceding year to RM 20.8million, with higher earned premium partially offset by the increase in net claims incurred. Net premium increased by 3% from RM 282.0 to RM 289.6million in the financial year.

Dao Heng Insurance Co. Ltd (“DHI”) managed to more than double the underwriting surplus and margin for this financial year amidst the fierce open market competition prevalent in Hong Kong. Investment income and gains recorded RM 1.0million as compared to the stellar gains in the preceding financial year of RM 22.1million.

INVESTMENT PERFORMANCE REVIEW

During the financial year under review, financial markets experienced extreme volatility as a result of local and external factors. Stock markets across the world were hit by the US housing slowdown and the sub prime loan crisis, which raised credit spreads significantly. The Asian markets were not spared from the sell down in global equities. The Malaysian market, which was initially an outperformer due to more defensive commodity earnings, suffered a major setback after the General Election results in March. As a result, investment income was adversely affected by higher provision from equities, although exposure was consciously kept to a minimum and skewed towards defensive sectors.





CHAIRMAN'S STATEMENT

Record high oil and commodity prices saw inflation spiking to levels not seen in a long time. This resulted in a 100bps move higher in local bond yields with investors turning cautious in anticipation of higher CPI numbers. Recent government policies on the windfall tax and call to lower toll rates had resulted in a further widening of credit spreads in the related sectors. For cash rich insurance companies, however, this would be an opportune time to increase investment yield.

PRODUCTS AND DISTRIBUTION

In HLA's continuous efforts to provide peace of mind that meet the changing needs of our customers, a host of new products had been offered. Premier Cash, designed to give customers the flexibility to achieve both protection and investment in one product was launched in August 2007, received overwhelming response. Two months later, C+ Secure – a life insurance product with features not found in a conventional medical plan was launched. C+ Secure provides continuous protection against cancer in all 3 stages. Leveraging on Hong Leong Bank extensive reach nationwide, the Hong Leong Cancer Protection Plan ("HLCPP") was introduced in March 2008 as a bancassurance product. An attractive endowment plan with annual guaranteed income and principal-protected, the AUD Guaranteed Income Savers ("AUD GIS") launched in May 2008 was oversubscribed within 8 days and its fund size had to be increased to accommodate demand.

HLA continues to dominate golf insurance market with Hong Leong Assurance Daily Golf product, participating in the HLA-Saujana Open in May 2008. Complimenting the traditional distribution channels, HLA joined forces with Astro to reward their loyal subscribers with MyCare Complimentary Protection Coverage from October 2007.

We will continue to strengthen our distribution channels coupled with a customer-centric approach to deliver innovative products.

OUTLOOK

The insurance landscape will continue to be challenging, against the backdrop of inflationary pressures, anticipated slowdown in domestic growth rates and global economic uncertainty. The low investment returns from lack of local assets meeting the Group's investment criteria looms ahead.

HLA remains optimistic that it will forge ahead despite these challenges. We will focus on our key pillars of strength while being cognizant of opportunities to enhance distribution and investment yields for profitable and sustainable growth.

We are confident that a consistent focus on the fundamentals – products, service quality, distribution channels' productivity and quality, human resources as well as brand awareness will propel HLA to achieve better performance.

APPRECIATION

On behalf of the Board of Directors, I wish to express my appreciation to Bank Negara Malaysia for their continued guidance and support. I would also like to extend my sincere appreciation to our customers, agents, brokers, reinsurers and other business partners for their contribution to the achievement of the Group. Most of all, I would like to thank the management and employees for their dedication and commitment in achieving another satisfactory year.

TAN SRI QUEK LENG CHAN
Chairman



CORPORATE INFORMATION

BOARD OF DIRECTORS

YBhg Tan Sri Quek Leng Chan
Chairman / Non-Independent

Mr Charlie Espinola Oropeza
Group Managing Director / Chief Executive Officer

YBhg Datuk Dr. Hussein Awang
Non-Executive Director / Independent

Mr Tan Keok Yin
Non-Executive Director / Independent

YBhg Dato' Chua Chuan Lim @ Chua Chuan Teong
Non-Executive Director / Independent

Mr Choong Yee How
Non-Executive Director / Non-Independent

Mr Quek Kon Sean
Non-Executive Director / Non-Independent

CORPORATE OFFICE

Mr Charlie Espinola Oropeza
Group Managing Director / Chief Executive Officer

Ms Loh Guat Lan
Chief Operating Officer, Life

Ms Janice Chan Yee Ngor
Chief Operating Officer, General

Mr Primo B Aguas
Chief Operating Officer, Shared Services

Mr Lee Kok Wah
Group Financial Controller

SECRETARY

Ms Christine Foo Choy Leng

REPRESENTATIVE OFFICE

Fubon Insurance Co. Ltd

REGISTERED OFFICE

Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel: 03-2164 8228
Fax: 03-2164 2503





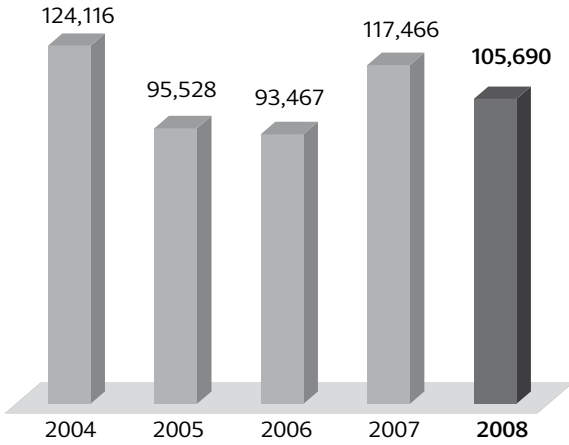
FINANCIAL HIGHLIGHTS

RM'000	Year Ended 30 June				
	2004	2005	2006	2007 Restated	2008
GROUP					
Profit Before Tax	124,116	95,528	93,467	117,466	105,690
Profit After Tax	91,356	70,742	69,281	91,529	78,916
Total Assets	3,300,759	3,780,433	4,275,792	4,981,726	5,475,494
Total Investments	2,615,154	3,063,871	3,306,444	3,924,785	4,393,372
Shareholders' Fund	304,205	321,547	334,610	420,994	465,479
COMPANY					
General Division					
Gross Premium	339,248	351,253	382,636	433,401	425,805
Net Premium	218,987	230,246	252,204	282,017	289,589
Underwriting Surplus	27,127	25,043	21,863	14,806	20,821
Investment Income	45,010	13,420	14,248	20,503	22,708
Life Division					
New Business Annualised Premium	94,708	89,663	77,537	81,999	191,779
Single Premium	129,644	148,926	201,948	185,954	77,067
Gross Premium	596,711	656,264	740,520	740,127	782,117
Investment Income	237,560	144,406	144,034	308,646	164,072
Life Policyholders' Fund	2,467,747	2,808,774	3,083,853	3,520,252	3,802,789
Unallocated Surplus	373,333	415,964	434,331	567,653	609,320

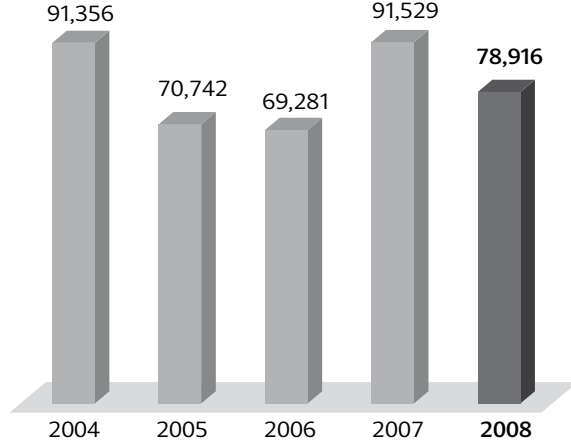


FINANCIAL HIGHLIGHTS

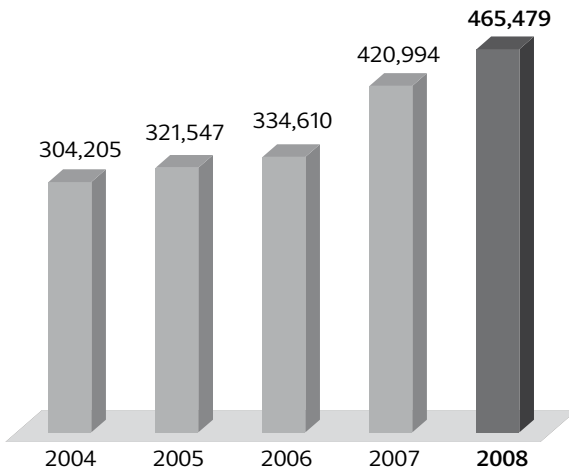
Profit Before Tax (RM'000)



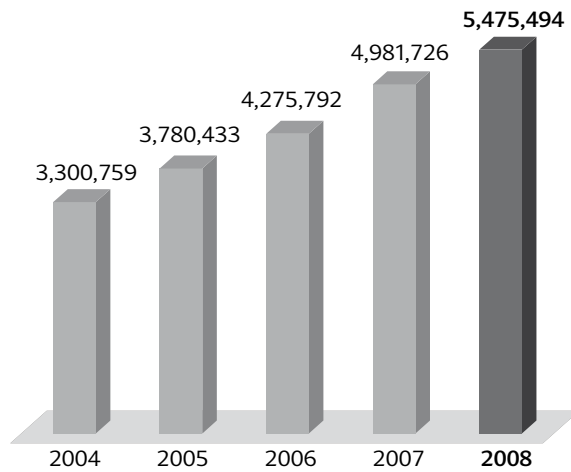
Profit After Tax (RM'000)



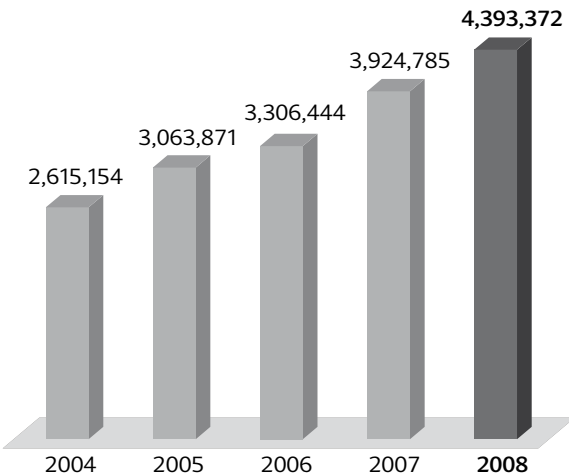
Shareholders' Fund (RM'000)



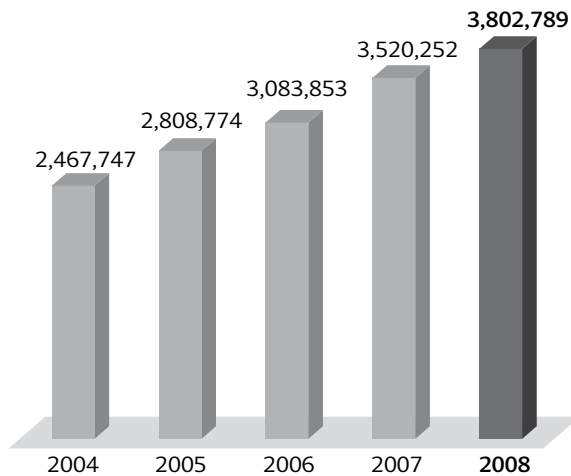
Total Assets (RM'000)



Total Investments (RM'000)



Life Policyholders' Fund (RM'000)





DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The Company is engaged in the underwriting of life and general insurance businesses and investment holding, whilst the principal activities of the subsidiary companies are stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit for the financial year	<u>78,916</u>	<u>75,641</u>

DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividend for the financial year ended 30 June 2008:-

	RM'000
Tax-exempt interim dividend of 15 sen per share on 16 June 2008	<u>30,000</u>

The Directors do not recommend any final dividend to be paid for the financial year ended 30 June 2008.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid up capital and the Company has not issued any debenture during the financial year under review.

OPTIONS

No option has been granted to any person to take up unissued shares of the Company.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.



DIRECTORS' REPORT

CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders' value, whilst taking into account the interest of other stakeholders.

The manner in which the Corporate Governance framework as prescribed in Bank Negara Malaysia ("BNM") Garis Panduan Insurans 25: Prudential Framework of Corporate Governance for Insurers ("GPI25") is applied to the Company, is summarised as follows:-

A. Board Responsibilities and Oversight

The Board of Directors ("Board")

The Board's responsibilities include:-

- (i) Approving the Group's strategic plan and the annual budget;
- (ii) Overseeing the conduct of the business including investment strategies;
- (iii) Supervising the implementation of a risk management framework, which includes the appropriate internal control and management information systems;
- (iv) Approving the appointment, remuneration and succession plans for senior management;
- (v) Approving the operating policies and transactions reserved for it within the risk management framework; and
- (vi) Approving investors' relation policies and supervising the implementation of related programmes.

The Board comprises the Chairman who is a Non-Independent Non-Executive Director, an Executive Director, two Non-Independent Non-Executive Directors and three Independent Non-Executive Directors. In accordance with the Insurance Act, 1996, all Directors are appointed to the Board after prior approval has been obtained from BNM.

During the financial year ended 30 June 2008, five (5) Board Meetings were held and the attendance of the Directors was as follows:-

Directors	Attendance
YBhg Tan Sri Quek Leng Chan	5/5
YBhg Datuk Dr Hussein Awang	5/5
Mr Tan Keok Yin	5/5
YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong	5/5
Mr Choong Yee How	5/5
Mr Quek Kon Sean	5/5
Mr Charlie Espinola Oropeza (Appointed on 10 July 2007)	5/5

Supply of Information

To fulfill the responsibilities set out above, all Directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the Internal Auditors.

Re-election

All Directors are required to submit themselves for re-election every three years.





DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONT'D)

A. Board Responsibilities and Oversight (cont'd)

Nomination Committee

The present members of the Nomination Committee are as follows:-

YBhg Datuk Dr Hussein Awang (Chairman, Independent Non-Executive Director)
YBhg Tan Sri Quek Leng Chan (Non-Independent Non-Executive Director)
Mr Tan Keok Yin (Independent Non-Executive Director)
YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong (Independent Non-Executive Director)
Mr Choong Yee How (Non-Independent Non-Executive Director)

The Nomination Committee's responsibilities include:-

- (i) Recommending to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer;
- (ii) Reviewing and recommending to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer;
- (iii) Reviewing annually the overall composition of the Board in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, and mix of skills and other core competencies required;
- (iv) Assessing annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual director to the effectiveness of the Board and various Board committees based on criteria approved by the Board;
- (v) Overseeing the appointment, management succession planning and performance evaluation of key senior management officers and recommending their removal if they are found ineffective, errant and negligent in discharging their responsibilities; and
- (vi) Ensuring that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2008, three (3) Nomination Committee meetings were held and the meetings were attended by all the members.

B. Directors' Remuneration

Remuneration Committee

The present members of the Remuneration Committee are as follows:-

YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong (Chairman, Independent Non-Executive Director)
YBhg Tan Sri Quek Leng Chan (Non-Independent Non-Executive Director)
Mr Tan Keok Yin (Independent Non-Executive Director)

The Remuneration Committee's responsibilities include:-

- (i) Recommending to the Board the framework governing the remuneration of the directors, the Chief Executive Officer and key senior officers; and



DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONT'D)

B. Directors' Remuneration (cont'd)

Remuneration Committee (cont'd)

- (ii) Reviewing and recommending to the Board the specific remuneration packages of executive directors, the Chief Executive Officer and key senior officers.

During the financial year ended 30 June 2008, one (1) Remuneration Committee Meeting was held and the meeting was attended by all the members.

Procedure

The fees of each Director, including Non-Executive Directors, are endorsed by the Board for tabling at the Annual General Meeting, where they are approved by the shareholder.

Disclosure

The remuneration of the Directors are set out in Note 33(c) to the financial statements.

C. Accountability and Audit

Board Audit and Risk Management Committee ("BARMC")

The financial reporting and internal control system of the Group is overseen by the BARMC, which comprises the following members:-

YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong (Chairman, Independent Non-Executive Director)
YBhg Datuk Dr Hussein Awang (Independent Non-Executive Director)
Mr Tan Keok Yin (Independent Non-Executive Director)

The primary responsibilities of the BARMC are:-

- (i) To review the audit plan, audit charter and budget of the Internal Audit Department as well as the scope of internal audit procedures and to ensure that the Internal Audit Department is distinct and has the appropriate status within the overall organisation structure for the internal auditors to achieve their audit objectives;
- (ii) To review with the overall internal management system, in particular, financial status of the Group, its internal controls in critical areas of operations, risks and implications of the internal audit findings and recommendations;
- (iii) To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Chief Internal Auditor and senior officers of the internal audit functions;
- (iv) To review with the external auditors, the scope of their audit and audit reports, including their findings, issues or reservations arising from the interim and financial audits and any action to be taken by management;
- (v) To consider the provision of non-audit services by the external auditors;
- (vi) To review and assess the objectivity, performance and independence of the external auditors and to recommend the appointment or re-appointment of external auditors and to review and assess fees paid to the external auditors for their audit and non-audit services;





DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONT'D)

C. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

- (vii) To review the Chairman's statement, corporate governance disclosures in the Directors' Report, interim financial reports and all representation letters by management in relation to the financial audit of the Group;
- (viii) To review related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or conduct that raises questions of management integrity;
- (ix) To ensure prompt publication of annual accounts of the Group. The Board is duty bound to ensure that accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with frequent reviews of the adequacy of provisions and to ensure supervisory issues raised by Bank Negara Malaysia are resolved in a timely manner;
- (x) To report and recommend to the Board measures:
 - (a) to identify all critical business risks faced by the Group;
 - (b) to improve risk management strategies and policies proposed by management; and
 - (c) to monitor and evaluate that risks have been managed effectively.
- (xi) To review the implementation of the Risk Management Framework and risk management activities and reports; and
- (xii) Other functions as may be determined by the Board.

During the financial year ended 30 June 2008, five (5) BARMC Meetings were held and the attendance of the Directors was as follows:-

Directors	Attendance
YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong	5/5
YBhg Datuk Dr Hussein Awang	4/5
Mr Tan Keok Yin	5/5

The Group Chief Internal Auditor reports directly to the BARMC and provides the BARMC and management with an independent assessment of the adequacy of risk management practice. Significant breaches and deficiencies identified are discussed with the BARMC and remedial action taken by management are reported to and monitored by the BARMC.

Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. Reports on the financial condition and performance of the Group are reviewed at Board meetings.

Internal Controls and Operational Risk Management

The Board has overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations.

The Group has established authority limits and internal controls to manage operational risks. Authority limits and the system of internal controls are reviewed regularly to ensure continuous improvement in the control environment.

The Group has increased the security controls for its Information Technology systems and has in place business resumption and contingency plans that can ensure continued operation of mission critical functions.



DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONT'D)

C. Accountability and Audit (cont'd)

Management Accountability

The Group operates in an organisational structure and control environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment. Human resource procedures of the Group provide for the setting of goals and training of each employee. The Group conducts formal appraisals for each employee on an annual basis.

The Group has an office of Corporate Communications to guide its communication policy.

Corporate Independence

The Company has complied with BNM's Guidelines JPI/GPI 19 on Related Party Transactions. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 33 to the financial statements.

Public Accountability

As a custodian of public funds, the Group's dealings with the public are always conducted fairly, honestly and professionally. All staff of the Group are required to comply with the Code of Ethics and Conduct.

Relationship with Auditors

The external auditors are appointed on the recommendation by the BARMC, who determines the remuneration of the external auditors. The external auditors meet with the BARMC to:-

- (i) Present the scope of the audit before the commencement of audit; and
- (ii) Review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.

DIRECTORATE

The Directors in office since the date of the last report are:-

YBhg Tan Sri Quek Leng Chan
YBhg Datuk Dr Hussein Awang
Mr Tan Keok Yin
YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong
Mr Choong Yee How
Mr Quek Kon Sean
Mr Charlie Espinola Oropeza (Appointed on 10 July 2007)

In accordance with Article 109 of the Company's Articles of Association, Mr Tan Keok Yin and YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong retire by rotation from the Board and, being eligible, offer themselves for re-election.





DIRECTORS' REPORT

DIRECTORS' INTERESTS

No Director holding office at the end of the financial year had any beneficial interest in the ordinary shares/warrants/options/irredeemable convertible unsecured loan stocks of the Company and/or related corporations during the financial year ended 30 June 2008 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, except for YBhg Tan Sri Quek Leng Chan, Mr Choong Yee How and Mr Quek Kon Sean whose beneficial interests are disclosed in the Directors' Report of the holding company as provided for under Section 134 of the said Act whilst the beneficial interests of YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong and Mr Tan Keok Yin are as follows:-

	Nominal value per share RM	Number of ordinary shares to be issued arising from the exercise of warrants/ irredeemable convertible unsecured loan stocks			As At 30-6-2008
		As at 1-7-2007	Acquired	Sold	
Shareholdings in which Directors have direct interests:					
Interests of YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong in:					
Hong Leong Industries Berhad	0.50	8,000	-	-	8,000
Hong Leong Financial Group	1.00	268,643	-	-	268,643
Hume Industries (Malaysia) Berhad	1.00	5,333	-	-	5,333
GuocoLand (Malaysia) Berhad	0.50	151,171	-	-	151,171
Hong Leong Bank Berhad	1.00	30,000	-	-	30,000
Interests of Mr Tan Keok Yin in:					
Camerlin Group Berhad	1.00	10,000	-	10,000	-
Shareholdings in which Director has indirect interests:					
Interests of YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong in:					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Financial Group Berhad	1.00	11,620,479	-	-	11,620,479
Hong Leong Bank Berhad	1.00	135,000	-	-	135,000
Hong Leong Industries Berhad	0.50	2,284,848	-	-	2,284,848
Narra Industries Berhad	1.00	10,000	-	-	10,000
Camerlin Group Berhad	1.00	3,133,500	-	-	3,133,500
GuocoLand (Malaysia) Berhad	0.50	3,335,485	-	-	3,335,485





DIRECTORS' REPORT

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the options granted pursuant to the Executive Share Option Scheme of Hong Leong Financial Group Berhad, the holding company of the Company.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) As at the end of the financial year

- (a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-
 - (i) to ascertain that there was adequate provision for incurred claims, including incurred but not reported claims ("IBNR");
 - (ii) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (iii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) From the end of the financial year to the date of this report

- (a) The Directors are not aware of any circumstances:-
 - (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements misleading; and
 - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.





DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

(II) From the end of the financial year to the date of this report (continued)

(b) In the opinion of the Directors:-

- (i) the results of the operations of the Group and of the Company for the financial year ended 30 June 2008 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due (for the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contract of insurance underwritten in the ordinary course of business of the Company.)

(III) As at the date of this report

- (a) There are no charges on the assets of the Group and of the Company which had arisen since the end of the financial year to secure the liabilities of any other person;
- (b) There are no contingent liabilities which had arisen since the end of the financial year; and
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

HOLDING COMPANIES

The immediate and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

AUDITORS

The auditors, Messrs Ling Kam Hoong & Co, have intimated their intention not to seek reappointment.

On behalf of the Board

YBHG DATO' CHUA CHUAN LIM @
DATO' CHUA CHUAN TEONG

CHARLIE ESPINOLA OROPEZA

Kuala Lumpur
22 August 2008





BALANCE SHEETS

As At 30 June 2008

	Note	2008		2007	
		Group RM'000	Company RM'000	Group Restated RM'000	Company Restated RM'000
ASSETS					
General business and Shareholders' fund assets					
Property, plant and equipment	3 (a)	32,920	15,718	36,331	17,554
Prepaid lease payments	4	1,378	1,378	1,395	1,395
Intangible assets	5	21,959	8,345	26,812	13,198
Subsidiary companies	6	-	75,032	-	75,032
Investments	8 (a)	635,570	552,761	544,167	463,905
Assets held for sale	11	60	60	60	60
Receivables	12	129,443	124,764	166,138	159,278
Cash and bank balances		27,885	25,063	32,618	27,819
Total General business and Shareholders' fund assets		849,215	803,121	807,521	758,241
Total Life business assets (page 21)		4,626,279	4,626,279	4,174,205	4,174,205
TOTAL ASSETS		5,475,494	5,429,400	4,981,726	4,932,446
LIABILITIES					
General business and Shareholders' fund liabilities					
Provision for outstanding claims	13	162,200	156,927	147,942	142,459
Payables	14	66,481	59,133	80,784	72,052
Tax payable		17,504	16,784	11,986	11,116
Deferred tax liabilities	10	2,019	1,345	3,274	2,499
Deferred liabilities	15	938	938	833	833
Total General business and Shareholders' fund liabilities		249,142	235,127	244,819	228,959
Total Life business liabilities (page 21)		509,149	509,149	368,739	368,739
		758,291	744,276	613,558	597,698





BALANCE SHEETS

As At 30 June 2008

LIABILITIES (CONT'D)

	Note	2008		2007	
		Group RM'000	Company RM'000	Group Restated RM'000	Company Restated RM'000
Unearned premium reserves	16	134,594	123,563	141,708	130,492
Life policyholders' fund	17	3,802,789	3,802,789	3,520,252	3,520,252
Investment-linked unitholders' fund	28 (a)	314,341	314,341	285,214	285,214
		<u>4,251,724</u>	<u>4,240,693</u>	<u>3,947,174</u>	<u>3,935,958</u>
TOTAL LIABILITIES		<u>5,010,015</u>	<u>4,984,969</u>	<u>4,560,732</u>	<u>4,533,656</u>
SHAREHOLDERS' EQUITY					
Share capital	18	200,000	200,000	200,000	200,000
Reserves	19	265,479	244,431	220,994	198,790
TOTAL SHAREHOLDERS' EQUITY		<u>465,479</u>	<u>444,431</u>	<u>420,994</u>	<u>398,790</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>5,475,494</u>	<u>5,429,400</u>	<u>4,981,726</u>	<u>4,932,446</u>

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



INCOME STATEMENTS

For The Financial Year Ended 30 June 2008

	Note	2008		2007	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
Operating revenue	20	<u>1,486,294</u>	<u>1,434,019</u>	<u>1,430,189</u>	<u>1,384,855</u>
Shareholders' fund:					
Management expenses	22	(2,266)	(2,263)	(2,155)	(2,047)
Investment income	23	4,021	4,010	2,513	11,103
Other operating income - net	24	775	693	4,047	4,047
		<u>2,530</u>	<u>2,440</u>	<u>4,405</u>	<u>13,103</u>
Transfers from Insurance Revenue accounts					
- General business (pages 19 & 20)		48,160	44,491	65,061	36,374
- Life business (page 22)		<u>55,000</u>	<u>55,000</u>	<u>48,000</u>	<u>48,000</u>
Profit before taxation		<u>105,690</u>	<u>101,931</u>	<u>117,466</u>	<u>97,477</u>
Taxation	25	<u>(26,774)</u>	<u>(26,290)</u>	<u>(25,937)</u>	<u>(24,551)</u>
Net profit for the financial year		<u>78,916</u>	<u>75,641</u>	<u>91,529</u>	<u>72,926</u>
Earnings per share (sen)					
- Basic	27	<u>39.46</u>		<u>45.76</u>	

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



GENERAL INSURANCE REVENUE ACCOUNT

For The Financial Year Ended 30 June 2008

	Note	Fire		Motor		Marine Aviation & Transit		Miscellaneous		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group											
Gross premium	20	161,981	179,499	68,564	63,665	50,677	43,996	194,777	197,608	475,999	484,768
Reinsurance		(76,237)	(92,019)	(4,096)	(2,463)	(18,865)	(13,884)	(60,612)	(66,882)	(159,810)	(175,248)
Net premium		85,744	87,480	64,468	61,202	31,812	30,112	134,165	130,726	316,189	309,520
Decrease/(Increase) in unearned premium reserves	16	3,805	(1,114)	(2,531)	(2,316)	(461)	(1,410)	5,703	(11,254)	6,516	(16,094)
Earned premium		89,549	86,366	61,937	58,886	31,351	28,702	139,868	119,472	322,705	293,426
Net claims incurred	21	(27,200)	(34,702)	(46,038)	(44,499)	(18,258)	(13,530)	(95,363)	(79,040)	(186,859)	(171,771)
Net commission		(5,543)	(5,238)	(6,531)	(6,133)	(4,420)	(4,264)	(17,126)	(14,278)	(33,620)	(29,913)
Underwriting surplus before management expenses		56,806	46,426	9,368	8,254	8,673	10,908	27,379	26,154	102,226	91,742
Management expenses	22									(78,747)	(75,793)
Underwriting surplus										23,479	15,949
Investment income	23									21,016	17,775
Other operating income - net	24									3,665	31,337
Profit from operations transfer to Income Statement (page 18)										48,160	65,061

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

GENERAL INSURANCE REVENUE ACCOUNT

For The Financial Year Ended 30 June 2008

	Note	Fire		Motor		Marine Aviation & Transit		Miscellaneous		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company											
Gross premium	20	142,650	158,647	68,564	63,665	49,648	42,675	164,943	168,414	425,805	433,401
Reinsurance		(64,020)	(79,371)	(4,096)	(2,463)	(18,314)	(13,262)	(49,786)	(56,288)	(136,216)	(151,384)
Net premium		78,630	79,276	64,468	61,202	31,334	29,413	115,157	112,126	289,589	282,017
Decrease/(Increase) in unearned premium reserves	16	3,530	(1,350)	(2,531)	(2,316)	(469)	(1,443)	6,399	(11,723)	6,929	(16,832)
Earned premium		82,160	77,926	61,937	58,886	30,865	27,970	121,556	100,403	296,518	265,185
Net claims incurred	21	(25,529)	(33,112)	(46,038)	(44,499)	(18,256)	(13,421)	(85,831)	(68,526)	(175,654)	(159,558)
Net commission		(7,423)	(6,676)	(6,531)	(6,133)	(4,387)	(4,164)	(19,064)	(15,706)	(37,405)	(32,679)
Underwriting surplus before management expenses		49,208	38,138	9,368	8,254	8,222	10,385	16,661	16,171	83,459	72,948
Management expenses	22									(62,638)	(58,142)
Underwriting surplus										20,821	14,806
Investment income	23									18,946	15,218
Other operating income - net	24									4,724	6,350
Profit from operations transfer to Income Statement (page 18)										44,491	36,374

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



LIFE FUND BALANCE SHEET

As At 30 June 2008

		2008	2007
	Note	RM'000	Restated RM'000
ASSETS			
Property, plant and equipment	3 (b)	9,747	11,508
Prepaid lease payments	4	1,453	1,479
Intangible assets	5	9,847	14,401
Investment properties	7	211,600	201,600
Investments	8 (b)	3,446,854	3,094,209
Loans	9	556,612	496,161
Deferred tax assets	10	206	-
Assets held for sale	11	-	750
Receivables	12	66,636	57,609
Cash and bank balances		6,823	6,635
Investment-linked business assets	28 (a)	316,501	289,853
TOTAL ASSETS		<u>4,626,279</u>	<u>4,174,205</u>
LIABILITIES			
Provision for outstanding claims	13	36,884	21,769
Payables	14	409,113	285,906
Tax payable		3,205	6,930
Deferred tax liabilities	10	-	185
Deferred liabilities	15	615	539
Amount due to General Insurance Fund		2,059	651
Amount due to Shareholders' Fund		55,113	48,120
Investment-linked business liabilities	28 (a)	2,160	4,639
TOTAL LIABILITIES		509,149	368,739
Life policyholders' fund	17	3,802,789	3,520,252
Investment-linked unitholders' fund	28 (a)	314,341	285,214
TOTAL FUNDS AND LIABILITIES		<u>4,626,279</u>	<u>4,174,205</u>

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



LIFE FUND REVENUE ACCOUNT

For The Financial Year Ended 30 June 2008

		2008	2007
	Note	RM'000	Restated RM'000
Gross premium	20	782,117	740,127
Reinsurance		<u>(50,906)</u>	<u>(45,110)</u>
Net premium		<u>731,211</u>	<u>695,017</u>
Benefit paid/payable:			
Maturities		(64,561)	(8,259)
Surrenders		(117,479)	(118,342)
Death claims		(35,555)	(18,399)
Other claims		(29,119)	(29,953)
Cash bonus		<u>(80,209)</u>	<u>(68,323)</u>
		<u>(326,923)</u>	<u>(243,276)</u>
		404,288	451,741
Commissions and agency expenses		(130,642)	(112,755)
Management expenses	22	<u>(62,009)</u>	<u>(60,190)</u>
		211,637	278,796
Investment income	23	203,141	185,006
Other operating (expenses) / income - net	24	<u>(34,839)</u>	<u>126,051</u>
Surplus from operations before taxation		379,939	589,853
Taxation	25	<u>(13,275)</u>	<u>(24,927)</u>
Surplus after taxation		366,664	564,926
Increase in Investment-linked fund	28 (b)	<u>(29,127)</u>	<u>(100,834)</u>
		337,537	464,092
Life policyholders' fund at the beginning of the financial year		<u>3,491,906</u>	<u>3,083,853</u>
Prior year adjustments		28,346	20,307
Restated		3,520,252	3,104,160
Transfer to Income Statement (page 18)		<u>(55,000)</u>	<u>(48,000)</u>
Life policyholders' fund at the end of the financial year		<u>3,802,789</u>	<u>3,520,252</u>

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





STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 30 June 2008

	Share Capital RM'000	Retained Profits RM'000	Foreign Exchange Reserve RM'000	Total RM'000
The Group				
At 1 July 2006	200,000	137,428	(2,818)	334,610
Net profit for the financial year	-	91,529	-	91,529
Foreign exchange difference arising	-	-	(5,145)	(5,145)
At 30 June 2007	200,000	228,957	(7,963)	420,994
Net profit for the financial year	-	78,916	-	78,916
Foreign exchange difference arising	-	-	(4,431)	(4,431)
Dividend	-	(30,000)	-	(30,000)
At 30 June 2008	<u>200,000</u>	<u>277,873</u>	<u>(12,394)</u>	<u>465,479</u>
The Company				
At 1 July 2006	200,000	125,864	-	325,864
Net profit for the financial year	-	72,926	-	72,926
At 30 June 2007	200,000	198,790	-	398,790
Net profit for the financial year	-	75,641	-	75,641
Dividend	-	(30,000)	-	(30,000)
At 30 June 2008	<u>200,000</u>	<u>244,431</u>	<u>-</u>	<u>444,431</u>

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

GROUP CASH FLOW STATEMENT

For The Financial Year Ended 30 June 2008

	2008	2007
	RM'000	Restated RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	105,691	117,466
Adjustments for:-		
Allowance/(Write back) of doubtful debts	1,473	(6)
Depreciation of property, plant and equipment	6,342	7,021
Amortisation of prepaid lease payments	43	42
Amortisation of intangible assets	10,717	10,557
Gain on sale of property, plant and equipment	(202)	(108)
Gain on sale of assets held for sale	(10)	-
(Decrease)/Increase in unearned premium reserves	(6,516)	16,094
Life fund underwriting surplus	379,939	589,853
Transfer of Life fund surplus to Income Statement	(55,000)	(48,000)
Gain on sale of investments	(50,545)	(115,126)
Accretion of discount	(4,924)	(1,206)
Allowance/(Write back) for impairment loss of quoted investments	91,627	(37,902)
Write down of cost of quoted investment	96	-
Provision for staff retirement benefits	181	165
Allowance/(Write back) for impairment loss on property, plant and equipment	1	(5,472)
Foreign exchange difference	(121)	(247)
Unrealised gain on fair value of investment properties	(10,000)	(5,900)
Cash flow generated before working capital changes	<u>468,792</u>	<u>527,231</u>
Changes in assets and liabilities:-		
Redemption of bonds and debentures	285,650	12,500
Proceeds from sale of investments	1,295,653	826,294
Purchase of investments	(1,965,058)	(1,446,073)
Maturity of Malaysian Government Securities and other government guaranteed low risk assets	142,660	268,548
Increase in fixed and call deposits	(243,384)	(26,299)
Decrease/(Increase) in amounts due from insureds, agents, brokers and reinsurers	41,598	(8,650)
Increase in amounts due to insureds, agents, brokers and reinsurers	113,755	48,407
Increase in other receivables	(15,719)	(115,226)
(Decrease)/Increase in other payables	(21,548)	3,271
Increase in outstanding claims	29,662	4,834
Increase in loans	(60,451)	(56,045)
	<u>(397,182)</u>	<u>(488,439)</u>
Cash generated from operations	71,610	38,792
Income taxes paid	(43,419)	(38,689)
Staff retirement benefit paid	-	(41)
Net cash generated from operating activities	<u>28,191</u>	<u>62</u>



GROUP CASH FLOW STATEMENT

For The Financial Year Ended 30 June 2008

	2008	2007
	RM'000	Restated RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	450	406
Proceeds from sale of asset held for sale	760	-
Purchase of plant and equipment	(2,393)	(4,811)
Purchase of intangible assets	(1,310)	(1,490)
Net cash used in investing activities	(2,493)	(5,895)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(30,000)	-
Net cash used in financing activities	(30,000)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,302)	(5,833)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	39,253	45,210
EXCHANGE DIFFERENCES	(243)	(124)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	34,708	39,253
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		
- Group	27,885	32,618
- Life	6,823	6,635
	34,708	39,253

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

COMPANY CASH FLOW STATEMENT

For The Financial Year Ended 30 June 2008

	2008	2007
	RM'000	Restated RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	101,931	97,477
Adjustments for:-		
Allowance/(Write back) of doubtful debts	1,473	(6)
Depreciation of property, plant and equipment	5,381	5,849
Amortisation of prepaid lease payments	43	42
Amortisation of intangible assets	10,717	10,557
Gain on sale of property, plant and equipment	(202)	(108)
Gain on sale of assets held for sale	(10)	-
(Decrease)/Increase in unearned premium reserves	(6,929)	16,832
Life fund underwriting surplus	379,939	589,853
Transfer of Life fund surplus to Income Statement	(55,000)	(48,000)
Gain on sale of investments	(53,066)	(94,372)
Accretion of discount	(4,924)	(1,206)
Allowance/(Write back) for impairment loss of investments	91,627	(37,902)
Write down of cost of quoted investment	96	-
Provision for staff retirement benefits	181	165
Unrealised gain on fair value of investment properties	(10,000)	(5,900)
Cash flow generated before working capital changes	<u>461,257</u>	<u>533,281</u>
Changes in assets and liabilities:-		
Redemption of bonds and debentures	285,650	12,500
Proceeds from sale of investments	1,083,776	550,088
Purchase of investments	(1,770,325)	(1,178,259)
Maturity of Malaysian Government Securities and other government guaranteed low risk assets	142,660	268,548
Increase in fixed and call deposits	(216,993)	(27,404)
Decrease/(Increase) in amounts due from insureds, agents, brokers and reinsurers	40,990	(8,339)
Increase in amounts due to insureds, agents, brokers and reinsurers	112,657	48,628
Increase in other receivables	(16,976)	(113,898)
(Decrease)/Increase in other payables	(19,487)	983
Increase in outstanding claims	29,583	4,764
Increase in loans	(60,451)	(56,045)
	<u>(388,916)</u>	<u>(498,434)</u>
Cash generated from operations	72,341	34,847
Income taxes paid	(42,777)	(37,945)
Staff retirement benefit paid	-	(41)
Net cash generated from/(used in) operating activities	<u>29,564</u>	<u>(3,139)</u>



COMPANY CASH FLOW STATEMENT

For The Financial Year Ended 30 June 2008

	2008	2007
	RM'000	Restated RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	450	405
Proceeds from sale of asset held for sale	760	-
Purchase of property, plant and equipment	(2,032)	(4,136)
Purchase of intangible assets	(1,310)	(1,490)
Net cash used in investing activities	(2,132)	(5,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(30,000)	-
Net cash used in financing activities	(30,000)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,568)	(8,360)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>34,454</u>	<u>42,814</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>31,886</u>	<u>34,454</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		
- Company	25,063	27,819
- Life	6,823	6,635
	<u>31,886</u>	<u>34,454</u>

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



NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The Company is engaged in the underwriting of life and general insurance businesses and investment holding, whilst the principal activities of the subsidiary companies are stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Group and the Company are consistent with those adopted in the previous year, unless otherwise indicated in the accounting policies below:-

(a) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the Financial Reporting Standards (“FRSs”), the provisions of the Companies Act, 1965, the Insurance Act, 1996 and relevant Guidelines/Circulars issued by BNM in all material aspects.

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in the following notes:-

Note 2(c) - Intangible assets

Note 2(i) - Provision for claims

Note 2(k) - Actuarial valuation of Life Policyholders’ fund

The Group and the Company adopted new or revised FRSs that are effective for those financial years beginning on or after 1 October 2006 and 1 July 2007. These are:

Standard/Interpretation		Effective Date
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 117	Leases	1 October 2006
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments	1 July 2007





NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation of the financial statements (cont'd)

Standard/Interpretation		Effective Date
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ , Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The adoption of the above FRS did not result in substantial changes in the Group and the Company's accounting policies except for the adoption of FRS 117 which is disclosed in Note 2(u) to the financial statements.

(b) Basis of consolidation

Subsidiaries

The Group's financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Subsidiaries are all entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated using the purchase method of accounting from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains or losses on transactions between group of companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'Intangible Assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing using the value-in-use method which requires the use of estimates. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.



NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Intangible assets

Computer software

Computer software licenses acquired separately are capitalised on the basis of the costs incurred to acquire and bring the asset for its intended use. These costs are amortised over their estimated useful lives, estimated to be 5 years.

Costs that are directly associated with knowledge based software and computer applications which are unique to the requirements of the insurance business are recognised as 'Intangible Assets'. These software and applications are expected to generate economic benefits beyond one year. Direct attributable costs include the software development employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use. These costs are recognised as assets and amortised over their useful lives, estimated to be 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when it is incurred.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the carrying amount of the assets when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably estimated. All other repairs and maintenance are charged to the income statement or revenue account during the financial period which they are incurred.

Freehold land and capital work-in-progress are not depreciated. Depreciation of other property, plant and equipment is computed on straight line basis over their estimated useful lives. The principal annual rates used are:-

Leasehold land	Over the lease period
Buildings	50 years
Office renovation, equipment and furniture and fittings	10% - 20%
Motor vehicles	20%

(e) Prepaid lease payments

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and the rewards are classified as operating leases, other than a property held under operating leases for investment purpose which meets the definition of an investment property on a property by property basis.

The minimum lease payments including up-front payments made for leasehold land and building are allocated between land and buildings elements in proportion to the relative fair values of leasehold interest in the land element and the buildings element at the inception of the lease.





NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Prepaid lease payments (cont'd)

Leasehold land that normally has an indefinite economic life and if title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The up-front payment made for the leasehold land represents prepaid lease payments that are amortised on a straight line basis over the lease term.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings may be treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the building is regarded as the economic life of the entire leased asset.

(f) Investment properties

Investment properties are properties which are held for rentals or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs.

Investment properties are initially stated at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment properties differ materially from the fair values. All gains or losses arising from a change in fair value of an investment property are recognised in revenue account.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in revenue account in the year in which they arise.

(g) Investments

Investments in Malaysian Government Securities and Cagamas bonds, Danaharta and other Government guaranteed bonds, which are collectively categorised as other government guaranteed low risk assets, quoted and unquoted corporate debenture and bonds are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on a constant yield basis over the period from the date of acquisition to maturity.

Quoted equities and unit trusts are stated at the lower of cost and market value determined on the aggregate basis by category of investments, except that specific allowance is made for any investment which is deemed to have suffered permanent impairment loss. Increase or decrease in the carrying amount of quoted investments are credited or charged to the revenue account.

Unquoted equities and unit trusts are stated at cost less allowance for any permanent impairment loss.

Investments of the Investment-linked business are stated at the closing market prices as at balance sheet date. All increases or decreases in value of these investments are taken into the Investment-linked business revenue account.



NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of assets

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

An impairment loss is charged to the income statement/revenue account immediately, unless the asset is carried at revalued amount. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement/revenue account immediately, unless the asset is carried at revalued amount, in which case it is credited directly to revaluation surplus. Where an impairment loss in the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(i) General Insurance underwriting results

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

Premium income

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

Unearned premium reserves

Unearned Premium Reserves ("UPR") are calculated for direct and reinsurance inwards business. The UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired period of the policies at the end of the financial year. UPR are calculated based on the total gross premium less deductible reinsurance outwards and permitted deductions as follows:-

- (i) 25% method for marine cargo, aviation cargo and transit policies;
- (ii) Time apportionment basis for bond class;
- (iii) 1/24 method for all other classes of General business; and
- (iv) 1/8 method for all classes of overseas reinsurance inwards business with a deduction of 20% for acquisition cost.

Under the Insurance Regulations 1996, the permitted deductions are the lower of actual acquisition cost and the maximum permitted deduction of:-

- (a) 15% of premium for fire, engineering, marine hull, cargo and aviation;
- (b) 10% of premium for motor, bonds and foreign workers' compensation scheme; and
- (c) 25% of the premium for personal accident, liabilities and other General insurance businesses.





NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) General Insurance underwriting results (cont'd)

Provision for claims

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims, together with related expenses in respect of those incurred but not reported at balance sheet date ("IBNR"), using a mathematical method of estimation.

The estimation of the provision for outstanding claims involves projection of the Company's future claims experience based on past and current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience.

These uncertainties arise from changes in underlying risks, changes in spread of risk, claims settlement as well as uncertainties in the projection model and underlying assumptions.

Acquisition costs

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

(j) Life Insurance underwriting results

Transfer of Life fund surplus to Shareholders' fund

The surplus transferable from Life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders made in accordance with the provisions of the Insurance Act, 1996 and related regulations by the Company's Appointed Actuary.

Premium income

Premium income of the Life Fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured.

Premium income from the investment-linked funds are in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the revenue account in the period in which they are incurred.



NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Life Insurance underwriting results (cont'd)

Provision for claims

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on life insurance policies including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:-

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

Reinsurance

Reinsurance premiums, commissions and related expenses are accounted for in the same period as the original policies to which the reinsurance relates.

(k) Life policyholders' fund

The Life policyholders' fund represents the unallocated surplus and actuarial liabilities and it is considered sufficient to provide for liabilities under life policies in force as at Balance Sheet date.

The valuation of the ultimate liability arising from policy benefits made under life insurance contract is the Group and the Company's most critical accounting estimate.

The valuation was determined with regard to the Insurance Regulations, 1996. In the case of life policies where the minimum valuation basis is specified under the Insurance Regulations, 1996, a reserve was set up such that it would not fall below the reserve determined on the minimum valuation basis. For other policies where the nature of benefit suggested that the minimum valuation basis was not applicable, a reserve was set up such that this reserve together with future premiums would be sufficient to meet the future policy liabilities.

The mortality table employed for life policies was the Statutory Valuation Mortality Table ("SVMT") 1996 Ultimate mortality table. The rate of interest assumed was 4% per annum for regular premium policies, 4.5% for single premium policies.

The net liabilities in non-unit fund were calculated as 50% of the risk charges plus the provision for future agency related expenses ("ARE"). The provision of future ARE were calculated as present value of adjusted future ARE minus present value of the net premium. The net premium is the unallocated premium after deduction of agency commission.

The net liabilities in unit fund were calculated as the total asset value of each unit investment fund.

There is no change in valuation basis/method compared to the previous financial year.

The last statutory actuarial valuation of the Life policyholders' fund was at 30 June 2008, details of which are disclosed in Note 17 of the financial statements.





NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Other revenue recognition

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

Other interest is recognised on a time proportion basis that takes into account the constant yield of the assets.

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

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

(m) Allowance for bad and doubtful debts

Allowance is made for debts which remain outstanding for more than six months from date on which they become receivable. In addition, specific allowance is made for all debts which are considered doubtful of recovery.

(n) Taxation

Taxation on the income statement and life fund revenue account comprises current and deferred tax. Current tax is the expected amount of tax payable in respect of the taxable income for the financial year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is provided using the balance sheet liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(o) Foreign Currencies

Functional and Presentation Currency

The financial statements of the Group and Company are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.



NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Foreign Currencies (cont'd)

Group Companies

The results and financial position of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency that is different from the presentation currency are translated into the presentation currency as follows:-

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates), in which case income and expenses are translated using the exchange rate at the dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(p) Dividends

Dividends on ordinary shares are accounted for in the shareholders' equity as an appropriation of retained profits in the period in which they are declared.

(q) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances excluding fixed and call deposits. The cash flow statement has been prepared using the indirect method.

(r) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.





NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount are recovered principally through a sale transaction rather than through continuing use.

(t) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions and other non-monetary benefits are recognised as expenses in the period in which the associated services are rendered by employees of the Group and the Company.

(ii) Defined contribution plans

As required by law, companies in Malaysia and the Hong Kong subsidiary made contributions to the statutory pension schemes, the Employees Provident Fund and Mandatory Provident Fund respectively. Such contributions are recognised as an expense in their income statement as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Equity Compensation Benefits

In prior years, the Company has had equity compensation benefits which consisted of share options granted to eligible employees of the Company under the Hong Leong Financial Group Berhad ("HLFG") Executive Share Option Scheme ("HLFG ESOS"). A trust has been set up by the immediate holding company, HLFG, for the HLFG ESOS, administered by an appointed trustee. The Company from time to time provided financial assistance to the trustee, upon such terms and conditions as HLFG and the trustee had agreed, for the purchase of such number of HLFG shares to satisfy the exercise of the share option by eligible executives of the Company for which BNM approval had been obtained. The financial assistance given to the trustee to purchase the HLFG shares for the purpose of the scheme was recorded as advances to trustee in the balance sheet. ESOS operation costs were computed using the cumulative purchase price (net of dividends received from the shares held) less the applicable option exercise price or the market price (whichever was lower) and were recognised in the income statement on a straight line basis over the remaining period of the scheme.

The HLFG ESOS scheme has since expired. The Company intends to establish a new trust and executive share option scheme following this expiry. Balances in the existing trust are to be transferred to the new trust upon obtaining the necessary approvals and its set up. Pending the approval and set up of the new trust, amounts advanced to the trustee for the existing trust are shown as a receivable in the balance sheet.

(u) Change In Accounting Policies

- (a) During the year ended 30 June 2008, the Group and the Company have adopted the new and revised FRSs issued by MASB that are applicable to those financial periods beginning on or after 1 October 2006 resulted in change in accounting policy; the effects resulting from the adoption of the revised FRSs is disclosed below:-

FRS 117: Leases

Prior to 1 July 2007, leasehold lands were classified as property, plant and equipment and were stated at cost/valuation less accumulated depreciation and accumulated impairment.



NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Change In Accounting Policies (cont'd)

FRS 117: Leases (cont'd)

The adoption of FRS 117 has resulted in retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land held under operating lease are classified as prepaid lease payments and are amortised on a straight line basis over the remaining lease term of the land. Where the leasehold land had been previously revalued, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of the prepaid lease payments as allowed by the transitional provisions of FRS 117. There were no effects on the Income Statements of the Group and the Company for the year ended 30 June 2008.

(b) Investment properties

Previously, the Group and the Company had adopted the cost model for measurement of investment properties. During the year, the Company acquired additional unit of leasehold investment property. In accordance with FRS 140, investment properties are to be stated at fair values where there is any leasehold among the portfolio. Gains or losses arising from changes in fair values of investment properties are recognised in revenue account. This constitutes a change in accounting policy and is applied retrospectively.

(c) The following comparative figures have been restated for the effects of adopting the above change in accounting policy to confirm with the current year's presentation.

(i) Leases

	General Business and Shareholders' fund			Life Business		
	Previously Stated	Adoption of FRS 117	Restated	Previously Stated	Adoption of FRS 117	Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

At 30 June 2007

The Group

Balance Sheet

Property, plant and equipment	37,726	(1,395)	36,331	12,987	(1,479)	11,508
Prepaid lease payments	-	1,395	1,395	-	1,479	1,479

Income Statement

Depreciation of property, plant and equipment	4,220	(16)	4,204	2,843	(26)	2,817
Amortisation of prepaid lease payments	-	16	16	-	26	26





NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Change In Accounting Policies (cont'd)

(i) Leases (cont'd)

	General Business and Shareholders' fund			Life Business		
	Previously Stated	Adoption of FRS 117	Restated	Previously Stated	Adoption of FRS 117	Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

At 30 June 2007

The Company Balance Sheet

Property, plant and equipment	18,949	(1,395)	17,554	12,987	(1,479)	11,508
Prepaid lease payments	-	1,395	1,395	-	1,479	1,479

Income Statement

Depreciation of property, plant and equipment	3,048	(16)	3,032	2,843	(26)	2,817
Amortisation of prepaid lease payments	-	16	16	-	26	26

(ii) Investment properties

	Previously Stated	Life Business Change in Accounting Policy	Restated
	RM'000	RM'000	RM'000

At 30 June 2007

The Group and the Company Balance Sheet

Investment properties	172,076	29,524	201,600
Deferred tax assets	993	(993)	-
Deferred tax liabilities	-	(185)	(185)
Life Policyholders' fund	(3,491,906)	(28,346)	(3,520,252)

Revenue Account

Other operating income – net	117,540	8,511	126,051
- Depreciation of investment properties	2,611	(2,611)	-
- Unrealised gain on fair value of investment properties	-	5,900	5,900
Taxation	(24,455)	(472)	(24,927)
Surplus after taxation	556,887	8,039	564,926



NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

(a) General business and Shareholders' fund

	Land		Buildings		Office	Motor	Total
	Freehold	Leasehold	Freehold	Leasehold	Renovation, Equipment & Furniture	Vehicles	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
The Group							
Net book value							
At 1-7-2007							
- As previously stated	2,896	1,395	1,026	22,101	9,498	810	37,726
- Adoption of FRS 117	-	(1,395)	-	-	-	-	(1,395)
- As restated	2,896	-	1,026	22,101	9,498	810	36,331
Additions	-	-	-	-	947	366	1,313
Depreciation charge	-	-	(39)	(258)	(3,037)	(271)	(3,605)
Disposals	-	-	-	-	(1)	(145)	(146)
Transfers/Reclassifications	-	-	-	-	-	-	-
Foreign exchange	-	-	-	(901)	(72)	-	(973)
At 30-6-2008	2,896	-	987	20,942	7,335	760	32,920
At 30-6-2008							
Cost	2,896	-	1,448	23,784	39,456	1,903	69,487
Accumulated depreciation	-	-	(461)	(2,842)	(32,121)	(1,143)	(36,567)
Net book value	2,896	-	987	20,942	7,335	760	32,920
At 30-6-2007 (Restated)							
Cost	2,896	-	1,448	30,081	39,516	2,317	76,258
Accumulated depreciation	-	-	(422)	(7,980)	(30,018)	(1,507)	(39,927)
Net book value	2,896	-	1,026	22,101	9,498	810	36,331



NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) General business and Shareholders' fund (cont'd)

	Land		Buildings		Office Renovation, Equipment & Furniture	Motor Vehicles	Total
	Freehold	Leasehold	Freehold	Leasehold			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
The Company							
Net book value							
At 1-7-2007							
- As previously stated	2,896	1,395	1,026	4,957	7,865	810	18,949
- Adoption of FRS 117	-	(1,395)	-	-	-	-	(1,395)
- As restated	2,896	-	1,026	4,957	7,865	810	17,554
Additions	-	-	-	-	587	366	953
Depreciation charge	-	-	(39)	(118)	(2,216)	(271)	(2,644)
Disposals	-	-	-	-	-	(145)	(145)
Transfers	-	-	-	-	-	-	-
At 30-6-2008	2,896	-	987	4,839	6,236	760	15,718
At 30-6-2008							
Cost	2,896	-	1,448	5,914	28,929	1,903	41,090
Accumulated depreciation	-	-	(461)	(1,075)	(22,693)	(1,143)	(25,372)
Net book value	2,896	-	987	4,839	6,236	760	15,718
At 30-6-2007 (Restated)							
Cost	2,896	-	1,448	5,914	28,342	2,317	40,917
Accumulated depreciation	-	-	(422)	(957)	(20,477)	(1,507)	(23,363)
Net book value	2,896	-	1,026	4,957	7,865	810	17,554



NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Life fund

The Group and Company

	Leasehold Land RM'000	Leasehold Buildings RM'000	Office Renovation, Equipment & Furniture RM'000	Motor Vehicles RM'000	Capital Work-In- Progress RM'000	Total RM'000
Net book value						
At 1-7-2007						
- As previously stated	1,479	662	9,683	546	617	12,987
- Adoption of FRS 117	(1,479)	-	-	-	-	(1,479)
- As restated	-	662	9,683	546	617	11,508
Additions	-	-	654	425	-	1,079
Depreciation charge	-	(19)	(2,511)	(207)	-	(2,737)
Disposals	-	-	-	(103)	-	(103)
Transfers	-	-	-	-	-	-
At 30-6-2008	-	643	7,826	661	617	9,747
At 30-6-2008						
Cost	-	905	30,269	1,142	617	32,933
Accumulated depreciation	-	(262)	(22,443)	(481)	-	(23,186)
Net book value	-	643	7,826	661	617	9,747
At 30-6-2007 (Restated)						
Cost	-	906	29,615	1,026	617	32,164
Accumulated depreciation	-	(244)	(19,932)	(480)	-	(20,656)
Net book value	-	662	9,683	546	617	11,508

Included in property, plant and equipment of the General and Life funds are fully depreciated assets which are still in use as follows:-

	General fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
The Group				
Cost				
Office renovation, equipment and furniture	20,168	16,260	9,817	8,663
Motor vehicles	369	645	71	-
	<u>20,537</u>	<u>16,905</u>	<u>9,888</u>	<u>8,663</u>



NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Life fund (cont'd)

	General fund		Life fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
The Company				
Cost				
Office renovation, equipment and furniture	12,561	10,591	9,817	8,663
Motor vehicles	369	645	71	-
	<u>12,930</u>	<u>11,236</u>	<u>9,888</u>	<u>8,663</u>

4. PREPAID LEASE PAYMENTS

	General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007
	RM'000	Restated RM'000	RM'000	Restated RM'000
The Group and the Company				
Net book value				
At the beginning of the financial year				
- As previously stated	1,395	-	1,479	-
- Adoption of FRS 117	-	1,411	-	1,505
- As restated	<u>1,395</u>	<u>1,411</u>	<u>1,479</u>	<u>1,505</u>
Additions				
Amortisation charge (Note 22)	(17)	(16)	(26)	(26)
At the end of the financial year	<u>1,378</u>	<u>1,395</u>	<u>1,453</u>	<u>1,479</u>
Cost				
Accumulated amortisation	<u>1,536</u>	<u>1,536</u>	<u>1,785</u>	<u>1,784</u>
Net book value	<u>(158)</u>	<u>(141)</u>	<u>(332)</u>	<u>(305)</u>
	<u>1,378</u>	<u>1,395</u>	<u>1,453</u>	<u>1,479</u>
Analysed by:				
Unexpired lease period more than 50 years	1,378	1,395	458	464
Unexpired lease period less than 50 years	-	-	995	1,015



NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

	General business and Shareholders' fund			Life fund
	Goodwill	Computer	Total	Computer
		Software		Software
	RM'000	RM'000	RM'000	RM'000

The Group

Net book value

At 1-7-2007	13,614	13,198	26,812	14,401
Additions	-	612	612	698
Amortisation charge (Note 22)		(5,465)	(5,465)	(5,252)
At 30-6-2008	13,614	8,345	21,959	9,847

Net book value

At 1-7-2006	13,614	17,948	31,562	18,718
Additions	-	766	766	724
Amortisation charge (Note 22)	-	(5,516)	(5,516)	(5,041)
At 30-6-2007	13,614	13,198	26,812	14,401

At 30-6-2008

Cost	13,614	33,532	47,146	32,137
Accumulated amortisation and impairment	-	(25,187)	(25,187)	(22,290)
Net book value	13,614	8,345	21,959	9,847

At 30-6-2007

Cost	13,614	32,920	46,534	31,439
Accumulated amortisation and impairment	-	(19,722)	(19,722)	(17,038)
Net book value	13,614	13,198	26,812	14,401

	General business and Shareholders' fund		Life fund
	Computer software	Computer software	Computer
			software
	RM'000	RM'000	RM'000

The Company

Net book value

At 1-7-2007			
Cost		13,198	14,401
Additions		612	698
Amortisation charge (Note 22)		(5,465)	(5,252)
At 30-6-2008		8,345	9,847



NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONT'D)

	General business and Shareholders' fund Computer software RM'000	Life fund Computer software RM'000
Net book value		
At 1-7-2006	17,948	18,718
Additions	766	724
Amortisation charge (Note 22)	(5,516)	(5,041)
At 30-6-2007	<u>13,198</u>	<u>14,401</u>
At 30-6-2008		
Cost	33,532	32,137
Accumulated amortisation and impairment	(25,187)	(22,290)
Net book value	<u>8,345</u>	<u>9,847</u>
At 30-6-2007		
Cost	32,920	31,439
Accumulated amortisation and impairment	(19,722)	(17,038)
Net book value	<u>13,198</u>	<u>14,401</u>

6. SUBSIDIARY COMPANIES

Company/General business

	2008 Net Tangible Assets		2007 Net Tangible Assets	
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	<u>75,032</u>	<u>75,163</u>	<u>75,032</u>	<u>75,096</u>

The subsidiary companies are:-

Name	Place of Incorporation	Equity Holding		Principal Activity
		2008 %	2007 %	
Allstate Health Benefits Sdn Bhd and its subsidiary	Malaysia	100	100	Investment holding
*Dao Heng Insurance Co., Limited	Hong Kong	100	100	General insurance business

* Audited by other audit firm.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT PROPERTIES

	General Business & Shareholders' Fund		Life Fund	
	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000
The Group and the Company				
Net book value				
At the beginning of the financial year				
- As previously stated	-	60	201,600	175,437
- Prior year adjustment	-	-	-	21,013
- As restated	-	60	201,600	196,450
Reclassified to assets held for sale	-	(60)	-	(750)
Unrealised gain on fair value (Note 24)	-	-	10,000	5,900
At the end of the financial year	-	-	211,600	201,600
The analysis of investment properties is as follows:-				
Freehold land and building	-	-	211,600	201,600

The fair value of the properties was estimated at RM211,600 (2007: RM201,600) based on open market valuation by an independent professional valuer, Messrs D.B. Das Gupta, Chartered Surveyor and Registered Valuer (V-127).

8. INVESTMENTS

(a) General business and Shareholders' fund

	2008		2007	
	Book Value	Market Value	Book Value	Market Value
	RM'000	RM'000	RM'000	RM'000
The Group				
Malaysian Government Securities	17,867		39,238	
Amortisation of premium	(57)		(725)	
	17,810		38,513	
Other government guaranteed low risk assets	29,611		24,426	
Accretion of discount	183		102	
	29,794		24,528	
Quoted:				
Shares, warrants and loan stocks				
- In Malaysia	60,115		65,511	
- Outside Malaysia	11,735		25,118	
Allowance for impairment	(1,012)		-	
	70,838	71,696	90,629	108,375



NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONT'D)

(a) General business and Shareholders' fund (cont'd)

	2008		2007	
	Book Value RM'000	Market Value RM'000	Book Value RM'000	Market Value RM'000
Corporate debentures and bonds				
- Outside Malaysia	1,619	1,691	1,709	1,790
Unit trusts				
- In Malaysia	3,027		3,097	
- Outside Malaysia	-		3,456	
Allowance for impairment	(297)		-	
	2,730	2,730	6,553	7,317
Total quoted investments	75,187	76,117	98,891	117,482
Unquoted:				
Shares, warrants and loan stocks				
- In Malaysia	10,245		10,245	
Corporate debentures and bonds				
- In Malaysia	187,728		100,320	
Accretion of discount/(Amortisation of premium)	570		(989)	
	188,298		99,331	
Unit trusts				
- In Malaysia	11,006		-	
Allowance for impairment	(42)		-	
	10,964		-	
Total unquoted investments	209,507		109,576	
Fixed and call deposits with:				
Licensed banks				
- In Malaysia	235,465		209,927	
- Outside Malaysia	67,807		43,732	
Licensed finance companies				
- In Malaysia	-		19,000	
	303,272		272,659	
Total investments	635,570		544,167	
Investments maturing after 12 months	212,517		106,923	

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONT'D)

(a) General business and Shareholders' fund (cont'd)

	2008		2007	
	Book Value RM'000	Market Value RM'000	Book Value RM'000	Market Value RM'000
The Company				
Malaysian Government Securities	17,867		39,238	
Amortisation of premium	(57)		(725)	
	<u>17,810</u>		<u>38,513</u>	
Other government guaranteed low risk assets	29,611		24,426	
Accretion of discount	183		102	
	<u>29,794</u>		<u>24,528</u>	
Quoted in Malaysia:				
Shares, warrants and loan stocks	58,746		59,533	
Allowance for impairment	(1,012)		-	
	<u>57,734</u>	59,234	<u>59,533</u>	75,677
Unit trusts	3,027		3,097	
Allowance for impairment	(297)		-	
	<u>2,730</u>	<u>2,730</u>	<u>3,097</u>	<u>3,628</u>
Total quoted investments	<u>60,464</u>	<u>61,964</u>	<u>62,630</u>	<u>79,305</u>
Unquoted in Malaysia:				
Shares, warrants and loan stocks	10,245		10,245	
Corporate debentures and bonds	187,728		100,320	
Amortisation of premium/(Amortisation of premium)	570		(989)	
	<u>188,298</u>		<u>99,331</u>	
Unit trusts				
- In Malaysia	11,006		-	
Allowance for impairment	(42)		-	
	<u>10,964</u>		<u>-</u>	
Total unquoted investments	<u>209,507</u>		<u>109,576</u>	
Fixed and call deposits with:				
Licensed banks in Malaysia	235,186		209,658	
Licensed finance companies	-		19,000	
	<u>235,186</u>		<u>228,658</u>	
Total investments	<u>552,761</u>		<u>463,905</u>	
Investments maturing after 12 months	<u>210,898</u>		<u>105,214</u>	



NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONT'D)

(b) Life fund

	2008		2007	
	Book Value RM'000	Market Value RM'000	Book Value RM'000	Market Value RM'000
The Group and Company				
Malaysian Government Securities	315,350		336,386	
Accretion of discount/(Amortisation of premium)	218		(4,607)	
	<u>315,568</u>		<u>331,779</u>	
Other government guaranteed low risk assets	164,285		165,991	
Accretion of discount	2,429		607	
	<u>166,714</u>		<u>166,598</u>	
Quoted in Malaysia:				
Shares, warrants and loan stocks	337,363		361,896	
Allowance for impairment	(36,811)		-	
	<u>300,552</u>	300,825	<u>361,896</u>	408,624
Unit trusts	64,700		66,450	
Allowance for impairment	(335)		-	
	<u>64,365</u>	69,365	<u>66,450</u>	72,732
Total quoted investments	<u>364,917</u>	<u>370,190</u>	<u>428,346</u>	<u>481,356</u>
Unquoted in Malaysia:				
Shares, warrants and loan stocks	2,147		2,147	
Corporate debentures and bonds	1,621,864		1,413,037	
Accretion of discount	18,386		5,509	
	<u>1,640,250</u>		<u>1,418,546</u>	
Total unquoted investments	<u>1,642,397</u>		<u>1,420,693</u>	
Fixed and call deposits with:				
Licensed banks				
- In Malaysia	921,370		683,533	
Licensed finance companies	35,888		33,000	
Other corporations	-		30,260	
	<u>957,258</u>		<u>746,793</u>	
Total investments	<u>3,446,854</u>		<u>3,094,209</u>	
Investments maturing after 12 months	<u>1,992,031</u>		<u>1,603,953</u>	

NOTES TO THE FINANCIAL STATEMENTS

9. LOANS

	Life fund	
	2008	2007
	RM'000	RM'000
Policy loans	23,366	21,873
Premium loans	533,246	474,278
Staff loans	-	10
	<u>556,612</u>	<u>496,161</u>
Receivable after 12 months	556,612	496,151

10. DEFERRED TAX ASSETS/(LIABILITIES)

	General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	Restated RM'000
The Group				
Deferred tax assets				
At the beginning of the financial year	-	-	(185)	-
Transfer to income statement	-	-	391	-
At the end of the financial year	<u>-</u>	<u>-</u>	<u>206</u>	<u>-</u>
Deferred tax liabilities				
At the beginning of the financial year				
- As previously stated	(3,274)	(3,608)	-	1,764
- Prior year adjustment	-	-	-	(706)
- As restated	(3,274)	(3,608)	-	1,058
Transfer to/(from) income statement	1,215	300	-	(1,243)
Foreign exchange	40	34	-	-
At the end of the financial year	<u>(2,019)</u>	<u>(3,274)</u>	<u>-</u>	<u>(185)</u>

The Group recognised deferred tax assets/(liabilities) arising from the following temporary differences:-

	General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	Restated RM'000
Deferred tax assets				
Tax effects of:				
Temporary differences on diminution in value of investments	-	-	2,875	-
Temporary differences on write down of investment	-	-	993	-
Temporary differences on (amortisation of premium)/ accretion of discount	-	-	(1,684)	-
Temporary difference on fair value of investment properties	-	-	(1,978)	-
	<u>-</u>	<u>-</u>	<u>206</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities				
Tax effects of:				
Temporary differences between tax capital allowances and book depreciation	(3,740)	(5,167)	-	-
Temporary differences on staff retirement benefits and allowance for doubtful debts	1,683	1,343	-	-
Temporary differences on unearned premium reserves	312	330	-	-
Temporary differences on diminution in value of investments	(337)	-	-	-
Temporary differences on write down of investment	236	220	-	993
Temporary differences on (amortisation of premium)/ accretion of discount	(173)	-	-	-
Temporary difference on fair value of investment properties	-	-	-	(1,178)
	<u>(2,019)</u>	<u>(3,274)</u>	<u>-</u>	<u>(185)</u>
The Company				
Deferred tax assets				
At the beginning of the financial year	-	-	(185)	-
Transfer to income statement	-	-	391	-
At the end of the financial year	<u>-</u>	<u>-</u>	<u>206</u>	<u>-</u>
Deferred tax liabilities				
At the beginning of the financial year				
- As previously stated	(2,499)	(3,283)	-	1,764
- Prior year adjustment	-	-	-	(706)
- As restated	(2,499)	(3,283)	-	1,058
Transfer to/(from) income statement	1,154	784	-	(1,243)
	<u>(1,345)</u>	<u>(2,499)</u>	<u>-</u>	<u>(185)</u>

The Company recognised deferred tax assets/(liabilities) arising from the following temporary differences:-

	General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
Tax effects of:				
Temporary differences on diminution in value of investments	-	-	2,875	-
Temporary differences on write down of investment	-	-	993	-
Temporary differences on amortisation of premium	-	-	(1,684)	-
Temporary difference on fair value of investment properties	-	-	(1,978)	-
	<u>-</u>	<u>-</u>	<u>206</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities				
Tax effects of:				
Temporary differences between tax capital allowances and book depreciation	(3,066)	(4,392)	-	-
Temporary differences on staff retirement benefits and allowance for doubtful debts	1,683	1,343	-	-
Temporary differences on unearned premium reserves	312	330	-	-
Temporary differences on diminution in value of investments	(337)	-	-	-
Temporary differences on write down of investment	236	220	-	993
Temporary differences on amortisation of premium	(173)	-	-	-
Temporary difference on fair value of investment properties	-	-	-	(1,178)
	<u>(1,345)</u>	<u>(2,499)</u>	<u>-</u>	<u>(185)</u>

11. ASSETS HELD FOR SALE

	General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
The Group and Company				
Net Book Value				
At the beginning of the financial year	60	-	750	-
Reclassified from investment properties	-	60	-	750
Disposal	-	-	(750)	-
At the end of the financial year	<u>60</u>	<u>60</u>	<u>-</u>	<u>750</u>

As at 30 June 2008, the details of assets held for sale comprise an apartment reclassified from Investment Property during the previous financial year for which Board approval was made and is now actively marketed for sale through real estate agents.

NOTES TO THE FINANCIAL STATEMENTS

12. RECEIVABLES

	General business and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
The Group				
Trade receivables				
Due premiums including agents, brokers and co-insurers balances	58,409	95,942	27,904	28,472
Due from reinsurers and cedants	4,326	8,325	-	-
	62,735	104,267	27,904	28,472
Allowance for doubtful debts	(5,794)	(4,321)	(91)	(91)
	56,941	99,946	27,813	28,381
Other receivables				
Other receivables, deposits and prepayments	10,281	9,362	30,910	29,030
*Advance to trustee	1,831	1,831	-	-
Amount due from related companies	3,223	6,637	7,913	198
Amount due from Life fund	57,167	48,362	-	-
	72,502	66,192	38,823	29,228
Total receivables	129,443	166,138	66,636	57,609
The Company				
Trade receivables				
Due premiums including agents, brokers and co-insurers balances	55,252	91,835	27,904	28,472
Due from reinsurers and cedants	3,576	7,415	-	-
	58,828	99,250	27,904	28,472
Allowance for doubtful debts	(5,793)	(4,320)	(91)	(91)
	53,035	94,930	27,813	28,381
Other receivables				
Other receivables, deposits and prepayments	9,524	7,518	30,910	29,030
*Advance to trustee	1,831	1,831	-	-
Amount due from related companies	3,207	6,637	7,913	198
Amount due from Life fund	57,167	48,362	-	-
	71,729	64,348	38,823	29,228
Total receivables	124,764	159,278	66,636	57,609

* Advance to trustee

This is the financial assistance given to the trustee with effect from 9 January 2005 to acquire such number of HLFGL shares in relation to the ESOS of HLFGL as disclosed in Note 2(t)(iii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

13. PROVISION FOR OUTSTANDING CLAIMS

	General business and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
The Group				
Provision for outstanding claims	356,938	319,754	48,426	38,280
Less: Recoverable from reinsurers	(194,738)	(171,812)	(11,542)	(16,511)
Net outstanding claims	<u>162,200</u>	<u>147,942</u>	<u>36,884</u>	<u>21,769</u>
The Company				
Provision for outstanding claims	348,070	310,982	48,426	38,280
Less: Recoverable from reinsurers	(191,143)	(168,523)	(11,542)	(16,511)
Net outstanding claims	<u>156,927</u>	<u>142,459</u>	<u>36,884</u>	<u>21,769</u>

14. PAYABLES

	General business and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
The Group				
Trade payables				
Amount due to reinsurers and cedants	18,761	34,789	18,092	21,635
Amount due to agents, brokers, co-insurers and insureds	14,011	15,602	10,773	9,370
Amount due to policyholders	-	-	330,476	199,694
Deposit withheld from reinsurers	14,669	11,984	-	-
	<u>47,441</u>	<u>62,375</u>	<u>359,341</u>	<u>230,699</u>
Other payables				
Other payables and accrued liabilities	18,361	17,515	44,943	50,800
Amount due to related companies	679	894	4,829	4,407
	<u>19,040</u>	<u>18,409</u>	<u>49,772</u>	<u>55,207</u>
Total payables	<u>66,481</u>	<u>80,784</u>	<u>409,113</u>	<u>285,906</u>
The Company				
Trade payables				
Amount due to reinsurers and cedants	15,111	31,518	18,092	21,635
Amount due to agents, brokers, co-insurers and insureds	12,687	14,950	10,773	9,370
Amount due to policyholders	-	-	330,476	199,694
Deposit withheld from reinsurers	14,669	11,984	-	-
	<u>42,467</u>	<u>58,452</u>	<u>359,341</u>	<u>230,699</u>
Other payables				
Other payables and accrued liabilities	16,600	13,600	44,943	50,800
Amount due to related companies	66	-	4,829	4,407
	<u>16,666</u>	<u>13,600</u>	<u>49,772</u>	<u>55,207</u>
Total payables	<u>59,133</u>	<u>72,052</u>	<u>409,113</u>	<u>285,906</u>



NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED LIABILITIES

	General business and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
The Group and Company				
Staff retirement fund				
At the beginning of the financial year	833	770	539	478
Provision for the financial year	105	104	76	61
	938	874	615	539
Payment	-	(41)	-	-
At the end of the financial year	938	833	615	539

16. UNEARNED PREMIUM RESERVES

	Fire	Motor	Marine Aviation & Transit	Misc.	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
The Group					
2008					
At the beginning of the financial year	41,990	27,104	8,691	63,923	141,708
(Decrease) / Increase during the financial year	(3,805)	2,531	461	(5,703)	(6,516)
Foreign exchange	(70)	-	(2)	(526)	(598)
At the end of the financial year	38,115	29,635	9,150	57,694	134,594
2007					
At the beginning of the financial year	40,972	24,788	7,284	53,303	126,347
Increase during the financial year	1,114	2,316	1,410	11,254	16,094
Foreign exchange	(96)	-	(3)	(634)	(733)
At the end of the financial year	41,990	27,104	8,691	63,923	141,708
The Company					
2008					
At the beginning of the financial year	40,577	27,104	8,649	54,162	130,492
(Decrease) / Increase during the financial year	(3,530)	2,531	469	(6,399)	(6,929)
At the end of the financial year	37,047	29,635	9,118	47,763	123,563
2007					
At the beginning of the financial year	39,227	24,788	7,206	42,439	113,660
Increase during the financial year	1,350	2,316	1,443	11,723	16,832
At the end of the financial year	40,577	27,104	8,649	54,162	130,492





NOTES TO THE FINANCIAL STATEMENTS

17. LIFE POLICYHOLDERS' FUND

	2008 RM'000	2007 Restated RM'000
Life policyholders' fund		
- As reported / Previously reported	3,802,789	3,491,906
Prior year adjustment	-	28,346
	<u>3,802,789</u>	<u>3,520,252</u>

(a) Based on the actuarial valuation of the Life policyholders' fund made up to 30 June 2008, the Appointed Actuary was satisfied that the assets available in the Life Fund are sufficient to meet its long term liabilities to policyholders.

(b) Results of the actuarial valuation of Life policyholders' fund as at 30 June 2008 are as follows:-

	2008 RM'000	2007 Restated RM'000
Actuarial liabilities		
At the beginning of the financial year	2,952,599	2,649,522
Add:		
Increase in policy reserves	93,491	155,472
Bonus allocated to participating policyholders		
- From normal surplus	147,379	147,605
At the end of the financial year	<u>3,193,469</u>	<u>2,952,599</u>
Unallocated surplus		
At the beginning of the financial year		
- As previously stated	539,307	434,331
- Prior year adjustment	28,346	20,307
- As restated	567,653	454,638
Add:		
Surplus arising during the financial year		
- As previously stated	244,046	300,581
- Prior year adjustment	-	8,039
- As restated	244,046	308,620
Less:		
Bonus allocated to policyholders		
- From normal surplus	(147,379)	(147,605)
Transfer to Income Statement	(55,000)	(48,000)
At the end of the financial year	<u>609,320</u>	<u>567,653</u>
Life policyholders' fund at the end of the financial year		
Actuarial liabilities	3,193,469	2,952,599
Unallocated surplus	609,320	567,653
	<u>3,802,789</u>	<u>3,520,252</u>





NOTES TO THE FINANCIAL STATEMENTS

18. SHARE CAPITAL

	The Group and Company			
	2008		2007	
	No of shares '000	RM'000	No of shares '000	RM'000
Ordinary shares of RM1.00 each				
Authorised:				
At the beginning of the financial year/				
At the end of the financial year	200,000	200,000	200,000	200,000
Issued and fully paid up:				
At the beginning of the financial year/				
At the end of the financial year	200,000	200,000	200,000	200,000

19. RESERVES

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-distributable:				
Foreign exchange reserve	(12,394)	(7,963)	-	-
Distributable:				
Retained profits	277,873	228,957	244,431	198,790
	265,479	220,994	244,431	198,790

The entire foreign exchange reserve arose from the translation of financial statements of foreign subsidiary company.

Subject to the agreement of the Inland Revenue Board ("IRB"), the Company has sufficient tax credit under Section 108 and the tax exempt accounts under Section 60(A) and Section 60(B) of the Income Tax Act, 1967 to frank the payment of net dividends out of its entire retained profits.

20. OPERATING REVENUE

	Shareholders' fund RM'000	General business RM'000	Life fund RM'000	Total RM'000
The Group				
2008				
Gross premium	-	475,999	782,117	1,258,116
Investment income (Note 23)	4,021	21,016	203,141	228,178
	4,021	497,015	985,258	1,486,294



NOTES TO THE FINANCIAL STATEMENTS

20. OPERATING REVENUE (CONT'D)

	Shareholders' fund RM'000	General business RM'000	Life fund RM'000	Total RM'000
2007				
Gross premium	-	484,768	740,127	1,224,895
Investment income (Note 23)	2,513	17,775	185,006	205,294
	<u>2,513</u>	<u>502,543</u>	<u>925,133</u>	<u>1,430,189</u>
The Company				
2008				
Gross premium	-	425,805	782,117	1,207,922
Investment income (Note 23)	4,010	18,946	203,141	226,097
	<u>4,010</u>	<u>444,751</u>	<u>985,258</u>	<u>1,434,019</u>
2007				
Gross premium	-	433,401	740,127	1,173,528
Investment income (Note 23)	11,103	15,218	185,006	211,327
	<u>11,103</u>	<u>448,619</u>	<u>925,133</u>	<u>1,384,855</u>

21. NET CLAIMS INCURRED

	Fire RM'000	Motor RM'000	Marine Aviation & Transit RM'000	Misc. RM'000	Total RM'000
The Group					
2008					
Gross claims paid less salvage	70,092	46,375	27,351	103,800	247,618
Reinsurances recoveries	(42,782)	(2,439)	(12,191)	(17,895)	(75,307)
Net claims paid	<u>27,310</u>	<u>43,936</u>	<u>15,160</u>	<u>85,905</u>	<u>172,311</u>
Net outstanding claims:					
At the end of the financial year	30,173	43,291	15,987	72,749	162,200
Foreign exchange difference	59	-	3	229	291
At the beginning of the financial year	(30,342)	(41,189)	(12,892)	(63,520)	(147,943)
Net claims incurred	<u>27,200</u>	<u>46,038</u>	<u>18,258</u>	<u>95,363</u>	<u>186,859</u>
2007					
Gross claims paid less salvage	89,468	44,953	17,870	84,672	236,963
Reinsurances recoveries	(53,325)	(2,425)	(6,351)	(14,576)	(76,677)
Net claims paid	<u>36,143</u>	<u>42,528</u>	<u>11,519</u>	<u>70,096</u>	<u>160,286</u>
Net outstanding claims:					
At the end of the financial year	30,342	41,189	12,892	63,520	147,943
Foreign exchange difference	67	-	4	273	344
At the beginning of the financial year	(31,850)	(39,218)	(10,885)	(54,849)	(136,802)
Net claims incurred	<u>34,702</u>	<u>44,499</u>	<u>13,530</u>	<u>79,040</u>	<u>171,771</u>

NOTES TO THE FINANCIAL STATEMENTS

21. NET CLAIMS INCURRED (CONT'D)

	Fire RM'000	Motor RM'000	Marine Aviation & Transit RM'000	Misc. RM'000	Total RM'000
The Company					
2008					
Gross claims paid less salvage	66,052	46,375	27,292	93,365	233,084
Reinsurances recoveries	(40,338)	(2,439)	(12,161)	(16,960)	(71,898)
Net claims paid	25,714	43,936	15,131	76,405	161,186
Net outstanding claims:					
At the end of the financial year	29,044	43,291	15,961	68,631	156,927
At the beginning of the financial year	(29,229)	(41,189)	(12,836)	(59,205)	(142,459)
Net claims incurred	25,529	46,038	18,256	85,831	175,654
2007					
Gross claims paid less salvage	84,861	44,953	17,644	72,738	220,196
Reinsurances recoveries	(50,203)	(2,425)	(6,263)	(13,160)	(72,051)
Net claims paid	34,658	42,528	11,381	59,578	148,145
Net outstanding claims:					
At the end of the financial year	29,229	41,189	12,836	59,205	142,459
At the beginning of the financial year	(30,775)	(39,218)	(10,796)	(50,257)	(131,046)
Net claims incurred	33,112	44,499	13,421	68,526	159,558

22. MANAGEMENT EXPENSES

	Shareholders' fund		General business		Life fund	
	2008 RM'000	2007 Restated RM'000	2008 RM'000	2007 Restated RM'000	2008 RM'000	2007 Restated RM'000
The Group						
Foreign exchange loss	-	105	42	92	-	-
Staff salaries, bonuses and allowance	17	23	33,731	33,264	21,789	20,499
Directors' remuneration						
- Fee	-	-	199	205	183	187
- Other emoluments	-	-	944	333	943	333
Auditors' remuneration	-	-	-	-	-	-
- Auditors of the Company	2	2	84	75	71	63
- Other auditors	-	-	153	164	-	-
Rental of offices	2	2	2,885	3,006	3,868	3,730
Depreciation of property, plant and equipment	75	116	3,530	4,088	2,737	2,817
Amortisation of prepaid lease payments	6	6	11	10	26	26
Amortisation of intangible assets	5	4	5,460	5,512	5,252	5,041
Levies	-	-	1,018	1,027	-	-
Other expenses	2,159	1,897	29,217	28,023	27,140	27,494
Allowance/(Write back) of doubtful debts	-	-	1,473	(6)	-	-
Total management expenses	2,266	2,155	78,747	75,793	62,009	60,190

NOTES TO THE FINANCIAL STATEMENTS

22. MANAGEMENT EXPENSES (CONT'D)

	Shareholders' fund		General business		Life fund	
	2008	2007	2008	2007	2008	2007
	RM'000	Restated RM'000	RM'000	Restated RM'000	RM'000	Restated RM'000
The Company						
Foreign exchange loss	-	-	42	37	-	-
Staff salaries, bonuses and allowance	17	23	24,347	23,291	21,789	20,499
Directors' remuneration						
- Fee	-	-	182	187	183	187
- Other emoluments	-	-	944	333	943	333
Auditors' remuneration	-	-	84	75	71	63
Rental of offices	2	2	2,885	3,006	3,868	3,730
Depreciation of property, plant and equipment	75	116	2,569	2,916	2,737	2,817
Amortisation of prepaid lease payments	6	6	11	10	26	26
Amortisation of intangible assets	5	4	5,460	5,512	5,252	5,041
Levies	-	-	1,018	1,027	-	-
Other expenses	2,158	1,896	23,623	21,754	27,140	27,494
Allowance/(Write back) of doubtful debts	-	-	1,473	(6)	-	-
Total management expenses	2,263	2,047	62,638	58,142	62,009	60,190

23. INVESTMENT INCOME

	Shareholders' fund	General business	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
The Group				
2008				
Interest income				
Malaysian Government Securities	-	1,605	17,705	19,310
Other government guaranteed low risk assets	-	926	4,902	5,828
Loan stocks	20	-	20	40
Policy loans and premium loans	-	-	19,522	19,522
Quoted corporate debentures and bonds				
- Outside Malaysia	-	121	-	121
Unquoted corporate debentures and bonds	571	6,618	79,420	86,609
Fixed and call deposits				
- In Malaysia	2,737	5,897	27,637	36,271
- Outside Malaysia	-	1,643	1	1,644
Gross dividends				
- Quoted investments in Malaysia	701	3,568	27,522	31,791
- Quoted investments outside Malaysia	-	352	-	352
- Quoted unit trust	21	183	5,465	5,669
- Unquoted investment	-	160	404	564
Rental income net of expenses	(6)	-	15,539	15,533
Accretion of discount, net of amortisation of premium	(23)	(57)	5,004	4,924
Investment income	4,021	21,016	203,141	228,178

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENT INCOME (CONT'D)

	Shareholders' fund	General business	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
2007				
Interest income				
Malaysian Government Securities	-	2,127	16,928	19,055
Other government guaranteed low risk assets	-	715	3,903	4,618
Loan stocks	20	-	620	640
Policy loans and premium loans	-	-	29,501	29,501
Quoted corporate debentures and bonds				
- In Malaysia	-	22	152	174
- Outside Malaysia	-	129	-	129
Unquoted corporate debentures and bonds	160	4,965	62,734	67,859
Fixed and call deposits				
- In Malaysia	1,716	4,621	31,666	38,003
- Outside Malaysia	-	1,636	13	1,649
Gross dividends				
- Quoted investments in Malaysia	625	3,148	24,090	27,863
- Quoted investments outside Malaysia	-	771	-	771
- Unquoted investment	-	110	-	110
Rental income net of expenses	15	170	13,531	13,716
Accretion of discount, net of amortisation of premium	(23)	(639)	1,868	1,206
Investment income	<u>2,513</u>	<u>17,775</u>	<u>185,006</u>	<u>205,294</u>
The Company				
2008				
Interest income				
Malaysian Government Securities	-	1,605	17,705	19,310
Other government guaranteed low risk assets	-	926	4,902	5,828
Loan stocks	20	-	20	40
Policy loans and premium loans	-	-	19,522	19,522
Unquoted corporate debentures and bonds	571	6,618	79,420	86,609
Fixed and call deposits				
- In Malaysia	2,726	5,897	27,637	36,260
- Outside Malaysia	-	-	1	1
Gross dividends				
- Quoted in Malaysia	701	3,565	27,522	31,788
- Quoted outside Malaysia	-	49	-	49
- Quoted unit trust	21	183	5,465	5,669
- Unquoted unit trust	-	160	404	564
Rental of properties	(6)	-	15,539	15,533
Accretion of discount, net of amortisation of premium	(23)	(57)	5,004	4,924
Investment income	<u>4,010</u>	<u>18,946</u>	<u>203,141</u>	<u>226,097</u>

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENT INCOME (CONT'D)

	Shareholders' fund	General business	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
2007				
Interest income				
Malaysian Government Securities	-	2,127	16,928	19,055
Other government guaranteed low risk assets	-	715	3,903	4,618
Loan stocks	20	-	620	640
Policy loans and premium loans	-	-	29,501	29,501
Quoted corporate debentures and bonds				
- In Malaysia	-	22	152	174
Unquoted corporate debentures and bonds	160	4,965	62,734	67,859
Fixed and call deposits				
- In Malaysia	1,706	4,621	31,666	37,993
- Outside Malaysia	-	-	13	13
Gross dividends				
- Quoted investments in Malaysia	625	3,127	24,090	27,842
- Unquoted subsidiary	8,600	-	-	8,600
- Unquoted investments	-	110	-	110
Rental income net of expenses				
	15	170	13,531	13,716
Accretion of discount, net of amortisation of premium				
	(23)	(639)	1,868	1,206
Investment income	<u>11,103</u>	<u>15,218</u>	<u>185,006</u>	<u>211,327</u>

24. OTHER OPERATING INCOME/(EXPENSES)

	Shareholders' fund		General business		Life fund	
	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	Restated RM'000
The Group						
Other income						
Write back of impairment loss of quoted investment	-	392	-	-	-	9,285
Unrealised gain of investments in investment-linked funds	-	-	-	-	-	28,807
(Loss)/Gain on sale of property, plant and equipment	-	(17)	175	92	27	32
Gain on sale of assets held for sale	-	-	-	-	10	-
Gain on sale of						
- Malaysian Government Securities	-	-	231	468	1,054	1,717
- Other Government guaranteed low risk assets	-	-	-	-	31	-
- Corporate debentures and bonds	-	-	107	-	928	2,536
Gain on sale of quoted investments						
- In Malaysia	1,931	3,828	4,124	5,707	44,633	79,490
- Outside Malaysia	-	-	4	20,785	23	595
Unrealised foreign exchange gain	-	-	2,383	-	1,208	-
Realised foreign exchange gain	84	-	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

24. OTHER OPERATING INCOME/(EXPENSES)

	Shareholders' fund		General business		Life fund	
	2008	2007	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group						
Other income (cont'd)						
Sundry income						
- Foreign account	-	-	103	-	-	-
- Collateral interest	-	-	48	-	-	-
- Others	4	-	776	1,506	2,985	2,379
Write back for impairment loss on property, plant and equipment	-	-	-	5,472	-	-
Unrealised gain on fair value of investment properties	-	-	-	-	10,000	5,900
	<u>2,019</u>	<u>4,203</u>	<u>7,951</u>	<u>34,030</u>	<u>60,899</u>	<u>130,741</u>
Other expenditure						
Property, plant & equipment written off	(1)	-	-	-	-	-
Loss on sale of quoted investments	-	-	(2,521)	-	-	-
Write down of cost of quoted investment	-	-	(96)	-	-	-
Impairment loss of quoted investments	(1,059)	-	(291)	(582)	(37,145)	-
Investment expenses	(184)	(156)	(1,150)	(2,109)	(5,461)	(4,639)
Realised foreign exchange loss	-	-	(228)	(2)	-	(51)
Unrealised loss of investments in investment-linked funds	-	-	-	-	(53,132)	-
	<u>(1,244)</u>	<u>(156)</u>	<u>(4,286)</u>	<u>(2,693)</u>	<u>(95,738)</u>	<u>(4,690)</u>
Net other income/(expenses)	<u>775</u>	<u>4,047</u>	<u>3,665</u>	<u>31,337</u>	<u>(34,839)</u>	<u>126,051</u>



NOTES TO THE FINANCIAL STATEMENTS

24. OTHER OPERATING INCOME/(EXPENSES)

	Shareholders' fund		General business		Life fund	
	2008	2007	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company						
Other income						
Write back of impairment loss of quoted investment	-	392	-	-	-	9,285
Unrealised gain of investments in investment-linked fund	-	-	-	-	-	28,807
(Loss)/Gain on sale of property, plant and equipment	-	(17)	175	93	27	32
Gain on sale of assets held for sale	-	-	-	-	10	-
Gain on sale of						
- Malaysian Government Securities	-	-	231	468	1,054	1,717
- Other Government guaranteed Low risk assets	-	-	-	-	31	-
- Corporate debentures and bonds	-	-	107	-	928	2,536
Gain on sale of quoted investments						
- In Malaysia	1,931	3,828	4,124	5,707	44,633	79,490
- Outside Malaysia	-	-	4	31	23	595
Unrealised foreign exchange gain	-	-	-	-	1,208	-
Sundry income						
- Foreign account	-	-	103	-	-	-
- Collateral interest	-	-	48	-	-	-
- Others	5	-	636	972	2,985	2,379
Unrealised gain on fair value of investment properties	-	-	-	-	10,000	5,900
	<u>1,936</u>	<u>4,203</u>	<u>5,428</u>	<u>7,271</u>	<u>60,899</u>	<u>130,741</u>
Other expenditure						
Write down of cost of quoted investment	-	-	(96)	-	-	-
Impairment loss of quoted investments	(1,059)	-	(291)	(582)	(37,145)	-
Investment expenses	(184)	(156)	(317)	(337)	(5,461)	(4,639)
Realised foreign exchange loss	-	-	-	(2)	-	(51)
Unrealised loss of investments in investment-linked funds	-	-	-	-	(53,132)	-
	<u>(1,243)</u>	<u>(156)</u>	<u>(704)</u>	<u>(921)</u>	<u>(95,738)</u>	<u>(4,690)</u>
Net other income/(expenses)	<u>693</u>	<u>4,047</u>	<u>4,724</u>	<u>6,350</u>	<u>(34,839)</u>	<u>126,051</u>

NOTES TO THE FINANCIAL STATEMENTS

25. TAXATION

	Group/General business and Shareholders' fund		General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax						
- Income tax expense	27,989	25,790	27,444	24,888	16,117	17,703
- Deferred tax expense resulting from origination/ (reversal) of temporary differences (Note 10)	(1,215)	(300)	(1,154)	(784)	(391)	1,243
- Income tax expense for investment-linked funds (Note 28(d))	-	-	-	-	1,799	2,169
- Deferred tax (income)/ expense for investment-linked funds (Note 28(d))	-	-	-	-	(4,250)	2,304
	26,774	25,490	26,290	24,104	13,275	23,419
Prior years						
- Income tax expense under provision	-	447	-	447	-	1,508
Tax expense	26,774	25,937	26,290	24,551	13,275	24,927

The numerical reconciliations between the average effective tax and the applicable tax are as follows:-

	Group/General business and Shareholders' fund		General business and Shareholders' fund		Life fund*	
	2008	2007	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company and subsidiaries						
Taxable profits as per income statement/ revenue account	105,690	117,466	101,931	97,477	168,302	311,057
Applicable tax rate	26%	27%	26%	27%	8%	8%
Applicable tax	27,479	31,716	26,502	26,319	13,464	24,884

NOTES TO THE FINANCIAL STATEMENTS

25. TAXATION (CONT'D)

	Group/General business and Shareholders' fund		General business and Shareholders' fund		Life fund*	
	2008	2007	2008	2007	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tax effect in respect of:-						
Non-allowable expenses	2,308	2,659	1,279	2,323	728	1
Others						
- Differences in tax rate on foreign inward and offshore insurance	(1,264)	(2,030)	(1,264)	(2,030)	-	-
- Effect of different taxation rates in other country	(349)	(2,725)	-	-	-	-
- Effect on opening deferred tax balance resulting from an increase in tax rate during the year	(43)	-	-	-	-	-
Non-taxable income						
- Tax exempt dividend income	(278)	(495)	(227)	(2,583)	(560)	(562)
- Deductible benefit arising from capital allowance	-	-	-	-	(258)	(696)
- Others	(1,079)	(3,635)	-	75	(99)	(208)
Prior years						
- Income tax expense under provision	-	447	-	447	-	1,508
Tax expense	26,774	25,937	26,290	24,551	13,275	24,927

* For Life Fund, those relate to taxable net investment income only.

26. DIVIDENDS

	The Group and Company	
	2008	2007
	RM'000	RM'000
Tax exempt interim dividend — 15 sen per share (2007: Nil)	30,000	-

27. EARNINGS PER SHARE

The earnings per share is calculated based on the profit for the financial year after taxation of RM78,916,000 (2007: RM91,529,000) for the Group divided by the weighted average number of 200,000,000 (2007: 200,000,000) ordinary shares in issue during the financial year.



NOTES TO THE FINANCIAL STATEMENTS

28. INVESTMENT-LINKED BUSINESS

The Group and Company

(a) Balance Sheet as at 30 June 2008

	2008	2007
	RM'000	RM'000
Assets		
Investments (Note 28(c))	310,948	286,409
Amount due from Operating fund	360	441
Amount due from Fund Managers	951	-
Deferred tax assets (Note 28(e))	2,003	-
Investment receivable	1,726	-
Other receivables	-	1,251
Cash and bank balances	513	1,752
	<u>316,501</u>	<u>289,853</u>
Liabilities		
Tax payable	1,932	1,290
Deferred tax liabilities (Note 28(e))	-	2,247
Amount due to Operating fund	228	394
Amount due to Fund Manager	-	311
Other payables	-	397
	<u>2,160</u>	<u>4,639</u>
Net Asset Value of Funds	<u>314,341</u>	<u>285,214</u>

(b) Movement on Unitholders' fund

	2008	2007
	RM'000	RM'000
Net creation of Units during the financial year	78,217	71,892
Net policy benefits	(23,025)	(22,495)
Investment (loss) / income - net	(28,516)	55,910
	<u>26,676</u>	<u>105,307</u>
Taxation (Note 28(d))	2,451	(4,473)
	<u>29,127</u>	<u>100,834</u>
Increase for the financial year after taxation	29,127	100,834
Unitholders' fund as at 1 July	285,214	184,380
	<u>314,341</u>	<u>285,214</u>
Unitholders' fund as at 30 June	314,341	285,214

NOTES TO THE FINANCIAL STATEMENTS

28. INVESTMENT-LINKED BUSINESS (CONT'D)

(c) Investments

	2008		2007	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Malaysian Government Securities	-		3,220	
Unrealised loss	-		(44)	
	-	-	3,176	3,176
Other government guaranteed low risk assets	2,533		5,508	
Unrealised (loss) / gain	(84)		16	
	2,449	2,449	5,524	5,524
Quoted in Malaysia:				
Shares and warrants	185,214		142,079	
Unrealised (loss) / gain	(22,976)		26,022	
	162,238	162,238	168,101	168,101
Unit trusts	7,207		5,659	
Unrealised (loss) / gain	(995)		734	
	6,212	6,212	6,393	6,393
Total quoted investments	168,450	168,450	174,494	174,494
Unquoted in Malaysia:				
Corporate debentures and bonds	31,433		23,386	
Unrealised (loss) / gain	(500)		477	
	30,933		23,863	
Unit trusts	9,655		-	
Unrealised loss	(541)		-	
	9,114		-	
Total unquoted investments	40,047		23,863	
Fixed and call deposits with licensed banks	100,002		79,352	
Total investments	310,948		286,409	
Investments maturing after 12 months	52,312		50,901	



NOTES TO THE FINANCIAL STATEMENTS

28. INVESTMENT-LINKED BUSINESS (CONT'D)

(d) Taxation

	2008	2007
	RM'000	RM'000
Current tax expense	1,799	2,169
Deferred taxation	(4,250)	2,304
	<u>(2,451)</u>	<u>4,473</u>

The numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:-

	2008	2007
	RM'000	RM'000
Taxable profits as per income statement	(28,516)	55,910
Average applicable tax rate	8%	8%
Applicable tax	(2,281)	4,473
Tax effect in respect of:-		
Non-taxable income		
- Tax exempt dividend income	(170)	-
	<u>(2,451)</u>	<u>4,473</u>

(e) Deferred tax liabilities/(assets)

	2008	2007
	RM'000	RM'000
At the beginning of the financial year	2,247	(57)
Transfer (from)/to unitholders' fund	(4,250)	2,304
At the end of the financial year	<u>(2,003)</u>	<u>2,247</u>
The deferred tax (assets)/liabilities arise in respect of:-		
Tax effects of:		
Temporary differences on unrealised (loss)/gain	<u>(2,003)</u>	<u>2,247</u>

NOTES TO THE FINANCIAL STATEMENTS

29. SEGMENT INFORMATION

	Shareholders' fund RM'000	General business RM'000	Life fund RM'000	Total RM'000
The Group				
2008				
Cash flows from:				
Operating activities	30,332	(3,216)	1,075	28,191
Investing activities	(5)	(1,601)	(887)	(2,493)
Financing activities	(30,000)	-	-	(30,000)
	<u>327</u>	<u>(4,817)</u>	<u>188</u>	<u>(4,302)</u>
Net (decrease)/increase in cash and cash equivalents	327	(4,817)	188	(4,302)
Exchange differences	-	(243)	-	(243)
Cash and cash equivalents at the beginning of the financial year	230	32,388	6,635	39,253
At the end of the financial year	<u>557</u>	<u>27,328</u>	<u>6,823</u>	<u>34,708</u>
2007				
Cash flows from:				
Operating activities	(246)	2,839	(2,531)	62
Investing activities	88	(2,694)	(3,289)	(5,895)
	<u>(158)</u>	<u>145</u>	<u>(5,820)</u>	<u>(5,833)</u>
Net (decrease)/increase in cash and cash equivalents	(158)	145	(5,820)	(5,833)
Exchange differences	-	(124)	-	(124)
Cash and cash equivalents at the beginning of the financial year	388	32,367	12,455	45,210
At the end of the financial year	<u>230</u>	<u>32,388</u>	<u>6,635</u>	<u>39,253</u>
The Company				
2008				
Cash flows from:				
Operating activities	30,155	(1,666)	1,075	29,564
Investing activities	(5)	(1,240)	(887)	(2,132)
Financing activities	(30,000)	-	-	(30,000)
	<u>150</u>	<u>(2,906)</u>	<u>188</u>	<u>(2,568)</u>
Net decrease in cash and cash equivalents	150	(2,906)	188	(2,568)
Cash and cash equivalents at the beginning of the financial year	60	27,759	6,635	34,454
At the end of the financial year	<u>210</u>	<u>24,853</u>	<u>6,823</u>	<u>31,886</u>



NOTES TO THE FINANCIAL STATEMENTS

29. SEGMENT INFORMATION (CONT'D)

	Shareholders' fund	General business	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
2007				
Cash flows from:				
Operating activities	(96)	(512)	(2,531)	(3,139)
Investing activities	88	(2,020)	(3,289)	(5,221)
	<u>(8)</u>	<u>(2,532)</u>	<u>(5,820)</u>	<u>(8,360)</u>
Net decrease in cash and cash equivalents	(8)	(2,532)	(5,820)	(8,360)
Cash and cash equivalents at the beginning of the financial year	68	30,291	12,455	42,814
At the end of the financial year	<u>60</u>	<u>27,759</u>	<u>6,635</u>	<u>34,454</u>

30. FINANCIAL INSTRUMENTS

In the Insurer's Balance Sheet, investments would fall under the description of financial instruments. Insurers have to comply with the Malaysian Insurance Act and Regulations in Malaysia and Insurance Companies Ordinance in Hong Kong which include guidelines on investments. The Board is responsible for formulating policies and overseeing those risks associated with the financial instruments described below.

The responsibility for formulation, establishment and approval of investment policies rest with the Board as reported in the corporate governance framework in the Directors' Report. The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board. The IC oversees the formulation of investment, risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are in compliance with the Group's and Company's investment principles and philosophy. Sensitivity and stress tests are carried out on a regular basis to assess the resilience of the investment portfolios and the impact on Company's solvency.

The Company's asset and liability management ("ALM") model is being deployed to address the extent of assets and liabilities mismatch. The ALM model will enable management to assess the long term impact of the investment strategy, asset mix and product pricing strategy on the financial ability to meet its future obligations.

(a) Credit risk

Credit risk is the risk of loss due to inability or unwillingness of an issuer to service its debt obligations. The risk arising from lending and investment activities is monitored regularly with respect to single customer limit, exposure to sector type, credit rating and remaining term to maturity, in accordance to investment guidelines and limits approved by the Board and the authorities.

At balance sheet date, the credit exposure is within the investment guidelines and limits approved by the Board and the authorities. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

The Group's and Company's exposure to credit risk is analysed as follows:-

	2008		2007	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Corporate debentures and bonds				
Communication	78,569	78,569	-	-
Diversified holding	140,540	140,540	116,398	116,398
Finance	1,003,388	1,003,388	564,267	564,267
Industrial/Manufacturing	123,803	123,803	55,307	55,307
Infrastructure	212,382	212,382	229,865	229,865
Property/Plantation	24,018	24,018	41,668	41,668
Utilities	245,848	245,848	270,539	270,539
Securitisation of govt. housing loans	-	-	263,696	263,696
Transportation	1,619	-	1,709	-
	<u>1,830,167</u>	<u>1,828,548</u>	<u>1,543,449</u>	<u>1,541,740</u>
Other government guaranteed low risk assets	<u>529,886</u>	<u>529,886</u>	<u>196,650</u>	<u>196,650</u>
	<u>2,360,053</u>	<u>2,358,434</u>	<u>1,740,099</u>	<u>1,738,390</u>

Rating of Corporate debentures and bonds and other government guaranteed low risk assets securities on carrying value basis:-

	2008		2007	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
AAA	750,612	750,612	633,125	633,125
AA	767,010	765,391	586,915	585,206
A	312,545	312,545	323,409	323,409
BBB	-	-	-	-
Other government guaranteed low risk assets	<u>529,886</u>	<u>529,886</u>	<u>196,650</u>	<u>196,650</u>
	<u>2,360,053</u>	<u>2,358,434</u>	<u>1,740,099</u>	<u>1,738,390</u>

The rating categories are based on the ratings by rating agencies.

(b) Market risk

(i) Equity risk

Adverse changes in the equity market impair the carrying value of the equity portfolio which could affect the solvency of the Group and the Company. The Board has set internal limits for maximum equity exposure and individual stock exposure, which are consistent with BNM's guidelines and has also imposed daily trading limits. The Company's IC decides on the appropriate asset allocation for equities on a regular basis in line with the investment and economic conditions at time of review.

(ii) Foreign currency risk

The Group's and the Company's main exposure to foreign currency risk arises from its foreign investments. The foreign exchange management policy is to minimise its exposure arising from currency movements. Derivative financial instruments held by the subsidiary are solely for purpose of managing foreign currency risk and are classified as financial assets and financial liabilities.



NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

(iii) Interest rate risk

Investment activities are inherently exposed to interest rate risk. Interest rate risk arises principally from changes in the level of interest rates. The Group and the Company are actively managing such risk via the duration profile of the fixed income securities.

The average effective interest rate and maturity period for the financial assets and liabilities are as follows:-

The Group General Business and Shareholders' Fund

	Non-Interest Bearing RM'000	Interest-bearing maturity period			Total Carrying Value RM'000	Average Effective Interest Rate %
		1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000		
2008						
Assets						
Investments:						
Malaysian Government Securities	-	-	13,091	4,719	17,810	4.15
Other government guaranteed low risk assets	-	4,998	24,796	-	29,794	4.58
Corporate debenture and bonds						
- Quoted	-	-	1,619	-	1,619	7.25
- Unquoted	-	20,006	123,325	44,967	188,298	5.05
Fixed and call deposits	-	303,272	-	-	303,272	3.17
Shares and warrants						
- Quoted	70,838	-	-	-	70,838	N/A
- Unquoted	10,245	-	-	-	10,245	N/A
Unit trusts						
- Quoted	2,730	-	-	-	2,730	N/A
- Unquoted	10,964	-	-	-	10,964	N/A
	94,777	328,276	162,831	49,686	635,570	
Investment receivables	3,866	8	-	-	3,874	
Cash and bank balances	25,982	1,903	-	-	27,885	
Financial assets	124,625	330,187	162,831	49,686	667,329	
Other financial assets					65,481	
Non-financial assets*					116,405	
Total assets					849,215	
Liabilities						
Other financial liabilities					18,974	
Non-financial liabilities*					830,241	
Total liabilities					849,215	



NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

The Group
General Business and Shareholders' Fund

	Non- Interest Bearing RM'000	Interest-bearing maturity period			Total Carrying Value RM'000	Average Effective Interest Rate %
		1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000		
2007						
Assets						
Investments:						
Malaysian Government Securities	-	10,181	23,640	4,692	38,513	3.44
Other government guaranteed low risk assets	-	19,893	4,635	-	24,528	3.58
Corporate debenture and bonds						
- Quoted	-	-	1,709	-	1,709	7.25
- Unquoted	-	27,454	53,747	18,130	99,331	4.13
Staff loans	-	5	-	-	5	3.00
Fixed and call deposits	-	272,659	-	-	272,659	3.37
Shares and warrants						
- Quoted	90,629	-	-	-	90,629	N/A
- Unquoted	10,245	-	-	-	10,245	N/A
Unit trusts						
- Quoted	6,553	-	-	-	6,553	N/A
	107,427	330,192	83,731	22,822	544,172	
Investment receivables	3,760	-	-	-	3,760	
Cash and bank balances	28,633	3,985	-	-	32,618	
Financial assets	139,820	334,177	83,731	22,822	580,550	
Other financial assets					55,850	
Non-financial assets*					171,121	
Total assets					807,521	
Liabilities						
Other financial liabilities					18,409	
Non-financial liabilities*					789,112	
Total liabilities					807,521	



NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

The average effective interest rate and maturity period for the financial assets and liabilities are as follows:-

The Company General Business and Shareholders' Fund

	Non-Interest Bearing RM'000	Interest-bearing maturity period			Total Carrying Value RM'000	Average Effective Interest Rate %
		1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000		
2008						
Assets						
Investments:						
Malaysian Government Securities	-	-	13,091	4,719	17,810	4.15
Other government guaranteed low risk assets	-	4,998	24,796	-	29,794	4.58
Corporate debenture and bonds						
- Unquoted	-	20,006	123,325	44,967	188,298	5.05
Fixed and call deposits	-	235,186	-	-	235,186	3.45
Shares and warrants						
- Quoted	57,734	-	-	-	57,734	N/A
- Unquoted	10,245	-	-	-	10,245	N/A
Unit trusts						
- Quoted	2,730	-	-	-	2,730	N/A
- Unquoted	10,964	-	-	-	10,964	N/A
	81,673	260,190	161,212	49,686	552,761	
Investment receivables	3,317	-	-	-	3,317	
Cash and bank balances	25,063	-	-	-	25,063	
Financial assets	110,053	260,190	161,212	49,686	581,141	
Other financial assets					65,265	
Non-financial assets*					156,715	
Total assets					803,121	
Liabilities						
Other financial liabilities					16,600	
Non-financial liabilities*					786,521	
Total liabilities					803,121	

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

The Company
General Business and Shareholders' Fund

	Non- Interest Bearing RM'000	Interest-bearing maturity period			Total Carrying Value RM'000	Average Effective Interest Rate %
		1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000		
2007						
Assets						
Investments:						
Malaysian Government Securities	-	10,181	23,640	4,692	38,513	3.44
Other government guaranteed low risk assets	-	19,893	4,635	-	24,528	3.58
Corporate debenture and bonds						
- Unquoted	-	27,454	53,747	18,130	99,331	4.13
Staff loans	-	5	-	-	5	3.00
Fixed and call deposits	-	228,658	-	-	228,658	3.31
Shares and warrants						
- Quoted	59,533	-	-	-	59,533	N/A
- Unquoted	10,245	-	-	-	10,245	N/A
Unit trusts						
- Quoted	3,097	-	-	-	3,097	N/A
	72,875	286,191	82,022	22,822	463,910	
Investment receivables	3,535	-	-	-	3,535	
Cash and bank balances	27,819	-	-	-	27,819	
Financial assets	104,229	286,191	82,022	22,822	495,264	
Other financial assets					54,231	
Non-financial assets*					208,746	
Total assets					758,241	
Liabilities						
Other financial liabilities					13,600	
Non-financial liabilities*					744,641	
Total liabilities					758,241	



NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

Life Fund

	Non-Interest Bearing RM'000	Interest-bearing maturity period			Total Carrying Value RM'000	Average Effective Interest Rate %
		1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000		
2008						
Assets						
Investments:						
Malaysian Government Securities	-	21,041	52,364	242,163	315,568	4.62
Other government guaranteed low risk assets	-	37,464	43,168	86,082	166,714	4.54
Corporate debentures and bonds						
- Unquoted	-	133,275	698,040	808,935	1,640,250	5.19
Policy loans	-	-	-	23,366	23,366	7.70
Premium loans	-	-	-	533,246	533,246	5.50
Fixed and call deposits	-	895,979	41,279	20,000	957,258	3.79
Shares and warrants						
- Quoted	300,552	-	-	-	300,552	N/A
- Unquoted	2,147	-	-	-	2,147	N/A
Unit trusts						
- Quoted	64,365	-	-	-	64,365	N/A
	367,064	1,087,759	834,851	1,713,792	4,003,466	
Investment receivables	26,120	-	-	-	26,120	
Cash and bank balances	6,823	-	-	-	6,823	
Financial assets	400,007	1,087,759	834,851	1,713,792	4,036,409	
Other financial assets					12,614	
Non-financial assets*					49,155	
Investment properties					211,600	
Total assets					4,309,778	
Liabilities						
Other financial liabilities					106,818	
Non-financial liabilities*					4,202,960	
Total liabilities					4,309,778	

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

Life Fund (cont'd)

	Non-Interest Bearing RM'000	Interest-bearing maturity period			Total Carrying Value RM'000	Average Effective Interest Rate %
		1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000		
2007 (Restated)						
Assets						
Investments:						
Malaysian Government Securities	-	41,344	117,693	172,742	331,779	3.64
Other government guaranteed low risk assets	-	61,674	79,129	25,795	166,598	3.68
Corporate debentures and bonds						
- Unquoted	-	231,952	477,175	709,419	1,418,546	4.44
Policy loans	-	-	-	21,873	21,873	8.00
Premium loans	-	-	-	474,278	474,278	6.00
Staff loans	-	10	-	-	10	3.00
Fixed and call deposits	-	724,793	2,000	20,000	746,793	3.34
Shares and warrants						
- Quoted	361,896	-	-	-	361,896	N/A
- Unquoted	2,147	-	-	-	2,147	N/A
Unit trusts						
- Quoted	66,450	-	-	-	66,450	N/A
	430,493	1,059,773	675,997	1,424,107	3,590,370	
Investment receivables	25,508	-	-	-	25,508	
Cash and bank balances	6,635	-	-	-	6,635	
Financial assets	462,636	1,059,773	675,997	1,424,107	3,622,513	
Other financial assets					4,470	
Non-financial assets*					55,769	
Investment properties					201,600	
Total assets					3,884,352	
Liabilities						
Other financial liabilities					103,978	
Non-financial liabilities*					3,780,374	
Total liabilities					3,884,352	



NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

Unit Link Fund

	Non-Interest Bearing RM'000	Interest-bearing maturity period			Total Carrying Value RM'000	Average Effective Interest Rate %
		1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000		
2008						
Assets						
Other government guaranteed low risk assets	-	-	-	2,449	2,449	4.56
Corporate debentures and bonds						
- Unquoted	-	5,295	20,107	5,531	30,933	5.06
Fixed and call deposits	-	75,777	24,225	-	100,002	3.48
Shares and warrants						
- Quoted	162,238	-	-	-	162,238	N/A
Unit trusts						
- Quoted	6,212	-	-	-	6,212	N/A
- Unquoted	9,114	-	-	-	9,114	N/A
	177,564	81,072	44,332	7,980	310,948	
Investment receivables	2,677	-	-	-	2,677	
Cash and bank balances	513	-	-	-	513	
Financial assets	180,754	81,072	44,332	7,980	314,138	
Other financial assets					360	
Non-financial assets					2,003	
Total assets					316,501	
Liabilities						
Other financial liabilities					228	
Non-financial liabilities*					316,273	
Total liabilities					316,501	

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

Unit Link Fund

	Non-Interest Bearing RM'000	Interest-bearing maturity period 1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000	Total Carrying Value RM'000	Average Effective Interest Rate %
2007						
Assets						
Malaysian Government Securities	-	-	3,176	-	3,176	3.42
Other government guaranteed low risk assets	-	2,992	-	2,532	5,524	3.74
Corporate debentures and bonds						
- Unquoted	-	3,728	14,910	5,225	23,863	4.20
Fixed and call deposits	-	54,295	25,057	-	79,352	3.58
Shares and warrants						
- Quoted	168,101	-	-	-	168,101	N/A
Unit trusts						
- Quoted	6,393	-	-	-	6,393	N/A
	174,494	61,015	43,143	7,757	286,409	
Investment receivables	1,251	-	-	-	1,251	
Cash and bank balances	1,752	-	-	-	1,752	
Financial assets	177,497	61,015	43,143	7,757	289,412	
Other financial assets					441	
Total assets					289,853	
Liabilities						
Investment payable					708	
Other financial liabilities					394	
Non-financial liabilities*					288,751	
Total liabilities					289,853	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts are not shown as they are excluded from the scope of FRS 132 "Financial Instruments: Disclosure and Presentation".

(c) Liquidity risk

Liquidity risk arises due to inability of the Group and the Company to meet its financial obligations as and when they fall due. A significant amount of investible funds are placed with financial institutions as fixed and call deposits and other money market instruments. The Group and the Company endeavor to manage the maturity profiles of these instruments in order to ensure that sufficient funds are available at all times, to meet the day to day working capital requirements.



NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimated fair value

The methods and assumptions used by the Group and the Company in estimating the fair value of the financial instruments are as follows:-

- (i) Fair values of quoted investments are based on quoted market price;
- (ii) The fair values of Malaysian Government Securities, other government guaranteed low risk assets, corporate debentures and bonds are calculated using the discounted cash flow method based on the maturity of the instruments at discount rates representing the average market rates quoted by at least two licensed financial institutions;
- (iii) The fair values of fixed rate loans are estimated by discounting future cash flows, taking into consideration the contractual terms of these loans. Based on the Group's and the Company's assessment as at 30 June 2008, the estimated fair values of these loans approximate their carrying values; and
- (iv) The carrying value of cash at banks and on deposit which are short term in nature, approximate their carrying values as at 30 June 2008.

The carrying values of financial instruments as at 30 June 2008 approximate the fair values, except for the following:-

	Carrying Value		Fair Value	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
The Group				
General business and Shareholders' Fund				
Assets held for sale	60	60	60	60
Malaysian Government Securities	17,810	38,513	17,813	39,095
Other government guaranteed low risk assets	29,794	24,528	29,018	24,544
Corporate debentures and bonds				
- Quoted	1,619	1,709	1,691	1,790
- Unquoted	188,298	99,331	186,058	102,693
Shares, warrants and loan stock				
- Quoted	70,838	90,629	71,696	108,375
- Unquoted	10,245	10,245	10,245	10,245
Unit trusts				
- Quoted	2,730	6,553	2,730	7,317
- Unquoted	10,964	-	10,964	-
	<u>332,358</u>	<u>271,568</u>	<u>330,275</u>	<u>294,119</u>



NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimated fair value (cont'd)

	Carrying Value		Fair Value	
	2008	2007	2008	2007
	RM'000	Restated RM'000	RM'000	Restated RM'000
Life Fund				
Investment properties	211,600	201,600	211,600	201,600
Malaysian Government Securities	315,568	331,779	310,188	352,983
Other government guaranteed low risk assets	166,714	166,598	160,477	166,676
Corporate debentures and bonds				
- Unquoted	1,640,250	1,418,546	1,617,199	1,493,270
Shares, warrants and loan stock				
- Quoted	300,552	361,896	300,825	408,624
- Unquoted	2,147	2,147	2,147	2,147
Unit trusts				
- Quoted	64,365	66,450	69,365	72,732
	<u>2,701,196</u>	<u>2,549,016</u>	<u>2,671,801</u>	<u>2,698,032</u>

	Carrying Value		Fair Value	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
The Company				
General business and Shareholders' Fund				
Assets held for sale	60	60	60	60
Malaysian Government Securities	17,810	38,513	17,813	39,095
Other government guaranteed low risk assets	29,794	24,528	29,018	24,544
Corporate debentures and bonds				
- Quoted	-	-	-	-
- Unquoted	188,298	99,331	186,058	102,693
Shares, warrants and loan stock				
- Quoted	57,734	59,533	59,234	75,677
- Unquoted	10,245	10,245	10,245	10,245
Unit trusts				
- Quoted	2,730	3,097	2,730	3,628
- Unquoted	10,964	-	10,964	-
	<u>317,635</u>	<u>235,307</u>	<u>316,122</u>	<u>255,942</u>

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimated fair value (cont'd)

	Carrying Value		Fair Value	
	2008	2007 Restated	2008	2007 Restated
	RM'000	RM'000	RM'000	RM'000
Life Fund				
Investment properties	211,600	201,600	211,600	201,600
Malaysian Government Securities	315,568	331,779	310,188	352,983
Other government guaranteed low risk assets	166,714	166,598	160,477	166,676
Corporate debentures and bonds				
- Unquoted	1,640,250	1,418,546	1,617,199	1,493,270
Shares, warrants and loan stock				
- Quoted	300,552	361,896	300,825	408,624
- Unquoted	2,147	2,147	2,147	2,147
Unit trusts				
- Quoted	64,365	66,450	69,365	72,732
	<u>2,701,196</u>	<u>2,549,016</u>	<u>2,671,801</u>	<u>2,698,032</u>

31. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The immediate and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

32. CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:-

	General business and Shareholders' fund		Life fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
The Group				
Authorised and contracted for	99	601	69,034	146
Authorised but not contracted for	2,026	2,163	1,575	2,593
	<u>2,125</u>	<u>2,764</u>	<u>70,609</u>	<u>2,739</u>
The Company				
Authorised and contracted for	99	601	69,034	146
Authorised but not contracted for	2,026	2,163	1,575	2,593
	<u>2,125</u>	<u>2,764</u>	<u>70,609</u>	<u>2,739</u>



NOTES TO THE FINANCIAL STATEMENTS

32. CAPITAL COMMITMENTS (CONT'D)

The Company, had on 29 April 2008, entered into a Sale and Purchase Agreement (“SPA”) with PJ City Development Sdn Bhd (“PJ City”) to acquire one (1) block (“Block B”) of a six (6)—storey commercial office building together with two (2) levels of basement car parks to be erected on part of a piece of leasehold land located at Petaling Jaya, State of Selangor for a cash consideration of RM 75,698,000 (“Purchase Price”). The purchase price is to be financed wholly by the Life fund, with no external funding. The acquisition was approved by the directors and shareholders of the Company and the immediate holding company, Hong Leong Financial Group Berhad, with the SPA conditional upon the approvals of the relevant authorities.

BNM and the Foreign Investment Committee had in their written communication dated 8 April 2008 and 23 July 2008 respectively, stated no objection to the acquisition.

10% of the purchase price amounting to RM 7,569,800 had been paid to PJ City upon execution of the SPA, on 29 April 2008 and included in other receivables of the Life fund. The remainder 90% of the purchase price amounting to RM 68,128,200 represents a capital commitment authorised and contracted and not provided for in the financial statements of the Life Fund as at the balance sheet date.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties of, and their relationships with the Group/Company are as follows:-

Related Parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and Hong Leong Share Registration Services Sdn Bhd (“HLCM Capital Group”)	Subsidiary companies of ultimate holding company
MPI Holdings Sdn Bhd and its subsidiaries and associated companies as disclosed in its financial statements (“MPI Group”)	Subsidiary companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiaries and associated companies as disclosed in its financial statements (“GLM Group”)	Subsidiaries and associated companies of ultimate holding company
Hong Leong Industries Berhad and its subsidiaries and associated companies as disclosed in its financial statements (“HLI Group”)	Subsidiaries and associated companies of ultimate holding company
Hume Industries (Malaysia) Berhad and its subsidiaries and associated companies as disclosed in its financial statements (“HIMB Group”)	Subsidiaries and associated companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company





NOTES TO THE FINANCIAL STATEMENTS

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(a) Related parties and relationships (cont'd)

The related parties of, and their relationships with the Group/Company are as follows:-

Related Parties	Relationship
Subsidiaries and associated companies of HLFG as disclosed in its financial statements ("HLFG Group")	Subsidiaries and associated companies of holding company
BIB Insurance Brokers Sdn Bhd ("BIB")	Connected person to YBhg Tan Sri Dato' Zaki bin Tun Azmi, a director of certain related companies who has resigned from the Board of HLG Capital Berhad on 4 September 2007.
GuoLine Capital Assets Limited and its subsidiaries and associated companies as disclosed in its financial statements ("GuoLine Capital Assets Group")	Subsidiaries and associated companies of ultimate holding company

(b) The significant related party transactions during the financial year are set out below:

	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Key Management Personnel RM'000	Other Related parties RM'000
The Group				
2008				
Income				
Gross premium received/receivable	120	5,542	56	18,728
Rental income	1,358	14,408	-	2,635
Interest income	-	15,980	-	1,707
	<u>1,478</u>	<u>35,930</u>	<u>56</u>	<u>23,070</u>
Expenditure				
Commission paid/payable	-	5,353	-	4,875
Management and professional fee paid/payable	1,369	4,711	-	363
Authorised depository fee	-	48	-	-
Brokerage fee	-	738	-	-
Credit card merchant fees	-	7,747	-	-
Training expenses	1	-	-	10
Rental and deposits paid	-	-	-	4,004
Other expenses	3	2,643	10	1,202
	<u>1,373</u>	<u>21,240</u>	<u>10</u>	<u>10,454</u>
Assets				
Receivables	13	20	6	11,087
Short term placements and fixed deposits in investments	-	295,626	-	-
Bank balances in cash and bank balances	-	27,583	-	-
	<u>13</u>	<u>323,229</u>	<u>6</u>	<u>11,087</u>
Liabilities				
Payables	398	3,698	10	1,412





NOTES TO THE FINANCIAL STATEMENTS

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) The significant related party transactions during the financial year are set out below: (cont'd)

	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Key Management Personnel RM'000	Other Related parties RM'000
The Group				
2007				
Income				
Gross premium received/receivable	116	4,999	27	22,653
Rental income	1,531	13,255	-	2,291
Interest income	-	20,865	-	2,085
	<u>1,647</u>	<u>39,119</u>	<u>27</u>	<u>27,029</u>
Expenditure				
Commission paid/payable	-	5,742	-	4,801
Management and professional fee paid/payable	1,312	6,946	-	1,396
Authorised depository fee	-	48	-	-
Brokerage fee	-	904	-	-
Credit card merchant fees	-	6,429	-	-
Training expenses	14	-	-	-
Rental and deposit paid	-	-	-	3,983
Other expenses	-	-	4	-
	<u>1,326</u>	<u>20,069</u>	<u>4</u>	<u>10,180</u>
Assets				
Receivables	9	371	2	6,455
Short term placements and fixed deposits in investments	-	392,804	-	-
Bank balances in cash and bank balances	-	37,600	-	-
	<u>9</u>	<u>430,775</u>	<u>2</u>	<u>6,455</u>
Liabilities				
Payables	<u>569</u>	<u>3,440</u>	<u>2</u>	<u>1,293</u>





NOTES TO THE FINANCIAL STATEMENTS

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) The significant related party transactions during the financial year are set out below: (cont'd)

	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Key Management Personnel RM'000	Other Related parties RM'000
The Company				
2008				
Income				
Gross premium received/receivable	120	5,535	56	17,924
Rental income	1,358	14,408	-	2,635
Interest income	-	15,250	-	1,670
	<u>1,478</u>	<u>35,193</u>	<u>56</u>	<u>22,229</u>
Expenditure				
Commission paid/payable	-	5,353	-	4,855
Management and professional fee paid/payable	1,369	4,711	-	-
Authorised depository fee	-	48	-	-
Brokerage fee	-	738	-	-
Credit card merchant fees	-	7,747	-	-
Training expenses	1	-	-	10
Rental and deposit paid	-	-	-	4,004
Other expenses	3	2,642	10	482
	<u>1,373</u>	<u>21,239</u>	<u>10</u>	<u>9,351</u>
Assets				
Receivables	13	20	6	11,087
Short term placements and fixed deposits in investments	-	263,215	-	-
Bank balances in cash and bank balances	-	26,959	-	-
	<u>13</u>	<u>290,194</u>	<u>6</u>	<u>11,087</u>
Liabilities				
Payables	398	3,698	10	800



NOTES TO THE FINANCIAL STATEMENTS

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) The significant related party transactions during the financial year are set out below: (cont'd)

	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Key Management Personnel RM'000	Other Related parties RM'000
The Company				
2007				
Income				
Gross premium received/receivable	116	4,991	27	21,811
Rental income	1,531	13,255	-	2,291
Interest income	-	20,647	-	2,065
	<u>1,647</u>	<u>38,893</u>	<u>27</u>	<u>26,167</u>
Expenditure				
Commission paid/payable	-	5,742	-	4,852
Management and professional fee paid/payable	1,312	6,944	-	-
Authorised depository fee	-	48	-	-
Brokerage fee	-	904	-	-
Credit card merchant fees	-	6,429	-	-
Training expenses	14	-	-	-
Rental and deposits paid	-	-	-	3,983
Other expenses	-	-	4	-
	<u>1,326</u>	<u>20,067</u>	<u>4</u>	<u>8,835</u>
Assets				
Receivables	9	371	2	6,455
Short term placements and fixed deposits in investments	-	385,691	-	-
Bank balances in cash and bank balances	-	37,251	-	-
	<u>9</u>	<u>423,313</u>	<u>2</u>	<u>6,455</u>
Liabilities				
Payables	<u>394</u>	<u>3,440</u>	<u>2</u>	<u>574</u>

The above transactions are transacted in the normal course of business of the Group and Company on arm's length basis and on normal commercial terms.



NOTES TO THE FINANCIAL STATEMENTS

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(c) Key Management Personnel

The remuneration of key management personnel are as follows:-

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Executive Director				
- Fees	-	40	-	40
- Salary and other remuneration	1,703	634	1,703	634
- Benefits-in-kind	184	32	184	32
	<u>1,887</u>	<u>706</u>	<u>1,887</u>	<u>706</u>
Non-executive Directors				
- Fees	382	352	365	334
Total Directors' Remuneration	<u>2,269</u>	<u>1,058</u>	<u>2,252</u>	<u>1,040</u>
Other Key Management Personnel				
- Salary and other remuneration	4,500	2,365	4,500	2,365
- Benefits-in-kind	101	55	101	55
Total Other Key Management Personnel	<u>4,601</u>	<u>2,420</u>	<u>4,601</u>	<u>2,420</u>
Total paid to Key Management Personnel	<u>6,870</u>	<u>3,478</u>	<u>6,853</u>	<u>3,460</u>

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group and the Company include all the Directors of the Company and employees of the Company who make certain critical decisions in relation to the strategic direction of the Company.

The remuneration, including benefits-in-kind, attributable to the Company's Chief Executive Officer, during the financial year amounted to RM1,887,000 (2007: RM706,000).



NOTES TO THE FINANCIAL STATEMENTS

34. EMPLOYEE BENEFITS COST

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Staff Cost				
Wages, salaries and bonuses	55,537	55,160	46,153	43,500
Defined contribution retirement plan	6,052	6,276	5,478	5,656
Other employee benefits	4,014	5,055	3,263	5,055
	<u>65,603</u>	<u>66,491</u>	<u>54,894</u>	<u>54,211</u>
Executive Director				
Fees	-	40	-	40
Wages, salaries and bonuses	1,518	570	1,518	570
Defined contribution retirement plan	182	64	182	64
Other employee benefits	187	32	187	32
	<u>1,887</u>	<u>706</u>	<u>1,887</u>	<u>706</u>
	<u>67,490</u>	<u>67,197</u>	<u>56,781</u>	<u>54,917</u>

The number of employees of the Group and the Company (excluding Directors) at the end of the financial year was 852 (2007: 974) and 769 (2007: 891) respectively.

35. GENERAL INFORMATION

The Company is a public limited liability company that is incorporated and domiciled in Malaysia.

The business address of the Company is located at Level 26, Menara HLA, 3 Jalan Kia Peng, 50450 Kuala Lumpur.

The financial statements were authorised for issue by the Board in accordance with a resolution of the Directors on 22 August 2008.





STATEMENT BY DIRECTORS

Pursuant To Section 169(15) Of The Companies Act, 1965

We, YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong and Charlie Espinola Oropeza, being two of the Directors of **HONG LEONG ASSURANCE BERHAD**, state that in the opinion of the Directors, the financial statements set out on pages 16 to 90 are drawn up in compliance with the provisions of the Companies Act, 1965 and Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2008 and of the results of the business of the Group and of the Company and the cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the Board

YBhg Dato' Chua Chuan Lim @
Dato' Chua Chuan Teong

Charlie Espinola Oropeza
Kuala Lumpur
22 August 2008

STATUTORY DECLARATION

Pursuant To Section 169(16) Of The Companies Act, 1965

I, Lee Kok Wah, being the officer primarily responsible for the financial management of **HONG LEONG ASSURANCE BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 16 to 90 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the above named Lee Kok Wah)
at Kuala Lumpur this 22 August 2008)

Before me



REPORT OF THE AUDITORS

To The Members Of Hong Leong Assurance Berhad (Incorporated In Malaysia)

Report on the Financial Statements

We have audited the financial statements of HONG LEONG ASSURANCE BERHAD, which comprise the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 90.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as of 30 June 2008 and of their financial performance and cash flows for the year then ended.





REPORT OF THE AUDITORS

To The Members Of Hong Leong Assurance Berhad (Incorporated In Malaysia)

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of the subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

LING KAM HOONG & CO
AF: 0106
CHARTERED ACCOUNTANTS, MALAYSIA

LING KAM HOONG
161/5/10 (J/PH)
CHARTERED ACCOUNTANT

Kuala Lumpur
22 August 2008

Branch Network

• Head Office

Hong Leong Assurance Berhad (94613-X)

Level 26, Menara HLA, 3 Jalan Kia Peng, 50450 Kuala Lumpur.

Tel : 03-7650 1818 Fax : 03-7650 1991 (General Div.), 03-7650 1881 (Life Div.) Website : www.hla.com.my

GENERAL DIVISION

Northern

- **Alor Setar (Service Center)**
1544, Jalan Sultan Badlishah,
05000 Alor Setar, Kedah.
Tel : 04-733 7186
Fax : 04-733 7197
- **Ipoh**
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Tel : 05-241 3533 05-241 3876
05-241 3522
Fax : 05-254 0577
- **Pulau Pinang**
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Fax : 04-261 2435
- **Sungai Petani**
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Central

- **Klang**
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Southern

- **Batu Pahat**
35A & 35B, Jalan Kundang,
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- **Johor Bahru**
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07-224 7681
Fax : 07-224 1921
- **Kluang**
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Fax : 07-774 5702
- **Melaka**
2A & 6, Jalan PPM2,
Plaza Pandan Malim Business Park,
Balai Panjang, 75250 Melaka.
Tel : 06-331 2500
Fax : 06-335 2662 06-336 1536
- **Seremban**
100 & 101,
Jalan Toman 5, Kemayan Square,
70200 Seremban, Negeri Sembilan.
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Fax : 06-764 9606

East Coast

- **Kota Bharu**
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09-747 0699
Fax : 09-748 5578
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Fax : 09-513 8378

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- **Kota Kinabalu**
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Lintas Plaza 1,
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88300 Kota Kinabalu, Sabah.
Tel : 088-212 271 088-217 982
088-261 643
Fax : 088-234 719
- **Kuching**
Ground Floor & First Floor,
22B & 22C, Jalan Rubber,
Lot 342 & 343, Section 9,
93400 Kuching, Sarawak.
Tel : 082-255 901 082-259 204
082-413 975
Fax : 082-427 612
- **Miri**
Lot 942, 1st Floor, Jalan Parry,
98000 Miri, Sarawak.
Tel : 085-411 896 085-423 761
Fax : 085-420 521
- **Sandakan**
1st floor, Block 18, Lot 1-3,
Bandar Indah, Mile 4, North Road,
90000 Sandakan, Sabah.
Tel : 089-217 399 089-217 388
089-271 666
Fax : 089-215 388
- **Sibu**
2nd floor, No 133, 135 & 137,
Jalan Kampong Nyabor,
96000 Sibu, Sarawak.
Tel : 084-323 890 084-347 008
Fax : 084-314 558



Branch Network

LIFE DIVISION

Northern

- **Alor Setar**
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Tel : 04-734 6499
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- **Bukit Mertajam**
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- **Ipoh**
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Fax : 05-242 2685
- **Pulau Pinang**
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- **Sungai Petani**
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03-3344 9093
Fax : 03-3342 0879
- **Kuala Lumpur**
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50200 Kuala Lumpur.
Tel : 03-2148 2626
Fax : 03-2732 1928

- **Petaling Jaya**
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Level 4, Tower C, Uptown 5,
5 Jalan SS21/39,
Damansara Uptown,
47400 Petaling Jaya, Selangor.
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- **Seremban**
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Kemayan Square,
70200 Seremban, Negeri Sembilan.
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Fax : 06-767 0784

- **Melaka**
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- **Batu Pahat**
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Taman Bukit Pasir,
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07-432 2029
Fax : 07-432 2330
- **Johor Bahru**
18th Floor (Unit No.18.01 & 18.02),
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Tel : 07-224 7193
Fax : 07-227 1443 07-224 3240
- **Kluang**
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Jalan Yayasan,
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- **Pontian**
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East Coast

- **Kota Bharu**
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- **Sibu**
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