

MAYBAN LIFE ASSURANCE BHD. (235175-H)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 June 2008

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

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MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of life insurance business and its subsidiary is principally engaged in offshore investment-linked life insurance business.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group	Company
	RM'000	RM'000
Net profit for the financial year	<u>40,198</u>	<u>39,359</u>

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than changes in accounting policies and effects arising from the adoption of new and revised financial reporting standards ("FRSs") as disclosed in Note 2.3 to the financial statements.

DIVIDENDS

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

The directors do not recommend the payment of any final dividends in respect of the current financial year.

DIRECTORS

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

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman)
Damis Jacobus Ziengs (Vice Chairman)
Sulaiman bin Salleh
Datuk Johar bin Che Mat
Hans J.J. De Cuyper

CORPORATE GOVERNANCE

The Board of Directors (“the Board”) is committed to ensuring that the highest standards of corporate governance are practised in the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders’ values and the financial performance of the Company.

(a) Board Responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Insurance Act (“the Act”) and Regulations, 1996 and Bank Negara Malaysia's (“BNM”) Guidelines, including JPI/GPI 1 (Consolidated): Minimum Standards for Prudential Management for Insurers and other directives. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under JPI/GPI 25 (Consolidated): Prudential Framework of Corporate Governance for Insurers. Apart from their statutory responsibilities, the Board approves the Company’s major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various committees.

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

Hence, the Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are done annually.

CORPORATE GOVERNANCE (CONT'D)**(a) Board Responsibilities (Cont'd)**

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that are required for the management of the Company.

The Board met 5 times during the financial year and the attendance of the directors was as follows:

Name	Number of Board Meetings	
	Attended	%
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman)	5/5	100
Damis Jacobus Ziengs (Vice Chairman)	5/5	100
Sulaiman bin Salleh	5/5	100
Datuk Johar bin Che Mat	4/5	80
Hans J.J. De Cuyper	5/5	100

(b) Management Accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

(c) Corporate Independence

All material related party transactions have been disclosed in Note 25 to the financial statements.

(d) Internal Controls and Audit

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action where necessary, is taken in a timely manner.

CORPORATE GOVERNANCE (CONT'D)

(d) Internal Controls and Audit (Cont'd)

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned. The AC is established at the holding company's level.

The composition of the AC is as follows:

Sulaiman bin Salleh (Chairman) (appointed as Chairman on 11 January 2008)
Independent Non-Executive Director

Damis Jacobus Ziengs
Non-Independent Non-Executive Director

Datuk Dr. Syed Othman bin Syed Hussin Alhabshi
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

Datuk Syed Tamim Ansari Syed Moham (appointed on 17 December 2007)
Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (resigned on 30 September 2007)
Independent Non-Executive Director

The AC met 5 times during the financial year.

(e) Risk Management

The Board takes responsibility in establishing the Risk Management Committee ("RMC"). The primary objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

The Company established the RMC at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") of the management.

CORPORATE GOVERNANCE (CONT'D)

(e) Risk Management (Cont'd)

The risk management framework for the Company comprises three main components i.e. policy-making, monitoring and control, and risk acceptance while the risk management approach would premise on three lines of defence i.e. risk-taking, risk control and coordinating units and internal audit. Risks have been classified into three main categories, which are made up of insurance risk, financial risk (including market risk, credit risk and balance sheet risk) and operational risk.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

The composition of the RMC is as follows:

Datuk Syed Tamim Ansari Syed Mohamed (Chairman) Independent Non-Executive Director	(appointed as member on 17 December 2007 and as Chairman on 11 January 2008)
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Petrus Bernardus Gerardus van Harten
Non-Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali Independent Non-Executive Director	(resigned on 30 September 2007)
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The RMC met 3 times during the financial year.

(f) Nomination Committee and Remuneration and Establishment Committee

The Board also takes responsibility in establishing the Nomination Committee and Remuneration and Establishment Committee. The Company will continue to use the existing Nomination Committee and Remuneration and Establishment Committee of the ultimate holding company, Malayan Banking Berhad ("MBB") Group as part of its governance structure.

The primary objective of the Nomination Committee is to establish a documented, formal and transparent procedure for the appointment of directors, chief executive officer and key senior officers. The committee is also responsible to assess the effectiveness of directors, the Board as a whole and the various committees of the Board, the chief executive officer and key senior officers.

CORPORATE GOVERNANCE (CONT'D)

(f) Nomination Committee and Remuneration and Establishment Committee (Cont'd)

The Remuneration and Establishment Committee, on the other hand, is responsible to provide a formal and transparent procedure for developing a remuneration policy for directors, chief executive officer and key senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The composition of the Nomination Committee is as follows:

Haji Mohd Hashir bin Haji Abdullah (Chairman) (appointed as Chairman on
Independent Non-Executive Director 1 October 2007)

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad (appointed on 1 October 2007)
Non-Independent Non-Executive Director

Datuk Syed Tamim Ansari (appointed on 11 October 2007)
Syed Mohamed
Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (resigned on 29 September 2007)
Independent Non-Executive Director

Mohammad bin Abdullah (resigned on 29 September 2007)
Independent Non-Executive Director

The Nomination Committee met 8 times during the financial year.

The composition of the Remuneration and Establishment Committee is as follows:

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman) (appointed as Chairman on 1 October 2007)
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad (appointed on 1 October 2007)
Non-Independent Non-Executive Director

CORPORATE GOVERNANCE (CONT'D)

(f) Nomination Committee and Remuneration and Establishment Committee (Cont'd)

Tan Sri Dato' Sri Chua Hock Chin (appointed on 1 October 2007)
Independent Non-Executive Director

Mohammad bin Abdullah (resigned on 29 September 2007)
Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (resigned on 29 September 2007)
Independent Non-Executive Director

Teh Soon Poh (resigned on 29 September 2007)
Independent Non-Executive Director

The Remuneration and Establishment Committee met 12 times during the financial year.

(g) Investment Committee

The Investment Committee ("IC") is set up at Mayban Life Assurance Bhd. However, its membership, roles and responsibilities transcend beyond Mayban Life Assurance Bhd to include and cover all other operating companies under Mayban Fortis Holdings Berhad, which are Mayban General Assurance Berhad, Etiqa Insurance Berhad (formerly known as MNI Berhad) and Etiqa Takaful Berhad (formerly known as Takaful Nasional Sdn Bhd).

The objectives of the IC include, to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/ RMC/ Board based on ALCO advice, to establish the tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM"), to test the policy conducted by the investment manager against the strategic and tactical investment policy/asset management mandate, to evaluate and approve the operational policy conducted by the Investment Management ("IM") and also to evaluate, negotiate conditions with, appoint or dismiss external fund managers, custodians, banks and other financial intermediaries.

The IC reports to the Board of all the operating companies under Mayban Fortis Holdings Berhad.

The composition of the IC is as follows:

Sulaiman bin Salleh
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

CORPORATE GOVERNANCE (CONT'D)

(g) Investment Committee (Cont'd)

Datuk Dr. Syed Othman bin Syed Hussin Alhabshi
Independent Non-Executive Director

Hans J.J. De Cuyper
Senior Management Team

Hugo Philip Van Vledder (appointed on 17 December 2007)
Senior Management Team

Norlia Mat Yusof
Senior Management Team

See Toong Chow
Senior Management Team

Haji Mohd. Tarmidzi bin Ahmad Nordin
Senior Management Team

Amirudin bin Abdul Halim (appointed on 1 December 2007)
Senior Management Team

Y. Bhg. Senator Tan Sri
Datuk Amirsham A. Aziz (resigned on 18 March 2008)
Non-Independent Non-Executive Director

Dato' Haji Aminuddin bin Md. Desa (resigned on 1 December 2007)
Non-Independent Non-Executive Director

Zainal Abidin bin Mohd Noor (resigned on 28 February 2008)
Senior Management Team

The IC met 4 times during the financial year.

(h) Public Accountability

As custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

(i) Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed, to ensure accuracy, adequacy and completeness.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the ultimate holding company, Maybank Group Employee Share Options Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 20 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the ultimate holding company, Malayan Banking Berhad, during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each				
	1 July 2007	Bought/ Exercised	Bonus Issue	Sold	30 June 2008
Ultimate holding company: Malayan Banking Berhad					
Direct Interest:					
Sulaiman bin Salleh	40,000	20,000	13,500	16,000	57,500
Datuk Johar bin Che Mat	118,000	11,000	24,250	7,000	146,250
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	-	5,000	-	-	5,000
Ultimate holding company: Malayan Banking Berhad					
Indirect Interest*:					
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	10,000	5,000	2,500	-	17,500

DIRECTORS' INTERESTS (CONT'D)

	Option date	Option price RM	Number of options over Ordinary Shares of RM1 each			30 June 2008
			1 July 2007	Granted	Exercised	
Ultimate holding company: Malayan Banking Berhad						
Sulaiman bin Salleh	1.9.2004	9.23	-	-	-	-
	14.11.2005	9.92	15,000	-	15,000	-
	14.11.2006	10.19	15,000	-	5,000	10,000
Datuk Johar bin Che Mat						
Datuk Johar bin Che Mat	1.9.2004	9.23	-	-	-	-
	15.10.2004	9.87	-	-	-	-
	14.11.2005	9.92	8,900	-	8,900	-
	14.11.2006	10.19	19,000	-	2,100	16,900

Other than as disclosed, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

* includes children's interests in the Register of Directors' Shareholdings pursuant to Section 134(12)(c) of the Companies Act, 1965 (as amended), effective from 15 August 2007

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONT'D)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount to be written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

For the purpose of these paragraphs (e) and (f), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and of the Company.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 August 2008

MEGAT ZAHARUDDIN BIN
MEGAT MOHD NOR

HANS J.J. DE CUYPER

**MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)**

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

We, MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR and HANS J.J. DE CUYPER, being two of the directors of MAYBAN LIFE ASSURANCE BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 104 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 August 2008

MEGAT ZAHARUDDIN BIN
MEGAT MOHD NOR

HANS J.J. DE CUYPER

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

I, SUE CHI KONG, being the officer-in-charge primarily responsible for the financial management of MAYBAN LIFE ASSURANCE BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 104 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed SUE CHI KONG
at Kuala Lumpur in Wilayah Persekutuan
on 11 August 2008

SUE CHI KONG

Before me,

Commissioner for Oaths

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**Independent auditors' report to the members of
Mayban Life Assurance Bhd.
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Mayban Life Assurance Bhd., which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, 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 104.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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**Independent auditors' report to the members of
Mayban Life Assurance Bhd.(Cont'd.)
(Incorporated in Malaysia)**

Opinion

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

Reporting on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' report on the accounts of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
11 August 2008

Gloria Goh Ewe Gim
No.1685/04/09(J)
Chartered Accountant

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
ASSETS					
Shareholders' fund assets					
Property, plant and equipment	3(a)	10,623	11,270	10,622	11,269
Prepaid land lease payments	5	2,406	2,437	2,406	2,437
Investment in a subsidiary	7	-	-	11,076	11,076
Investments	8(a)	178,511	149,814	167,513	138,846
Receivables	10(a)	45,910	36,142	45,567	35,754
Cash and bank balances		357	224	273	139
Total shareholders' fund assets		237,807	199,887	237,457	199,521
Total life insurance assets (page 21)		6,592,255	6,457,510	6,576,982	6,433,126
TOTAL ASSETS		6,830,062	6,657,397	6,814,439	6,632,647
EQUITY, INSURANCE FUNDS AND LIABILITIES					
Equity					
Share capital	11	100,000	100,000	100,000	100,000
Retained profits		138,676	98,478	136,645	97,286
Currency translation reserve		(1,701)	(1,192)	-	-
Total equity		236,975	197,286	236,645	197,286
Insurance funds					
Life policyholders' fund	12	3,211,016	3,003,384	3,208,777	3,001,007
Investment-linked funds	23	3,216,882	3,228,769	3,205,328	3,208,980
Currency translation reserve		(352)	(259)	-	-
Total insurance funds		6,427,546	6,231,894	6,414,105	6,209,987

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 30 JUNE 2008 (CONT'D)

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Liabilities					
Shareholders' fund liabilities					
Payables	15(a)	121	442	121	90
Deferred tax liabilities	16	419	342	419	342
Tax payable		292	1,817	272	1,803
Total shareholders' fund liabilities		832	2,601	812	2,235
Total life insurance liabilities (page 21)		164,709	225,616	162,877	223,139
Total liabilities		165,541	228,217	163,689	225,374
TOTAL EQUITY, INSURANCE FUNDS, AND LIABILITIES					
		6,830,062	6,657,397	6,814,439	6,632,647

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

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

Group	Share Capital RM'000	Non- distributable Currency Translation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 July 2006	100,000	(521)	62,142	161,621
Currency translation differences, representing net loss recognised directly in equity	-	(671)	-	(671)
Net profit for the financial year	-	-	36,336	36,336
Total recognised income and expense for the financial year	-	(671)	36,336	35,665
At 30 June 2007	100,000	(1,192)	98,478	197,286
At 1 July 2007	100,000	(1,192)	98,478	197,286
Currency translation differences, representing net loss recognised directly in equity	-	(509)	-	(509)
Net profit for the financial year	-	-	40,198	40,198
Total recognised income and expense for the financial year	-	(509)	40,198	39,689
At 30 June 2008	100,000	(1,701)	138,676	236,975

MAYBAN LIFE ASSURANCE BHD.**(Incorporated in Malaysia)****STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D)**

	Share Capital RM'000	Distributable Retained Profits RM'000	Total RM'000
Company			
At 1 July 2006	100,000	63,519	163,519
Net profit for the financial year representing total recognised income for the financial year	-	33,767	33,767
At 30 June 2007	<u>100,000</u>	<u>97,286</u>	<u>197,286</u>
At 1 July 2007	100,000	97,286	197,286
Net profit for the financial year representing total recognised income for the financial year	-	39,359	39,359
At 30 June 2008	<u>100,000</u>	<u>136,645</u>	<u>236,645</u>

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

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Operating revenue	17	<u>1,141,073</u>	<u>2,102,505</u>	<u>1,140,078</u>	<u>2,101,246</u>
Shareholders' fund:					
Investment income	18(a)	9,714	7,559	9,198	7,045
Other income/(expenditure)(net)	19(a)	330	3,708	(16)	1,582
Management expenses	20(a)	<u>(716)</u>	<u>(1,268)</u>	<u>(713)</u>	<u>(1,210)</u>
Profit from operations		9,328	9,999	8,469	7,417
Transfer from life fund revenue account		<u>45,034</u>	<u>36,000</u>	<u>45,034</u>	<u>36,000</u>
Profit before taxation		54,362	45,999	53,503	43,417
Taxation	21(a)	<u>(14,164)</u>	<u>(9,663)</u>	<u>(14,144)</u>	<u>(9,650)</u>
Net profit for the financial year		<u>40,198</u>	<u>36,336</u>	<u>39,359</u>	<u>33,767</u>
Earnings per share - basic (sen)	22	<u>40.2</u>	<u>36.3</u>	<u>39.4</u>	<u>33.8</u>

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

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

LIFE FUND BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
ASSETS					
Property, plant and equipment	3(b)	47,167	51,032	47,166	51,031
Investment properties	4	220	220	220	220
Prepaid land lease payments	5	9,626	9,750	9,626	9,750
Intangible assets	6	142	881	142	881
Investments	8(b)	3,080,722	2,836,956	3,078,927	2,834,877
Loans	9	113,490	112,589	113,490	112,589
Receivables	10(b)	65,419	107,491	64,742	106,686
Tax recoverable		1,973	2,466	1,973	2,466
Cash and bank balances		14,602	19,427	14,201	18,672
Investment-linked funds					
assets	23	3,258,894	3,316,698	3,246,495	3,295,954
Total life insurance assets		<u>6,592,255</u>	<u>6,457,510</u>	<u>6,576,982</u>	<u>6,433,126</u>
LIABILITIES AND INSURANCE FUNDS					
Provision for outstanding claims	13	30,658	27,006	30,533	26,379
Derivative liabilities	14	360	-	360	-
Payables	15(b)	90,473	108,205	89,611	107,310
Deferred tax liabilities	16	923	2,210	923	2,210
Tax payable		283	266	283	266
Investment-linked funds					
liabilities	23	42,012	87,929	41,167	86,974
Total life insurance liabilities		<u>164,709</u>	<u>225,616</u>	<u>162,877</u>	<u>223,139</u>
Life policyholders' fund	12	3,211,016	3,003,384	3,208,777	3,001,007
Investment-linked funds	23	3,216,882	3,228,769	3,205,328	3,208,980
Currency translation reserve		<u>(352)</u>	<u>(259)</u>	<u>-</u>	<u>-</u>
Total life insurance liabilities and life policyholders' funds		<u>6,592,255</u>	<u>6,457,510</u>	<u>6,576,982</u>	<u>6,433,126</u>

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

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

LIFE FUND REVENUE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross premiums	17	365,190	361,580	365,190	361,580
Reinsurance		(7,855)	(7,571)	(8,246)	(7,818)
Net premiums		<u>357,335</u>	<u>354,009</u>	<u>356,944</u>	<u>353,762</u>
Benefits paid and payable:					
Death		(50,323)	(47,319)	(50,264)	(47,319)
Maturity		(59,614)	(55,238)	(59,614)	(55,238)
Surrender		(74,361)	(60,811)	(74,361)	(60,811)
Cash bonus		(230)	(499)	(230)	(499)
Others		(12,304)	(12,896)	(12,304)	(12,896)
		<u>(196,832)</u>	<u>(176,763)</u>	<u>(196,773)</u>	<u>(176,763)</u>
		160,503	177,246	160,171	176,999
Commissions and agency expenses		(35,906)	(44,546)	(35,906)	(44,546)
Management expenses	20(b)	<u>(46,289)</u>	<u>(42,188)</u>	<u>(45,443)</u>	<u>(41,249)</u>
		78,308	90,512	78,822	91,204
Investment income	18(b)	165,463	149,897	165,379	149,768
Other income (net)	19(b)	<u>20,301</u>	<u>38,229</u>	<u>20,009</u>	<u>37,828</u>
Surplus before taxation		264,072	278,638	264,210	278,800
Taxation	21(b)	<u>(11,406)</u>	<u>(13,302)</u>	<u>(11,406)</u>	<u>(13,302)</u>
Surplus after taxation		252,666	265,336	252,804	265,498
Life policyholders' fund at beginning of financial year		3,003,384	2,774,048	3,001,007	2,771,509
Transfer to income statement		<u>(45,034)</u>	<u>(36,000)</u>	<u>(45,034)</u>	<u>(36,000)</u>
Life policyholders' fund at end of financial year		<u>3,211,016</u>	<u>3,003,384</u>	<u>3,208,777</u>	<u>3,001,007</u>

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

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	54,362	45,999	53,503	43,417
Adjustments for:				
Depreciation of property, plant and equipment	4,524	4,521	4,524	4,512
Amortisation of prepaid land lease payments	155	155	155	155
Amortisation of intangible assets/depreciation of intangible assets previously classified as property, plant and equipment	739	737	739	737
Depreciation of property, plant and equipment (effects of FRS 116)	-	21,142	-	21,142
Fair value adjustment of investment properties (effects of FRS 140)	-	(70)	-	(70)
Property, plant and equipment written off	-	29	-	-
(Gain)/loss on disposal of property and equipment	(32)	1	(32)	2
Provision for/(writeback of) diminution in value of investments	25,397	(24,307)	25,397	(24,307)
Provision for impairment loss on subsidiary	-	-	-	2,149
Accretion of discounts net of amortisation of premiums	(27,209)	(27,809)	(27,209)	(27,809)
Gain on disposal of investments	(38,305)	(64,095)	(38,748)	(62,342)
Loss on disposal of derivatives	9,983	-	9,983	-
Gross dividend income	(19,494)	(16,230)	(19,271)	(15,861)
Interest income	(208,481)	(195,442)	(207,709)	(194,552)
Other investment income	(1,444)	(37)	(1,444)	(37)
Provision for doubtful debts	3,168	290	3,168	290
Life fund surplus	248,603	1,806,098	256,198	1,810,122
Decrease/(increase) in value of investments in investment-linked funds	84,163	(96,131)	80,006	(93,951)
Decrease/(increase) in value of investments in derivatives	51,786	(57,112)	51,786	(57,112)
Translation differences	(1,380)	(2,145)	-	-
Transfer of life fund surplus to shareholders' fund	(45,034)	(36,000)	(45,034)	(36,000)
Profit from operations before changes in operating assets and liabilities	141,501	1,359,594	146,012	1,370,485
Net purchase of investments	(643,829)	(1,023,421)	(646,220)	(1,033,213)
Net proceeds/(purchase) from derivatives	1,253	(86,862)	1,253	(86,862)

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D)

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)				
Increase in loans	(901)	(47,865)	(901)	(47,865)
Decrease/(increase) in receivables	19,171	(9,855)	19,035	(9,991)
Decrease/(increase) in fixed and call deposits	300,696	(361,996)	299,105	(362,167)
Increase in provision for outstanding claims	3,652	14,921	4,154	15,242
Increase in payables	2,839	12,267	3,335	12,350
Cash used in operations	(175,618)	(143,217)	(174,227)	(142,021)
Income taxes paid	(35,653)	(27,604)	(35,641)	(27,592)
Dividends received	14,832	12,616	14,584	12,260
Interest received	191,392	176,818	190,596	175,931
Net cash (used in)/generated from operating activities	(5,047)	18,613	(4,688)	18,578
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(12)	(2,249)	(12)	(2,249)
Proceeds from disposal of property, plant and equipment	32	9	32	8
Net cash generated from/(used in) investing activities	20	(2,240)	20	(2,241)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,027)	16,373	(4,668)	16,337
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,189	4,816	20,337	4,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	16,162	21,189	15,669	20,337
Cash and cash equivalents comprise:				
Cash and bank balances:				
Shareholders' fund	357	224	273	139
Life fund	14,602	19,427	14,201	18,672
Investment-linked funds	1,203	1,538	1,195	1,526
	16,162	21,189	15,669	20,337

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

MAYBAN LIFE ASSURANCE BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008

1. CORPORATE INFORMATION

The Company is principally engaged in the underwriting of life insurance business and its subsidiary is principally engaged in offshore investment-linked life insurance business.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Mayban Fortis Holdings Berhad ("MFHB") and Malayan Banking Berhad ("MBB") respectively, both of which are companies incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Board of the Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 August 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except for the valuation of investments of the investment-linked funds at market value and investment properties that have been measured at their fair values and comply with Financial Reporting Standards ("FRS"), the Companies Act, 1965, the Insurance Act, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") in Malaysia.

At the beginning of the financial year, the Group and the Company had adopted new and revised FRSs as described fully in Note 2.3.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand ("RM'000") unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies

(a) Basis of Consolidation

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

Subsidiaries are consolidated using the acquisition method of accounting.

In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Under the acquisition method, subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. The acquisition method involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiary's identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary's equity since then.

(b) Subsidiary

A subsidiary is an entity over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(b) Subsidiary

In the Company's separate financial statements, investment in subsidiaries is stated at cost less impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts are included in income statement.

(c) Life Insurance Underwriting Results

The surplus transferable from the life insurance funds to the income statement is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders.

(i) Premium income

Premium income represents premium recognised in the life insurance funds.

Premium income of the life insurance funds 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 year, all due premiums are accounted for to the extent that they can be reliably measured.

Outward reinsurance premiums are recognised in the same financial period as the original policies to which the reinsurance relates.

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 are reflected in the income statements of the investment-linked funds. Net creation of units is recognised on a receipt basis.

(ii) Provision for claims

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(c) Life Insurance Underwriting Results (Cont'd)

(ii) Provision for claims (Cont'd)

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:

- maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates and
- 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 the contingency covered.

(iii) Commissions and agency expenses

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

(d) Other Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Interest/profit income

Interest/profit income is recognised on a time proportion basis that reflects the effective yield on the asset except for interest on loans which are considered non-performing, i.e., when repayments are in arrears for more than three months, in which case, recognition of such interest is suspended with retrospective adjustment made to the date of first default. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(d) Other Revenue Recognition (Cont'd)

(ii) Dividend income

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

(iii) Rental income

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

(e) Employee Benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contribution ("SOCSO") are recognised as an expense in the period which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(e) Employee Benefits (Cont'd)

(iii) Share-based compensation

The ultimate holding company's share-based compensation scheme, Maybank Group Employee Share Options Scheme ("ESOS"), allows the Group's employees to acquire ordinary shares of the ultimate holding company.

The total fair value of share options granted to employees is recognised as an employee cost charged by the ultimate holding company over the vesting period and taking into account the probability that the options will vest. The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on vesting date.

Settlement with the ultimate holding company in respect of the arrangement of the scheme is by cash over the vesting period.

(f) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement/revenue account during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Buildings on leasehold land are depreciated over the shorter of 50 years or the remaining period of the respective leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Property, Plant and Equipment and Depreciation (Cont'd)

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

Buildings	2%
Furniture, fittings, office equipment and renovation	10% - 20%
Computers and peripherals	25%
Electrical and security equipment	10%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statements/revenue accounts.

(g) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at, by reference to market evidence of transaction prices for similar properties and is performed by firms of professional independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuation by internal professional qualified professionals, as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(g) Investment Properties (Cont'd)

Gains or losses arising from changes in the fair values of investment properties are recognised in income statements/revenue accounts in the year in which they arise.

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 income statements/revenue accounts in the year in which they arise.

(h) Leases

(i) Classification

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. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases except that property held under operating leases that would otherwise meet the definition of an investment property, is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(g)).

(ii) Finance Leases - The Group as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Group at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the balance sheet of the Group and measured in accordance with FRS 116 - Property, Plant and Equipment and FRS 140 - Investment Properties.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) Leases (Cont'd)

(iii) Operating Leases - The Group as Lessee

Operating lease payments are recognised as expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payment made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(i) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination, is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least, at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently, if the events or changes in circumstances indicate that the carrying value may be impaired either individually, or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually, to determine whether the useful life assessment continues to be supportable.

Computer softwares are amortised over their finite useful lives of 2 to 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(j) Impairment of Non-financial Assets

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

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

An impairment loss is recognised in the income statement in the period in which it arises. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statements/revenue accounts.

(k) Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Foreign Currencies (Cont'd)

(i) Functional and presentation currency (Cont'd)

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies), are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items, are included in the income statement/revenue account for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where the monetary item is denominated in either, the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statements/revenue accounts.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where the monetary items are denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in the income statements/revenue accounts for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary items, are recognised in the Company's financial statements or the individual financial statements of the foreign operations, as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Foreign Currencies (Cont'd)

(ii) Foreign currency transactions (Cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value, are included in the income statements/revenue accounts for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- assets and liabilities for each balance sheet presented, are translated at the closing rate prevailing at the balance sheet date;
- income and expenses for each income statements/revenue accounts are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken to the foreign currency translation reserve within equity.

(l) Income Tax

Income tax on the income statement/revenue account for the year comprises of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the 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. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that, it is probable that, taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(l) Income Tax (Cont'd)

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements/revenue accounts, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances but do not include fixed and call deposits.

The cash flow statements have been prepared using the indirect method.

(n) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest/profit, dividends, gains and losses relating to a financial instrument classified as liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(n) Financial Instruments (Cont'd)

Disclosure information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts are excluded from the scope of Financial Reporting Standard 132 - Financial Instruments: Disclosure and Presentation.

(i) Malaysian government securities and other approved investments

Malaysian government securities ("MGS") and other approved investments inclusive of negotiable certificates of deposits ("NCD") and negotiable Islamic certificates of deposits ("NICD") as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis, from the date of purchase to maturity date.

Amortisation of premiums and accretion of discounts are charged or credited to the income statement.

(ii) Government guaranteed bonds and unquoted corporate bonds

Government guaranteed bonds and unquoted corporate bonds which are secured or unsecured carry a minimum rating of "BBB" or "P3" are stated at cost adjusted for amortisation of premiums and accretion of discounts, where applicable, calculated on the effective yield basis, from the date of purchase to their respective maturity dates. Any corporate bond with a lower rating is stated at the lower of cost and net realisable value.

For the purpose of determining net realisable values, the discounted cash flow model is used, after taking into account the projected cash flow expected to be generated from holding the bond.

(iii) Quoted investments

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

Cost is determined on the weighted average basis while market value is determined based on market prices as at balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(n) Financial Instruments (Cont'd)

(iv) Unquoted investments

Unquoted investments are stated at cost less any accumulated impairment losses.

Increases or decreases in the carrying amount of investments are recognised in the income statement.

(v) Investments of investment-linked funds

All investments of the investment-linked funds are stated at closing market prices or indicative market prices as at balance sheet date.

Any increase or decrease in value of investments is taken into the investment-linked funds income statements.

Gain or loss arising from the disposal of the above investments is the difference between net disposal proceeds and their carrying amounts. Gain or loss on disposal of investment is recognised in the income statements/revenue accounts.

(vi) Derivative instruments

Derivative financial instruments are not recognised in the financial statements.

Over-the-counter derivatives comprise forward foreign exchange contracts, currency on swap contracts and options.

They are revalued at balance sheet date, of which, valuations are provided by financial institutions using market conventions. Unrealised losses from derivative financial instruments are recognised in the income statements/revenue accounts. For investment-linked business, any increase or decrease in the revaluation of derivative financial instruments are taken into the investment-linked funds income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(n) Financial Instruments (Cont'd)

(vii) Loans and receivables

Loans and receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date. Specific provisions are made for any premiums, including brokers and reinsurers balances which remain outstanding for more than six months from the date on which they become receivable.

(viii) Payables

Payables are stated at cost which is the fair value of the considerations to be paid in the future for goods and services received.

(ix) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for, in equity in the year in which they are declared.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The accounting policies and methods of computation applied by the Group and the Company are consistent with those adopted in the previous years except for adoption of the following FRS, amendments to FRSs and Interpretations of the Issues Committee ("IC") issued by the Malaysian Accounting Standards Board, effective from the financial year of the Group beginning 1 July 2007:

Standard/Interpretation	Effective date of Standard/ Interpretation
FRS 117 : Leases	1 October 2006
FRS 124 : Related Party Disclosures	1 October 2006
FRS 139 : Financial Instruments: Recognition and Measurement	1 January 2010
FRS 6 : Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 ₂₀₀₄ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

Standard/Interpretation	Effective date of Standard/ Interpretation
FRS 107 : Cash Flow Statements	1 July 2007
FRS 111 : Construction Contracts	1 July 2007
FRS 112 : Income Taxes	1 July 2007
FRS 118 : Revenue	1 July 2007
FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134 : Interim Financial Reporting	1 July 2007
FRS 137 : Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC 2 : Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC 5 : Rights to Interests from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC 7 : Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC 8 : Scope of FRS 2	1 July 2007

FRS 6, Amendment to FRS 119₂₀₀₄, Amendment to FRS 121, FRS 111 and FRS 120, IC 1, IC 5, IC 6 and IC 7 are not applicable to the Group. The adoption of FRS 107, FRS 112, FRS 118, FRS 134 and FRS 137 and IC 2 and IC 8 do not result in significant changes in accounting policies of the Group .

The principal effects of the changes in accounting policies resulting from the adoption are discussed in Note 2.3(a) below:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

(a) Changes in Accounting Policies

FRS 117: Lease - Leasehold Land

Prior to 1 July 2007, lease of land held for own use was classified as property, plant and equipment and was stated at cost less accumulated amortisation and impairment loss. The adoption of the revised FRS 117: Leases, with effect from 1 July 2007, resulted in a change in the accounting policy relating to the classification of leases of land. Under FRS 117, lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets. As a result, leasehold land held for own use, is now classified as operating lease. The up-front payments made represent prepaid land lease payments and are amortised on a straight-line basis over the lease term.

The Group and the Company have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provision of FRS 117. As at 1 July 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payment. The reclassification of leasehold land as prepaid land lease payment has been accounted for retrospectively. Certain comparatives of the balance sheets of the Group and the Company as at 30 June 2007, have been restated as set out in Note 2.3(b)(ii). There were no effects on the income statements/revenue accounts of the Group and the Company for the current financial year.

FRS 124: Related Party Disclosures

The adoption of FRS 124 affects the level and extent of related party disclosures.

(b) Summary of effects of adopting new and revised FRSs on the current financial year's financial statements

The following provides estimates of the extent to which, each of the line items in the balance sheets for the financial year ended 30 June 2008 is higher or lower than it would have been, had the previous policies been applied in the current financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

(b) Summary of effects of adopting new and revised FRSs on the current financial year's financial statements (Cont'd)

(i) Effect on Balance Sheet as at 30 June 2008

Group and Company

	(Decrease)/ Increase RM'000
FRS 117	
Shareholders' fund	
Property, plant and equipment	(2,406)
Prepaid land lease payments	2,406
	<hr/>
Life fund	
Property, plant and equipment	(9,626)
Prepaid land lease payments	9,626
	<hr/>

(ii) Restatement of comparatives

	Previously Stated RM'000	(Decrease)/ Increase RM'000	Restated RM'000
FRS 117			
Group			
Shareholders' fund			
At 1 July 2006			
Property, plant and equipment	14,420	(2,468)	11,952
Prepaid land lease payments	-	2,468	2,468
	<hr/>	<hr/>	<hr/>
At 30 June 2007			
Property, plant and equipment	13,707	(2,437)	11,270
Prepaid land lease payments	-	2,437	2,437
	<hr/>	<hr/>	<hr/>

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

(b) Summary of effects of adopting new and revised FRSs on the current financial year's financial statements (Cont'd)

(ii) Restatement of comparatives (Cont'd)

FRS 117	Previously Stated RM'000	(Decrease)/ Increase RM'000	Restated RM'000
Group (Cont'd.)			
Life fund			
At 1 July 2006			
Property, plant and equipment	62,529	(9,874)	52,655
Prepaid land lease payments	-	9,874	9,874
	<hr/>	<hr/>	<hr/>
At 30 June 2007			
Property, plant and equipment	60,782	(9,750)	51,032
Prepaid land lease payments	-	9,750	9,750
	<hr/>	<hr/>	<hr/>
Company			
Shareholders' fund			
At 1 July 2006			
Property, plant and equipment	14,384	(2,468)	11,916
Prepaid land lease payments	-	2,468	2,468
	<hr/>	<hr/>	<hr/>
At 30 June 2007			
Property, plant and equipment	13,706	(2,437)	11,269
Prepaid land lease payments	-	2,437	2,437
	<hr/>	<hr/>	<hr/>
Life fund			
At 1 July 2006			
Property, plant and equipment	62,525	(9,874)	52,651
Prepaid land lease payments	-	9,874	9,874
	<hr/>	<hr/>	<hr/>
At 30 June 2007			
Property, plant and equipment	60,781	(9,750)	51,031
Prepaid land lease payments	-	9,750	9,750
	<hr/>	<hr/>	<hr/>

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Estimates and Judgements

(a) Key Sources of Estimation Uncertainty

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

(i) Depreciation of property, plant and equipment

The cost of the building's plant and equipment, for example, elevators, lifts and others and the self-occupied properties are depreciated on a straight-line basis, over the estimated remaining useful lives.

The Group estimates the useful lives of these plant and equipment to be within 5 to 10 years.

The cost of self-occupied buildings are depreciated on a straight-line basis. The Group estimates the useful lives to be 50 years.

(ii) Valuation of investment properties

The measurement of the fair value for investment properties is arrived at, by reference to market evidence of transaction prices for similar properties. Full valuations on investment properties are performed by firms of professional independent valuers at regular intervals, of not less than every 3 years. In intervening years, desktop valuations using comparable method and investment method are performed by internal qualified professionals to update the valuations.

(iii) Amortisation and impairment of other intangible assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires management to analyse the circumstances, the industry and market practice and also to use judgement. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Estimates and Judgements (Cont'd)

(a) Key Sources of Estimation Uncertainty (Cont'd)

(iv) Liabilities of insurance businesses

The actuarial estimate of future contingent policy liabilities, is computed in accordance with the standards and basis prescribed under the Insurance Act and Regulations, 1996 and uses a level net premium methodology with allowances for acquisition costs through the application of a zilmer or full preliminary term adjustment, whichever produces higher reserves.

(v) Impairment of unquoted investments

Impairment of unquoted investments is made after considering several factors, including business viability of the investee, potential recovery of capital invested and present values of any future dividend or income streams thereon. The present values of future income streams are measured by applying an expected rate of return that reflects the risk profile of the investment.

These are compared against the carrying costs of investments and appropriate judgement and consideration is made by management to ascertain if the current carrying costs continue to be relevant.

This assessment is performed at each balance sheet date and is critically reviewed by management, taking into consideration specific industry and economic factors relevant to the investment concerned.

3. PROPERTY, PLANT AND EQUIPMENT

(a) Shareholders' fund

Group	Leasehold land RM'000	Buildings owner occupied properties RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Total RM'000
2008							
Cost							
At 1 July 2007	2,639	11,257	1,889	2	162	3,722	19,671
Effects of adopting: FRS 117	(2,639)	-	-	-	-	-	(2,639)
At 1 July 2007 (restated)/ At 30 June 2008	-	11,257	1,889	2	162	3,722	17,032
Accumulated Depreciation							
At 1 July 2007	202	1,463	1,717	1	162	2,419	5,964
Effects of adopting: FRS 117	(202)	-	-	-	-	-	(202)
At 1 July 2007 (restated)	-	1,463	1,717	1	162	2,419	5,762
Charge for the year	-	226	49	-	-	372	647
At 30 June 2008	-	1,689	1,766	1	162	2,791	6,409
Net Book Value	-	9,568	123	1	-	931	10,623

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

(a) Shareholders' fund (Cont'd)

Group (Cont'd)

	Leasehold land RM'000	Buildings owner occupied properties RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Total RM'000
2007							
Cost							
At 1 July 2006 (previously stated)	2,639	11,257	1,889	178	162	3,722	19,847
Effects of adopting: FRS 117	(2,639)	-	-	-	-	-	(2,639)
At 1 July 2006 (restated)	-	11,257	1,889	178	162	3,722	17,208
Write-offs	-	-	-	(166)	-	-	(166)
Translation differences	-	-	-	(10)	-	-	(10)
At 30 June 2007	-	11,257	1,889	2	162	3,722	17,032
Accumulated Depreciation							
At 1 July 2006 (previously stated)	171	1,238	1,667	142	162	2,047	5,427
Effects of adopting: FRS 117	(171)	-	-	-	-	-	(171)
At 1 July 2006 (restated)	-	1,238	1,667	142	162	2,047	5,256
Charge for the year	31	225	50	6	-	372	684
Effects of adopting: FRS 117	(31)	-	-	-	-	-	(31)
Write-offs	-	-	-	(139)	-	-	(139)
Translation differences	-	-	-	(8)	-	-	(8)
At 30 June 2007	-	1,463	1,717	1	162	2,419	5,762
Net Book Value	-	9,794	172	1	-	1,303	11,270

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

(a) Shareholders' fund

Company							
	Leasehold land RM'000	Buildings owner occupied properties RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Total RM'000
2008							
Cost							
At 1 July 2007	2,639	11,257	1,889	-	162	3,722	19,669
Effects of adopting: FRS 117	(2,639)	-	-	-	-	-	(2,639)
At 1 July 2007 (restated)/ At 30 June 2008	-	11,257	1,889	-	162	3,722	17,030
Accumulated Depreciation							
At 1 July 2007	202	1,463	1,717	-	162	2,419	5,963
Effects of adopting: FRS 117	(202)	-	-	-	-	-	(202)
At 1 July 2007 (restated)	-	1,463	1,717	-	162	2,419	5,761
Charge for the year	-	226	49	-	-	372	647
At 30 June 2008	-	1,689	1,766	-	162	2,791	6,408
Net Book Value	-	9,568	123	-	-	931	10,622

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

(a) Shareholders' fund (Cont'd)

Company (Cont'd)

2007	Leasehold land RM'000	Buildings owner occupied properties RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Total RM'000
Cost							
At 1 July 2006 (previously stated)	2,639	11,257	1,889	-	162	3,722	19,669
Effects of adopting: FRS 117	(2,639)	-	-	-	-	-	(2,639)
At 1 July 2006 (restated)/ At 30 June 2007	-	11,257	1,889	-	162	3,722	17,030
Accumulated Depreciation							
At 1 July 2006 (previously stated)	171	1,238	1,667	-	162	2,047	5,285
Effects of adopting: FRS 117	(171)	-	-	-	-	-	(171)
At 1 July 2006 (restated)	-	1,238	1,667	-	162	2,047	5,114
Charge for the year	31	225	50	-	-	372	678
Effects of adopting: FRS 117	(31)	-	-	-	-	-	(31)
At 30 June 2007	-	1,463	1,717	-	162	2,419	5,761
Net Book Value	-	9,794	172	-	-	1,303	11,269

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

(b) Life fund

Group

2008	Leasehold land RM'000	Buildings on leasehold land RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 July 2007	10,557	45,028	13,199	7,854	8,138	14,887	527	100,190
Effects of adopting: FRS 117	(10,557)	-	-	-	-	-	-	(10,557)
At 1 July 2007 (restated)	-	45,028	13,199	7,854	8,138	14,887	527	89,633
Additions	-	-	12	-	-	-	-	12
Disposals	-	-	-	-	-	-	(99)	(99)
Write-offs	-	-	(42)	-	(89)	-	-	(131)
Translation differences	-	-	(3)	-	(15)	-	(5)	(23)
At 30 June 2008	-	45,028	13,166	7,854	8,034	14,887	423	89,392
Accumulated Depreciation								
At 1 July 2007	807	5,854	10,585	3,842	8,119	9,676	525	39,408
Effects of adopting: FRS 117	(807)	-	-	-	-	-	-	(807)
At 1 July 2007 (restated)	-	5,854	10,585	3,842	8,119	9,676	525	38,601
Charge for the year	-	900	692	787	8	1,489	1	3,877
Disposals	-	-	-	-	-	-	(99)	(99)
Write-offs	-	-	(42)	-	(89)	-	-	(131)
Translation differences	-	-	(3)	-	(15)	-	(5)	(23)
At 30 June 2008	-	6,754	11,232	4,629	8,023	11,165	422	42,225
Net Book Value	-	38,274	1,934	3,225	11	3,722	1	47,167

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

(b) Life fund (Cont'd)

Group (Cont'd)

2007	Leasehold land RM'000	Buildings on leasehold land RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 July 2006 (previously stated)	10,557	45,028	12,811	6,095	8,547	14,887	533	98,458
Effects of adopting: FRS 117	(10,557)	-	-	-	-	-	-	(10,557)
At 1 July 2006 (restated)	-	45,028	12,811	6,095	8,547	14,887	533	87,901
Additions	-	-	465	1,780	10	-	-	2,255
Disposals	-	-	(72)	(21)	(398)	-	-	(491)
Translation differences	-	-	(5)	-	(21)	-	(6)	(32)
At 30 June 2007	-	45,028	13,199	7,854	8,138	14,887	527	89,633
Accumulated Depreciation								
At 1 July 2006 (previously stated)	683	4,953	9,961	3,145	8,480	8,188	519	35,929
Effects of adopting: FRS 117	(683)	-	-	-	-	-	-	(683)
At 1 July 2006 (restated)	-	4,953	9,961	3,145	8,480	8,188	519	35,246
Charge for the year	124	901	701	708	58	1,488	12	3,992
Effects of adopting: FRS 117	(124)	-	-	-	-	-	-	(124)
Disposals	-	-	(72)	(11)	(398)	-	-	(481)
Translation differences	-	-	(5)	-	(21)	-	(6)	(32)
At 30 June 2007	-	5,854	10,585	3,842	8,119	9,676	525	38,601
Net Book Value	-	39,174	2,614	4,012	19	5,211	2	51,032

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

(b) Life fund (Cont'd)

Company

2008	Leasehold land RM'000	Buildings on leasehold land RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 July 2007	10,557	45,028	13,127	7,854	7,795	14,887	426	99,674
Effects of adopting: FRS 117	(10,557)	-	-	-	-	-	-	(10,557)
At 1 July 2007 (restated)	-	45,028	13,127	7,854	7,795	14,887	426	89,117
Additions	-	-	12	-	-	-	-	12
Disposals	-	-	-	-	-	-	(99)	(99)
At 30 June 2008	-	45,028	13,139	7,854	7,795	14,887	327	89,030
Accumulated Depreciation								
At 1 July 2007	807	5,854	10,513	3,842	7,777	9,676	424	38,893
Effects of adopting: FRS 117	(807)	-	-	-	-	-	-	(807)
At 1 July 2007 (restated)	-	5,854	10,513	3,842	7,777	9,676	424	38,086
Charge for the year	-	900	692	787	8	1,489	1	3,877
Disposals	-	-	-	-	-	-	(99)	(99)
At 30 June 2008	-	6,754	11,205	4,629	7,785	11,165	326	41,864
Net Book Value	-	38,274	1,934	3,225	10	3,722	1	47,166

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

(b) Life fund (Cont'd)

Company (Cont'd)

2007	Leasehold land RM'000	Buildings on leasehold land RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 July 2006 (previously stated)	10,557	45,028	12,718	6,095	8,183	14,887	426	97,894
Effects of adopting: FRS 117	(10,557)	-	-	-	-	-	-	(10,557)
At 1 July 2006 (restated)	-	45,028	12,718	6,095	8,183	14,887	426	87,337
Additions	-	-	465	1,780	10	-	-	2,255
Disposals	-	-	(56)	(21)	(398)	-	-	(475)
At 30 June 2007	-	45,028	13,127	7,854	7,795	14,887	426	89,117
Accumulated Depreciation								
At 1 July 2006 (previously stated)	683	4,953	9,868	3,145	8,120	8,188	412	35,369
Effects of adopting: FRS 117	(683)	-	-	-	-	-	-	(683)
At 1 July 2006 (restated)	-	4,953	9,868	3,145	8,120	8,188	412	34,686
Charge for the year	124	901	701	708	55	1,488	12	3,989
Effects of adopting: FRS 117	(124)	-	-	-	-	-	-	(124)
Disposals	-	-	(56)	(11)	(398)	-	-	(465)
At 30 June 2007	-	5,854	10,513	3,842	7,777	9,676	424	38,086
Net Book Value	-	39,174	2,614	4,012	18	5,211	2	51,031

4. INVESTMENT PROPERTIES**Life fund - Group and Company**

	Buildings on freehold land RM'000	Total RM'000
At 1 July 2007	220	220
Fair value adjustment	-	-
At 30 June 2008	<u>220</u>	<u>220</u>
At 1 July 2006	150	150
Fair value adjustment	70	70
At 30 June 2007	<u>220</u>	<u>220</u>

5. PREPAID LAND LEASE PAYMENTS

	Shareholders' Fund RM'000	Life Fund RM'000	Total RM'000
Group and Company			
2008			
Cost			
At 1 July 2007 (previously stated)	-	-	-
Effect of adopting FRS 117	2,639	10,557	13,196
At 1 July 2007 (restated)	<u>2,639</u>	<u>10,557</u>	<u>13,196</u>
Accumulated Amortisation			
At 1 July 2007	202	807	1,009
Amortisation for the year	31	124	155
At 30 June 2008	<u>2,406</u>	<u>9,626</u>	<u>12,032</u>
2007			
Cost			
At 1 July 2006 (previously stated)	-	-	-
Effect of adopting FRS 117	2,639	10,557	13,196
At 1 July 2006 (restated)	<u>2,639</u>	<u>10,557</u>	<u>13,196</u>
Accumulated Amortisation			
At 1 July 2006	171	683	854
Amortisation for the year	31	124	155
At 30 June 2007	<u>2,437</u>	<u>9,750</u>	<u>12,187</u>

5. PREPAID LAND LEASE PAYMENTS (CONT'D)

The leasehold land was last revalued by firms of professional independent valuers in June 2007.

6. INTANGIBLE ASSETS**Life fund - Group and Company**

	Group		Computer Software Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cost				
At beginning of financial year	8,449	8,455	8,449	8,455
Adjustment	-	(6)	-	(6)
At end of financial year	<u>8,449</u>	<u>8,449</u>	<u>8,449</u>	<u>8,449</u>
Accumulated Amortisation and Impairment				
At beginning of financial year	7,568	6,831	7,568	6,831
Amortisation	739	737	739	737
At end of financial year	<u>8,307</u>	<u>7,568</u>	<u>8,307</u>	<u>7,568</u>
Net Book Value	<u>142</u>	<u>881</u>	<u>142</u>	<u>881</u>

7. INVESTMENT IN A SUBSIDIARY

	Company	
	2008	2007
	RM'000	RM'000
Unquoted shares, at cost	13,225	13,225
Provision for impairment	(2,149)	(2,149)
	<u>11,076</u>	<u>11,076</u>

The subsidiary is:

Name of company	Place of incorporation	Effective interest (%)		Principal activity
		2008	2007	
Etiqa Life International (Labuan) Ltd. (formerly known as Mayban Life International (Labuan) Ltd.)	Federal Territory of Labuan, Malaysia	100	100	Offshore investment - linked life insurance business

8. INVESTMENTS

(a) Shareholders' fund

Group	2008		2007	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Quoted in Malaysia:				
Shares and warrants of corporations	8,812		3,750	
Provision for diminution in value	-		-	
	<u>8,812</u>	<u>9,624</u>	<u>3,750</u>	<u>5,473</u>
Loan stocks of corporations	21	25	21	27
Unit and property trusts	869		265	
Provision for diminution in value	(22)		-	
	<u>847</u>	<u>847</u>	<u>265</u>	<u>324</u>
Unquoted in Malaysia:				
Corporate bonds ¹	81,598		46,506	
Net accretion of discounts	1,960		1,477	
	<u>83,558</u>	<u>82,748</u>	<u>47,983</u>	<u>48,552</u>
Negotiable Certificates of Deposits ("NCD") ¹	20,406		20,406	
Net amortisation of premiums	(263)		(211)	
	<u>20,143</u>	<u>20,577</u>	<u>20,195</u>	<u>21,445</u>
Negotiable Islamic Certificates of Deposits ("NICD")	5,000		5,000	
Net accretion of discounts	-		-	
	<u>5,000</u>	<u>4,918</u>	<u>5,000</u>	<u>5,294</u>
Fixed and call deposits with:				
Licensed commercial banks	58,759		62,094	
Other financial institutions ²	1,371		10,506	
	<u>60,130</u>		<u>72,600</u>	
TOTAL INVESTMENTS	<u>178,511</u>		<u>149,814</u>	

¹ indicative market values are obtained from the secondary market

² other financial institutions comprise of investment banks

8. INVESTMENTS (CONT'D)**(a) Shareholders' Fund (Cont'd)**

Company	2008		2007	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Quoted in Malaysia:				
Shares and warrants of corporations	8,812		3,750	
Provision for diminution in value	-		-	
	<u>8,812</u>	<u>9,624</u>	<u>3,750</u>	<u>5,473</u>
Loan stocks of corporations	<u>21</u>	<u>25</u>	<u>21</u>	<u>27</u>
Unit and property trusts	869		265	
Provision for diminution in value	(22)		-	
	<u>847</u>	<u>847</u>	<u>265</u>	<u>324</u>
Unquoted in Malaysia:				
Corporate bonds ¹	81,598		46,506	
Net accretion of discounts	1,960		1,477	
	<u>83,558</u>	<u>82,748</u>	<u>47,983</u>	<u>48,552</u>
NCD ¹	20,406		20,406	
Net amortisation of premiums	(263)		(211)	
	<u>20,143</u>	<u>20,577</u>	<u>20,195</u>	<u>21,445</u>
NICD ¹	5,000		5,000	
Net accretion of discounts	-		-	
	<u>5,000</u>	<u>4,918</u>	<u>5,000</u>	<u>5,294</u>
Fixed and call deposits with:				
Licensed commercial banks	47,761		51,126	
Other financial institutions ²	1,371		10,506	
	<u>49,132</u>		<u>61,632</u>	
TOTAL INVESTMENTS	<u>167,513</u>		<u>138,846</u>	

¹ indicative market values are obtained from the secondary market

² other financial institutions comprise of investments banks

8. INVESTMENTS (CONT'D)**(a) Shareholders' Fund (Cont'd)****(i) The remaining maturity of investments at cost is, as follows:**

Group	< 1 year RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
2008					
Quoted loan stocks of corporations	21	-	-	-	21
Unquoted corporate bonds	5,000	33,471	20,737	22,390	81,598
NCD	5,000	15,406	-	-	20,406
NICD	-	-	5,000	-	5,000
Fixed and call deposits with:					
Licensed commercial banks	55,759	-	3,000	-	58,759
Other financial institutions	1,371	-	-	-	1,371
2007					
Quoted loan stocks of corporations	-	21	-	-	21
Unquoted corporate bonds	-	8,409	20,087	18,010	46,506
NCD	-	5,000	15,406	-	20,406
NICD	-	-	-	5,000	5,000
Fixed and call deposits with:					
Licensed commercial banks	59,094	-	3,000	-	62,094
Other financial institutions	10,506	-	-	-	10,506
Company					
2008					
Quoted loan stocks of corporations	21	-	-	-	21
Unquoted corporate bonds	5,000	33,471	20,737	22,390	81,598
NCD	5,000	15,406	-	-	20,406
NICD	-	-	5,000	-	5,000
Fixed and call deposits with:					
Licensed commercial banks	44,761	-	3,000	-	47,761
Other financial institutions	1,371	-	-	-	1,371

8. INVESTMENTS (CONT'D)**(a) Shareholders' Fund (Cont'd)****(i) The remaining maturity of investments at cost is, as follows (Cont'd):**

Company	1 to < 3		3 to 5		Total RM'000
	< 1 year RM'000	years RM'000	years RM'000	> 5 years RM'000	
2007					
Quoted loan stocks of corporations	-	21	-	-	21
Unquoted corporate bonds	-	8,409	20,087	18,010	46,506
NCD	-	5,000	15,406	-	20,406
NICD	-	-	-	5,000	5,000
Fixed and call deposits with:					
Licensed commercial banks	48,126	-	3,000	-	51,126
Other financial institutions	10,506	-	-	-	10,506

(ii) The weighted average rates of return of investments at the balance sheet date were, as follows:

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
	per annum	per annum	per annum	per annum
Quoted loan stocks of corporations	3.05	3.05	3.05	3.05
Unquoted corporate bonds	5.41	5.79	5.41	5.79
NCD	5.69	5.69	5.69	5.69
NICD	5.00	5.00	5.00	5.00
Fixed and call deposits with:				
Licensed commercial banks	3.32	3.67	3.43	3.49
Other financial institutions	3.24	3.24	3.24	3.24

8. INVESTMENTS (CONT'D)**(b) Life fund****Group**

	2008		2007	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Malaysian Government Securities ("MGS") ¹	26,710		26,710	
Net amortisation of premiums	(125)		(55)	
	<u>26,585</u>	<u>24,031</u>	<u>26,655</u>	<u>27,969</u>
Government Investment Issues ("GII") ¹	16,475		16,475	
Net accretion of discounts	241		168	
	<u>16,716</u>	<u>16,621</u>	<u>16,643</u>	<u>17,514</u>
Cagamas bonds ¹	-		20,002	
Net amortisation of premiums	-		(3)	
	<u>-</u>	<u>-</u>	<u>19,999</u>	<u>19,990</u>
Quoted in Malaysia:				
Shares and warrants of corporations	149,318		136,968	
Provision for diminution in value	-		-	
	<u>149,318</u>	<u>162,979</u>	<u>136,968</u>	<u>181,670</u>
Unit and property trusts	26,644		22,281	
Provision for diminution in value	-		-	
	<u>26,644</u>	<u>27,108</u>	<u>22,281</u>	<u>26,469</u>
Quoted outside Malaysia:				
Shares of corporations	64,175		60,225	
Provision for diminution in value	(25,715)		(835)	
	<u>38,460</u>	<u>38,460</u>	<u>59,390</u>	<u>59,390</u>
Unit trusts	8,562	14,070	9,055	14,236

8. INVESTMENTS (CONT'D)**(b) Life fund (Cont'd)****Group (Cont'd)**

	2008		2007	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Unquoted in Malaysia:				
Shares of corporations	2,147		2,147	
Provision for diminution in value	(55)		-	
	<u>2,092</u>		<u>2,147</u>	
Government guaranteed bonds ¹	344,916		310,357	
Net amortisation of premiums	(4,035)		(3,537)	
	<u>340,881</u>	<u>330,736</u>	<u>306,820</u>	<u>319,267</u>
Khazanah bonds ¹	7,983		12,076	
Net accretion of discounts	1,918		2,127	
	<u>9,901</u>	<u>9,918</u>	<u>14,203</u>	<u>14,359</u>
Corporate bonds ¹	1,456,525		1,390,978	
Net accretion of discounts	30,068		17,934	
Provision for diminution in value	(29,092)		(29,092)	
	<u>1,457,501</u>	<u>1,392,600</u>	<u>1,379,820</u>	<u>1,407,258</u>
NCD ¹	125,934		167,472	
Net accretion of discounts	1,781		7,039	
	<u>127,715</u>	<u>126,889</u>	<u>174,511</u>	<u>182,651</u>
NICD ¹	333,740		263,168	
Net accretion of discounts	19,485		17,250	
	<u>353,225</u>	<u>343,531</u>	<u>280,418</u>	<u>295,152</u>
Structured deposits ¹	384,000		252,000	
Net accretion of discounts	10,948		8,494	
	<u>394,948</u>	<u>382,684</u>	<u>260,494</u>	<u>260,906</u>

8. INVESTMENTS (CONT'D)**(b) Life fund (Cont'd)****Group (Cont'd)**

	2008		2007	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Fixed and call deposits with:				
Licensed commercial banks	39,078		11,108	
Other financial institutions ²	88,063		115,173	
	<u>127,141</u>		<u>126,281</u>	
Unquoted outside Malaysia:				
Western Asset US Money Market Fund	1,033		1,271	
	<u>1,033</u>		<u>1,271</u>	
TOTAL INVESTMENTS	<u>3,080,722</u>		<u>2,836,956</u>	

¹ indicative market values are obtained from the secondary market

² other financial institutions comprise of investment banks

Company

	2008		2007	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
MGS ¹	26,710		26,710	
Net amortisation of premiums	(125)		(55)	
	<u>26,585</u>	<u>24,031</u>	<u>26,655</u>	<u>27,969</u>
GII ¹	16,475		16,475	
Net accretion of discounts	241		168	
	<u>16,716</u>	<u>16,621</u>	<u>16,643</u>	<u>17,514</u>

8. INVESTMENTS (CONT'D)**(b) Life fund (Cont'd)****Company (Cont'd)**

	2008		2007	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Cagamas bonds ¹	-		20,002	
Net amortisation of premiums	-		(3)	
	<u>-</u>	<u>-</u>	<u>19,999</u>	<u>19,990</u>
Quoted in Malaysia:				
Shares and warrants of corporations	149,318		136,968	
Provision for diminution in value	-		-	
	<u>149,318</u>	<u>162,979</u>	<u>136,968</u>	<u>181,670</u>
Unit and property trusts	26,644		22,281	
Provision for diminution in value	-		-	
	<u>26,644</u>	<u>27,108</u>	<u>22,281</u>	<u>26,469</u>
Quoted outside Malaysia:				
Shares of corporations	64,175		60,225	
Provision for diminution in value	(25,715)		(835)	
	<u>38,460</u>	<u>38,460</u>	<u>59,390</u>	<u>59,390</u>
Unit trusts	8,562	14,070	9,055	14,236
Unquoted in Malaysia:				
Shares of corporations	2,147		2,147	
Provision for diminution in value	(55)		-	
	<u>2,092</u>		<u>2,147</u>	
Government guaranteed bonds ¹	344,916		310,357	
Net amortisation of premiums	(4,035)		(3,537)	
	<u>340,881</u>	<u>330,736</u>	<u>306,820</u>	<u>319,267</u>

8. INVESTMENTS (CONT'D)**(b) Life fund (Cont'd)****Company (Cont'd)**

	2008		2007	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Khazanah bonds ¹	7,983		12,076	
Net accretion of discounts	1,918		2,127	
	<u>9,901</u>	<u>9,918</u>	<u>14,203</u>	<u>14,359</u>
Corporate bonds ¹	1,456,525		1,390,978	
Net accretion of discounts	30,068		17,934	
Provision for diminution in value	(29,092)		(29,092)	
	<u>1,457,501</u>	<u>1,392,600</u>	<u>1,379,820</u>	<u>1,407,258</u>
NCD ¹	125,934		167,472	
Net accretion of discounts	1,781		7,039	
	<u>127,715</u>	<u>126,889</u>	<u>174,511</u>	<u>182,651</u>
NICD ¹	333,740		263,168	
Net accretion of discounts	19,485		17,250	
	<u>353,225</u>	<u>343,531</u>	<u>280,418</u>	<u>295,152</u>
Structured deposits ¹	384,000		252,000	
Net accretion of discounts	10,948		8,494	
	<u>394,948</u>	<u>382,684</u>	<u>260,494</u>	<u>260,906</u>
Fixed and call deposits with:				
Licensed commercial banks	37,283		9,029	
Other financial institutions ²	88,063		115,173	
	<u>125,346</u>		<u>124,202</u>	
Unquoted outside Malaysia:				
Western Asset US Money Market Fund	1,033		1,271	
TOTAL INVESTMENTS	<u>3,078,927</u>		<u>2,834,877</u>	

¹ indicative market values are obtained from the secondary market

² other financial institutions comprise of investments banks

8. INVESTMENTS (CONT'D)**(b) Life fund****(i) The remaining maturity of investments at cost is, as follows:**

Group	< 1 year	1 to < 3	3 to 5	> 5 years	Total
	RM'000	years RM'000	years RM'000	RM'000	RM'000
2008					
MGS	150	-	-	26,560	26,710
GII	-	-	1,513	14,962	16,475
Government guaranteed bonds	-	-	64,766	280,150	344,916
Khazanah bonds	7,983	-	-	-	7,983
Unquoted corporate bonds	144,372	167,434	314,268	830,451	1,456,525
NCD	-	26,275	49,659	50,000	125,934
NICD	-	56,894	40,000	236,846	333,740
Structured deposits	140,000	84,000	55,000	105,000	384,000
Fixed and call deposits with:					
Licensed commercial banks	33,211	-	5,867	-	39,078
Other financial institutions	88,063	-	-	-	88,063
2007					
MGS	-	150	-	26,560	26,710
GII	-	-	1,513	14,962	16,475
Cagamas bonds	20,002	-	-	-	20,002
Government guaranteed bonds	45,441	-	19,766	245,150	310,357
Khazanah bonds	4,093	7,983	-	-	12,076
Unquoted corporate bonds	59,009	195,023	250,207	886,739	1,390,978
NCD	-	41,537	26,276	99,659	167,472
NICD	4,233	30,852	56,893	171,190	263,168
Structured deposits	-	50,000	40,000	162,000	252,000
Fixed and call deposits with:					
Licensed commercial banks	5,241	-	5,867	-	11,108
Other financial institutions	115,173	-	-	-	115,173

8. INVESTMENTS (CONT'D)**(b) Life fund (Cont'd)****(i) The remaining maturity of investments at cost is, as follows (Cont'd):**

Company	< 1 year RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
2008					
MGS	150	-	-	26,560	26,710
GII	-	-	1,513	14,962	16,475
Government guaranteed bonds	-	-	64,766	280,150	344,916
Khazanah bonds	7,983	-	-	-	7,983
Unquoted corporate bonds	144,372	167,434	314,268	830,451	1,456,525
NCD	-	26,275	49,659	50,000	125,934
NICD	-	56,894	40,000	236,846	333,740
Structured deposits	140,000	84,000	55,000	105,000	384,000
Fixed and call deposits with:					
Licensed commercial banks	31,416	-	5,867	-	37,283
Other financial institutions	88,063	-	-	-	88,063
2007					
MGS	-	150	-	26,560	26,710
GII	-	-	1,513	14,962	16,475
Cagamas bonds	20,002	-	-	-	20,002
Government guaranteed bonds	45,441	-	19,766	245,150	310,357
Khazanah bonds	4,093	7,983	-	-	12,076
Unquoted corporate bonds	59,009	195,023	250,207	886,739	1,390,978
NCD	-	41,537	26,276	99,659	167,472
NICD	4,233	30,852	56,893	171,190	263,168
Structured deposits	-	50,000	40,000	162,000	252,000
Fixed and call deposits with:					
Licensed commercial banks	3,162	-	5,867	-	9,029
Other financial institutions	115,173	-	-	-	115,173

8. INVESTMENTS (CONT'D)**(b) Life fund (Cont'd)**

(ii) The weighted average rates of return of investments at the balance sheet date were, as follows:

	Group		Company	
	2008	2007	2008	2007
	%	%	%	%
	per annum	per annum	per annum	per annum
MGS	4.21	4.21	4.21	4.21
GII	4.42	4.42	4.42	4.42
Cagamas bonds	-	3.49	-	3.49
Government guaranteed bonds	4.61	4.48	4.61	4.48
Khazanah bonds	4.63	4.39	4.63	4.39
Unquoted corporate bonds	5.75	5.72	5.75	5.72
NCD	5.13	4.84	5.13	4.84
NICD	5.01	4.76	5.01	4.76
Structured deposits	5.21	5.48	5.21	5.48
Fixed and call deposits with:				
Licensed commercial banks	3.34	4.50	3.39	4.42
Other financial institutions	3.53	3.19	3.53	3.19

9. LOANS**Life fund**

	Group and Company	
	2008	2007
	RM'000	RM'000
Policy/automatic premium loans	52,402	47,620
Corporate loans	54,100	56,900
Staff loans:		
Secured	6,311	7,714
Unsecured	677	355
	113,490	112,589
Receivable after 12 months	61,073	64,892

9. LOANS (CONT'D)

The average effective interest rates of the loans receivable during the year were, as follows:

	Group		Company	
	2008	2007	2008	2007
	%	%	%	%
	per annum	per annum	per annum	per annum
Policy/automatic premium loans	8.00	8.00	8.00	8.00
Corporate loans	5.88	5.97	5.88	5.97
Staff loans	3.53	3.53	3.53	3.53

10. RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(a) Shareholders' fund				
Other receivables:				
Income due and accrued	1,720	1,498	1,706	1,466
Provision for doubtful debts	(31)	(1)	(31)	(1)
	<u>1,689</u>	<u>1,497</u>	<u>1,675</u>	<u>1,465</u>
Amount due from life fund	44,022	34,386	43,692	34,042
Sundry receivables, deposits and prepayments	199	259	200	247
	<u>45,910</u>	<u>36,142</u>	<u>45,567</u>	<u>35,754</u>
(b) Life fund				
Trade receivables:				
Outstanding premiums	3,629	1,542	3,629	1,542
Provision for doubtful debts	(11)	(26)	(11)	(26)
	<u>3,618</u>	<u>1,516</u>	<u>3,618</u>	<u>1,516</u>
Amount due from reinsurers	4,319	2,004	4,316	2,003
Provision for doubtful debts	(2,614)	-	(2,614)	-
	<u>1,705</u>	<u>2,004</u>	<u>1,702</u>	<u>2,003</u>
	<u>5,323</u>	<u>3,520</u>	<u>5,320</u>	<u>3,519</u>

10. RECEIVABLES (CONT'D)

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(b) Life fund (Cont'd)				
Other receivables:				
Sundry receivables, deposits and prepayments	7,798	16,960	7,778	16,959
Provision for doubtful debts	(678)	(263)	(678)	(263)
	<u>7,120</u>	<u>16,697</u>	<u>7,100</u>	<u>16,696</u>
Income due and accrued	27,051	23,710	27,050	23,709
Provision for doubtful debts	(126)	(5)	(126)	(5)
	<u>26,925</u>	<u>23,705</u>	<u>26,924</u>	<u>23,704</u>
Amount due from investment-linked funds	26,051	63,569	25,398	62,767
	<u>60,096</u>	<u>103,971</u>	<u>59,422</u>	<u>103,167</u>
TOTAL RECEIVABLES	<u>65,419</u>	<u>107,491</u>	<u>64,742</u>	<u>106,686</u>

11. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2008	2007	2008	2007
	'000	'000	RM'000	RM'000
Authorised:				
At beginning/end of financial year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid-up:				
At beginning/end of financial year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

12. LIFE POLICYHOLDERS' FUND

	2008	2007
	RM'000	RM'000
Group		
Actuarial liabilities:		
At beginning of financial year	2,622,282	2,483,096
Add: Increase in policy reserves	111,290	139,291
Translation differences	(78)	(105)
At end of financial year	<u>2,733,494</u>	<u>2,622,282</u>
Unallocated surplus:		
At beginning of financial year	378,946	259,226
Add: Surplus arising during the financial year	144,694	157,648
Less: Bonus allocated to participating policyholders		
- from normal surplus	(31,789)	(1,897)
Transfer to income statement	(45,034)	(36,000)
	67,871	119,751
Translation differences	(15)	(31)
At end of financial year	<u>446,802</u>	<u>378,946</u>
Life policyholders' fund at end of financial year:		
Actuarial liabilities	2,733,494	2,622,282
Bonus allocated to participating policyholders		
- from normal surplus	31,789	1,897
Less: Interim bonus paid	(1,421)	-
Unallocated surplus	446,802	378,946
Translation differences	352	259
	<u>3,211,016</u>	<u>3,003,384</u>
Company		
Actuarial liabilities:		
At beginning of financial year	2,620,572	2,481,281
Add: Increase in policy reserves	111,224	139,291
At end of financial year	<u>2,731,796</u>	<u>2,620,572</u>
Unallocated surplus:		
At beginning of financial year	378,538	258,625
Add: Surplus arising during the financial year	144,898	157,810
Less: Bonus allocated to participating policyholders		
- from normal surplus	(31,789)	(1,897)
Transfer to income statement	(45,034)	(36,000)
	68,075	119,913
At end of financial year	<u>446,613</u>	<u>378,538</u>

12. LIFE POLICYHOLDERS' FUND (CONT'D)

	2008	2007
	RM'000	RM'000
Life policyholders' fund at end of financial year:		
Actuarial liabilities	2,731,796	2,620,572
Bonus allocated to participating policyholders		
- from normal surplus	31,789	1,897
Less: Interim bonus paid	(1,421)	-
Unallocated surplus	446,613	378,538
	<u>3,208,777</u>	<u>3,001,007</u>

13. PROVISION FOR OUTSTANDING CLAIMS**Life fund**

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Provision for outstanding claims	32,918	28,418	32,793	27,791
Recoverable from reinsurers	(2,260)	(1,412)	(2,260)	(1,412)
Net outstanding claims	<u>30,658</u>	<u>27,006</u>	<u>30,533</u>	<u>26,379</u>

14. DERIVATIVE LIABILITIES**2008****Life fund - Group and Company**

	Maturity date	Notional amount	Fair value
		RM'000	RM'000
Forward foreign exchange contracts in United States Dollars	28 Sept 2009	29,454	(726)
Forward foreign exchange contracts in United States Dollars	07 May 2010	27,822	1,086
TOTAL DERIVATIVE LIABILITIES		<u>57,276</u>	<u>360</u>

14. DERIVATIVE LIABILITIES (CONT'D)**2007****Life fund - Group and Company**

	Maturity date	Notional amount RM'000	Fair value RM'000
Forward foreign exchange contracts in United States Dollars	08 May 2008	31,124	*
TOTAL DERIVATIVE LIABILITIES		<u>31,124</u>	<u>-</u>

* Unrealised gains from derivative financial instruments are not recognised in the income statements/revenue accounts

15. PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) Shareholders' fund				
Other payables:				
Sundry payables and accrued liabilities	121	442	121	90
	<u>121</u>	<u>442</u>	<u>121</u>	<u>90</u>
(b) Life fund				
Trade payables:				
Amount due to reinsurers	3,326	716	3,326	716
Commissions and agency expenses payable	2,422	6,396	2,422	6,396
	<u>5,748</u>	<u>7,112</u>	<u>5,748</u>	<u>7,112</u>
Other payables:				
Amount due to investment -linked funds	732	28,084	388	27,751
Premium deposits	20,813	18,778	20,813	18,778
Amount due to shareholders' fund	44,022	34,386	43,692	34,042
Sundry payables and accrued liabilities	19,158	19,845	18,970	19,627
	<u>84,725</u>	<u>101,093</u>	<u>83,863</u>	<u>100,198</u>
TOTAL PAYABLES	<u>90,473</u>	<u>108,205</u>	<u>89,611</u>	<u>107,310</u>

16. DEFERRED TAX LIABILITIES/(ASSETS)

	Shareholders' fund		Life fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Group and Company				
At beginning of financial year	342	37	2,210	531
Recognised in the income statement/revenue account (Note 21)	77	305	(1,287)	1,679
At end of financial year	<u>419</u>	<u>342</u>	<u>923</u>	<u>2,210</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax shown in the balance sheet have been determined after appropriate offsetting.

	Shareholders' fund		Life fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	490	399	5,669	4,840
Deferred tax assets	(71)	(57)	(4,746)	(2,630)
	<u>419</u>	<u>342</u>	<u>923</u>	<u>2,210</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are, as follows:

Deferred Tax Liabilities of the Group and Company:**(a) Shareholders' fund**

2008	Accretion of discounts on investments RM'000	Total RM'000
At 1 July 2007	399	399
Recognised in the income statement	91	91
At 30 June 2008	<u>490</u>	<u>490</u>

16. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)**Deferred Tax Liabilities of the Group and Company (Cont'd):****(a) Shareholders' fund (Cont'd)**

2007	Accretion of discounts on investments RM'000	Total RM'000
At 1 July 2006	388	388
Recognised in the income statement	11	11
At 30 June 2007	<u>399</u>	<u>399</u>

(b) Life fund

2008	Accelerated capital allowance on investment properties RM'000	Accelerated capital allowance on property, plant and equipment RM'000	Accretion of discounts on investments RM'000	Total RM'000
At 1 July 2007	6	657	4,177	4,840
Recognised in the revenue account	(6)	(133)	968	829
At 30 June 2008	<u>-</u>	<u>524</u>	<u>5,145</u>	<u>5,669</u>
2007				
At 1 July 2006	2,087	217	2,611	4,915
Recognised in the revenue account	(2,081)	440	1,566	(75)
At 30 June 2007	<u>6</u>	<u>657</u>	<u>4,177</u>	<u>4,840</u>

16. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)**Deferred Tax Assets of the Group and Company:****(a) Shareholders' fund**

2008	Provision for investments RM'000	Amortisation of premium on investments RM'000	Total RM'000
At 1 July 2007	-	(57)	(57)
Recognised in the income statement	(6)	(8)	(14)
At 30 June 2008	<u>(6)</u>	<u>(65)</u>	<u>(71)</u>
2007			
At 1 July 2006	(306)	(45)	(351)
Recognised in the income statement	306	(12)	294
At 30 June 2007	<u>-</u>	<u>(57)</u>	<u>(57)</u>

(b) Life fund

2008	Assets expensed off RM'000	Provision for investments RM'000	Amortisation of premium on investments RM'000	Total RM'000
At 1 July 2007	(12)	(2,394)	(224)	(2,630)
Recognised in the revenue account	7	333	(2,456)	(2,116)
At 30 June 2008	<u>(5)</u>	<u>(2,061)</u>	<u>(2,680)</u>	<u>(4,746)</u>
2007				
At 1 July 2006	(18)	(4,299)	(67)	(4,384)
Recognised in the revenue account	6	1,905	(157)	1,754
At 30 June 2007	<u>(12)</u>	<u>(2,394)</u>	<u>(224)</u>	<u>(2,630)</u>

17. OPERATING REVENUE

	Shareholders' fund		Life fund		Total	
	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Investment-linked units created (Note 23B)	-	-	512,047	1,495,749	512,047	1,495,749
Ordinary life business gross premiums	-	-	365,190	361,580	365,190	361,580
Investment income:						
Investment-linked funds (Note 23E)	-	-	88,659	87,720	88,659	87,720
Others (Note 18)	9,714	7,559	165,463	149,897	175,177	157,456
	<u>9,714</u>	<u>7,559</u>	<u>1,131,359</u>	<u>2,094,946</u>	<u>1,141,073</u>	<u>2,102,505</u>
Company						
Investment-linked units created (Note 23B)	-	-	512,047	1,495,749	512,047	1,495,749
Ordinary life business gross premiums	-	-	365,190	361,580	365,190	361,580
Investment income:						
Investment-linked funds (Note 23E)	-	-	88,264	87,104	88,264	87,104
Others (Note 18)	9,198	7,045	165,379	149,768	174,577	156,813
	<u>9,198</u>	<u>7,045</u>	<u>1,130,880</u>	<u>2,094,201</u>	<u>1,140,078</u>	<u>2,101,246</u>

18. INVESTMENT INCOME

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(a) Shareholders' fund				
Gross dividends from:				
Shares quoted in Malaysia	233	137	233	137
Unit and property trusts quoted in Malaysia	54	2	54	2
Interest income	7,558	5,776	7,042	5,262
Rental income	1,438	1,128	1,438	1,128
Accretion of discounts net of amortisation of premiums	431	516	431	516
	<u>9,714</u>	<u>7,559</u>	<u>9,198</u>	<u>7,045</u>
(b) Life fund				
Gross dividends from:				
Shares quoted in Malaysia	6,818	6,001	6,818	6,001
Shares quoted outside Malaysia	1,231	960	1,231	960
Unit and property trusts quoted in Malaysia	1,951	706	1,951	706
Interest income	122,915	110,407	122,831	110,278
Rental income	5,770	4,530	5,770	4,530
Accretion of discounts net of amortisation of premiums	26,778	27,293	26,778	27,293
	<u>165,463</u>	<u>149,897</u>	<u>165,379</u>	<u>149,768</u>
Total	<u>175,177</u>	<u>157,456</u>	<u>174,577</u>	<u>156,813</u>

19. OTHER INCOME/(EXPENDITURE) (NET)

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(a) Shareholders' fund				
Net gain on disposal of investments	416	2,959	416	2,959
(Provision for)/writeback of diminution in value of investments	(22)	1,095	(22)	1,095
Bad debts recovered	228	-	228	-
Provision for doubtful debts	(259)	-	(259)	-
Provision for impairment loss in subsidiary	-	-	-	(2,149)
Unrealised foreign exchange gain	5	6	-	-
Property, plant and equipment written off	-	(29)	-	-
Others	(38)	(323)	(379)	(323)
	<u>330</u>	<u>3,708</u>	<u>(16)</u>	<u>1,582</u>
(b) Life fund				
Net gain on disposal of investments	17,369	15,908	17,369	15,908
Realised foreign exchange loss	-	(1)	-	(1)
Unrealised foreign exchange loss	(3,825)	(5,277)	(3,825)	(5,278)
Unrealised foreign exchange gain	3	-	-	-
Unrealised (loss)/gain on derivatives	(360)	433	(360)	433
Realised gain on derivatives	3,108	-	3,108	-
(Provision for)/writeback of diminution in value of investments	(25,375)	23,212	(25,375)	23,212
Bad debts recovered	2,245	13	2,245	13
Provision for doubtful debts	(5,382)	(303)	(5,382)	(303)
Gain/(loss) on disposal of property, plant and equipment	32	(1)	32	(2)
Depreciation of property, plant and equipment (effects of FRS 116)	-	(21,142)	-	(21,142)
Fair value adjustment of investment properties	-	70	-	70
Others	32,486	25,317	32,197	24,918
	<u>20,301</u>	<u>38,229</u>	<u>20,009</u>	<u>37,828</u>

20. MANAGEMENT EXPENSES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) Shareholders' fund				
Depreciation of property, plant and equipment	647	653	647	647
Amortisation of prepaid land lease payments	31	31	31	31
Share option expense	29	583	26	531
Other expenses	9	1	9	1
	716	1,268	713	1,210
(b) Life fund				
Staff costs:	14,158	12,851	13,787	12,436
Basic salary	7,401	6,958	7,207	6,766
EPF	1,569	1,527	1,521	1,485
Short-term accumulating compensated absences	(23)	4	(23)	4
SOCSO	68	63	66	60
Bonus, allowances and other staff related costs	5,143	4,299	5,016	4,121
Directors' remuneration:				
Fees payable to:	225	223	160	162
MBB	32	65	32	65
MFHB	39	16	25	6
Fortis Insurance Int. NV	40	40	25	25
Other directors	114	102	78	66
Other emoluments paid and payable to:	40	52	29	38
MBB	5	14	5	14
MFHB	7	4	4	1
Fortis Insurance Int. NV	6	9	4	5
Other directors	22	25	16	18

20. MANAGEMENT EXPENSES (CONT'D)

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(b) Life fund (Cont'd)				
Auditors' remuneration :				
Fees :				
- current year	177	175	165	160
- under provision in prior financial years	-	9	-	-
Others	44	-	44	12
Office rental	748	536	748	536
Depreciation of property, plant and equipment	3,877	3,868	3,877	3,865
Amortisation of prepaid land lease payments	124	124	124	124
Amortisation of intangible assets	739	737	739	737
Office maintenance and facilities expenses	1,986	2,801	1,986	2,795
Other expenses	24,171	20,812	23,784	20,384
	<u>46,289</u>	<u>42,188</u>	<u>45,443</u>	<u>41,249</u>

The number of directors whose total remuneration received from the Group and Company during the financial year that fell within the following bands, is analysed below:

	Group		Company	
	Number of Directors	Number of Directors	Number of Directors	Number of Directors
	2008	2007	2008	2007
Non-executive directors				
Below RM50,000	8	9	8	9

21. TAXATION

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(a) Shareholders' fund				
Income tax:				
Current financial year's provision	14,070	12,393	14,050	12,380
Under/(over) provision of taxation in prior financial years	17	(3,035)	17	(3,035)
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 16)	77	305	77	305
Tax expense for the financial year	<u>14,164</u>	<u>9,663</u>	<u>14,144</u>	<u>9,650</u>
(b) Life fund				
Income tax:				
Current financial year's provision	12,377	11,093	12,377	11,093
Under provision of taxation in prior financial years	316	530	316	530
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 16)	(1,287)	1,679	(1,287)	1,679
Tax expense for the financial year	<u>11,406</u>	<u>13,302</u>	<u>11,406</u>	<u>13,302</u>

The Malaysian tax charge on the life business is based on the method prescribed under the Income Tax Act, 1967 for life business.

The domestic income tax for the shareholders' fund is generally calculated based on corporate tax rate of 26% (2007: 27%) of the estimated assessable profit for the financial year.

The income tax for life funds is calculated based on statutory rate of 8% (2007: 8%) of the estimated assessable profit for the financial year.

21. TAXATION (CONT'D)**(b) Life fund (Cont'd)**

The corporate income tax rate for the year of assessment 2009 (for financial year ending 2009) and subsequent years of assessment will be reduced to 25% as gazetted in the Finance Act 2007. No changes have been proposed to the income tax rate for life fund, which is currently at 8%.

In view of this, the Group and the Company have computed the deferred tax for shareholders' fund based on the reduced corporate tax rate of 25%.

A reconciliation of income tax expenses applicable to profit/surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is, as follows:

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(a) Shareholders' fund				
Profit before taxation	54,362	45,999	53,503	43,417
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	14,134	12,419	13,911	11,723
Effect of different tax rate on offshore business activity	(156)	(103)	-	-
Income not subject to tax	(128)	(25)	(81)	(25)
Expenses not deductible for tax purposes	297	407	297	987
Under/(over) provision in prior financial years	17	(3,035)	17	(3,035)
Tax expense for the financial year	14,164	9,663	14,144	9,650
(b) Life fund				
Surplus before taxation				
- Life business	264,072	278,638	264,210	278,800
- Investment-linked funds (Note 23)	(15,469)	1,527,460	(8,012)	1,531,322
	248,603	1,806,098	256,198	1,810,122

21. TAXATION (CONT'D)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(b) Life fund (Cont'd)				
Taxation at Malaysian tax rate of 8% (2007: 8%)	19,888	144,488	20,496	144,810
Income not subject to tax	(70,785)	(149,040)	(70,628)	(148,840)
Expenses not deductible for tax purposes	57,849	37,692	57,084	37,170
Utilisation of previously unrecognised tax losses	-	(303)	-	(303)
Under provision in prior financial years	94	387	94	387
Tax expense for the financial year				
- Life business	11,406	13,302	11,406	13,302
- Investment-linked funds (Note 23H)	(4,360)	19,922	(4,360)	19,922
	7,046	33,224	7,046	33,224

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007, to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 30 June 2008, the Company has sufficient credits in the Section 108 balance to pay franked dividends out of its entire retained earnings.

22. EARNINGS PER SHARE

Basic earnings per share of the Group and of the Company are calculated by dividing the profit for the financial year, by the number of ordinary shares in issue, during the financial year.

	Net profit for the financial year		Number of shares in issue		Basic earnings per share	
	RM'000	RM'000	('000)		(sen)	
	2008	2007	2008	2007	2008	2007
Group	40,198	36,336	100,000	100,000	40.2	36.3
Company	39,359	33,767	100,000	100,000	39.4	33.8

The Group has no potential dilutive ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share has not been presented.

23. INVESTMENT-LINKED FUNDS**A. BALANCE SHEETS AS AT 30 JUNE 2008**

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Investments (Note C)	3,135,057	3,108,434	3,123,033	3,088,080
Derivative assets (Note D)	89,904	152,567	89,904	152,567
Amount due from stockbrokers	3,323	8,736	3,323	8,736
Amount due from life fund	732	28,084	388	27,751
Sundry receivables	20,326	15,775	20,303	15,730
Deferred tax assets	8,349	1,564	8,349	1,564
Cash and bank balances	1,203	1,538	1,195	1,526
Investment-linked funds assets	3,258,894	3,316,698	3,246,495	3,295,954
LIABILITIES				
Amount due to stockbrokers	1,219	424	1,057	302
Amount due to life fund	26,051	63,569	25,398	62,767
Sundry payables	263	1,013	233	982
Tax payable	7,338	10,148	7,338	10,148
Deferred tax liabilities	7,141	12,775	7,141	12,775
Investment-linked funds liabilities	42,012	87,929	41,167	86,974
Unitholders' investment-linked funds	3,216,882	3,228,769	3,205,328	3,208,980
REPRESENTED BY:				
Unitholders' accounts	3,221,306	3,232,415	3,205,328	3,208,980
Currency translation reserve	(4,424)	(3,646)	-	-
	3,216,882	3,228,769	3,205,328	3,208,980

23. INVESTMENT-LINKED FUNDS (CONT'D)**B. INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Units created (net) (Note 17)	512,047	1,495,749	512,047	1,495,749
Investment income (Note E)	88,659	87,720	88,264	87,104
Other income (Note F)	57,512	267,257	56,716	263,060
Other outgo (Note G)	(673,687)	(323,266)	(665,039)	(314,591)
(Deficit)/surplus before taxation	(15,469)	1,527,460	(8,012)	1,531,322
Taxation (Note H)	4,360	(19,922)	4,360	(19,922)
(Deficit)/surplus for the financial year				
after taxation	(11,109)	1,507,538	(3,652)	1,511,400
Fund at beginning of financial year	3,232,415	1,724,877	3,208,980	1,697,580
Fund at end of financial year	3,221,306	3,232,415	3,205,328	3,208,980

C. INVESTMENTS

Quoted in Malaysia:

Shares of corporations, at cost	178,145	156,295	175,870	152,701
Investment fluctuation	16,211	58,140	16,423	57,481
At market value	194,356	214,435	192,293	210,182
Unit and property trusts, at cost	1,018	2,193	1,018	2,193
Investment fluctuation	184	811	184	811
At market value	1,202	3,004	1,202	3,004

Quoted outside Malaysia:

Shares of corporations, at cost	29,787	32,505	21,644	23,105
Investment fluctuation	(7,996)	2,408	(4,255)	3,236
At market value	21,791	34,913	17,389	26,341

23. INVESTMENT-LINKED FUNDS (CONT'D)**C. INVESTMENTS (CONT'D)**

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Corporate bonds, at cost	3,831	4,189	-	-
Investment fluctuation	25	346	-	-
At market value	<u>3,856</u>	<u>4,535</u>	<u>-</u>	<u>-</u>
Unquoted in Malaysia:				
NCD, at cost	623,805	663,343	623,805	663,343
Investment fluctuation	31,039	21,329	31,039	21,329
At market value	<u>654,844</u>	<u>684,672</u>	<u>654,844</u>	<u>684,672</u>
NICD, at cost	588,174	484,052	588,174	484,052
Investment fluctuation	35,140	27,994	35,140	27,994
At market value	<u>623,314</u>	<u>512,046</u>	<u>623,314</u>	<u>512,046</u>
Corporate bonds, at cost	1,261,851	916,889	1,261,851	916,889
Investment fluctuation	(28,003)	12,471	(28,003)	12,471
At market value	<u>1,233,848</u>	<u>929,360</u>	<u>1,233,848</u>	<u>929,360</u>
Khazanah bonds, at cost	30,300	30,300	30,300	30,300
Investment fluctuation	6,892	5,666	6,892	5,666
At market value	<u>37,192</u>	<u>35,966</u>	<u>37,192</u>	<u>35,966</u>
Fixed and call deposits with:				
Licensed commercial banks	1,659	224,078	268	221,350
Other financial institutions ¹	105,119	171,786	105,119	171,786
	<u>106,778</u>	<u>395,864</u>	<u>105,387</u>	<u>393,136</u>
Unquoted outside Malaysia:				
Western Asset US Money Market Fund	996	1,178	684	912
Foreign notes, at cost	276,810	304,425	276,810	304,425
Investment fluctuation	(19,930)	(11,964)	(19,930)	(11,964)
At market value	<u>256,880</u>	<u>292,461</u>	<u>256,880</u>	<u>292,461</u>
Total	<u>3,135,057</u>	<u>3,108,434</u>	<u>3,123,033</u>	<u>3,088,080</u>

¹ other financial institutions comprise of investment banks

23. INVESTMENT-LINKED FUNDS (CONT'D)**C. INVESTMENTS (CONT'D)**(i) **The remaining maturity of investments at cost is, as follows:**

Group	< 1 year	1 to < 3	3 to 5	> 5 years	Total
	RM'000	years RM'000	years RM'000	RM'000	RM'000
2008					
Quoted corporate bonds	-	97	648	3,086	3,831
NCD	26,297	597,508	-	-	623,805
NICD	125,670	345,298	117,206	-	588,174
Unquoted corporate bonds	178,718	503,521	297,212	282,400	1,261,851
Khazanah bonds	30,300	-	-	-	30,300
Foreign notes	-	-	276,810	-	276,810
Fixed and call deposits with:					
Licensed commercial					
banks	1,659	-	-	-	1,659
Other financial					
institutions	105,119	-	-	-	105,119
2007					
Quoted corporate bonds	-	207	304	3,678	4,189
NCD	-	663,343	-	-	663,343
NICD	-	481,998	2,054	-	484,052
Unquoted corporate bonds	43,739	466,861	270,823	135,466	916,889
Khazanah bonds	-	30,300	-	-	30,300
Foreign notes	-	-	304,425	-	304,425
Fixed and call deposits with:					
Licensed commercial					
banks	3,778	13,000	207,300	-	224,078
Other financial					
institutions	171,786	-	-	-	171,786

23. INVESTMENT-LINKED FUNDS (CONT'D)**C. INVESTMENTS (CONT'D)**(i) **The remaining maturity of investments at cost is, as follows (Cont'd):**

Company	< 1 year RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
2008					
NCD	26,297	597,508	-	-	623,805
NICD	125,670	345,298	117,206	-	588,174
Unquoted corporate bonds	178,718	503,521	297,212	282,400	1,261,851
Khazanah bonds	30,300	-	-	-	30,300
Foreign notes	-	-	276,810	-	276,810
Fixed and call deposits with:					
Licensed commercial					
banks	268	-	-	-	268
Other financial					
institutions	105,119	-	-	-	105,119
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2007					
NCD	-	663,343	-	-	663,343
NICD	-	481,998	2,054	-	484,052
Unquoted corporate bonds	43,739	466,861	270,823	135,466	916,889
Khazanah bonds	-	30,300	-	-	30,300
Foreign notes	-	-	304,425	-	304,425
Fixed and call deposits with:					
Licensed commercial					
banks	1,050	13,000	207,300	-	221,350
Other financial					
institutions	171,786	-	-	-	171,786
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

23. INVESTMENT-LINKED FUNDS (CONT'D)**C. INVESTMENTS (CONT'D)**

(ii) The weighted average rates of return of investments at the balance sheet date were, as follows:

	Group		Company	
	2008 % per annum	2007 % per annum	2008 % per annum	2007 % per annum
Quoted corporate bonds	2.35	2.11	-	-
NCD	4.12	4.08	4.12	4.08
NICD	4.06	4.14	4.06	4.14
Unquoted corporate bonds	5.05	5.36	5.05	5.36
Khazanah bonds	4.38	4.38	4.38	4.38
Fixed and call deposits with:				
Licensed commercial banks	2.70	3.81	1.97	3.60
Other financial institutions	3.24	3.26	3.24	3.26

D. DERIVATIVE ASSETS

	Cost RM'000	Notional amount RM'000	Fair value RM'000
2008			
Options	92,583	-	66,937
Forward foreign exchange contract	-	23,669	1,337
Currency on swap contract	-	314,184	21,630
Total	<u>92,583</u>	<u>337,853</u>	<u>89,904</u>
2007			
Options	100,865	-	128,206
Forward foreign exchange contract	-	23,669	1,070
Currency on swap contract	-	327,320	23,291
Total	<u>100,865</u>	<u>350,989</u>	<u>152,567</u>

23. INVESTMENT-LINKED FUNDS (CONT'D)**E. INVESTMENT INCOME**

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Gross dividends from:				
Shares quoted in Malaysia	8,183	7,346	8,087	7,180
Shares quoted outside Malaysia	868	916	741	713
Unit and property trusts quoted in Malaysia	156	162	156	162
Interest income	78,008	79,259	77,836	79,012
Others	1,444	37	1,444	37
	<u>88,659</u>	<u>87,720</u>	<u>88,264</u>	<u>87,104</u>

F. OTHER INCOME

Gain on disposal of investments	22,964	45,258	22,471	43,505
Gain on disposal of derivatives	9,556	-	9,556	-
Investment fluctuation	24,364	106,543	24,364	104,363
Unrealised foreign exchange gain	303	264	-	-
Unrealised gain on derivatives	325	60,000	325	60,000
Others	-	55,192	-	55,192
	<u>57,512</u>	<u>267,257</u>	<u>56,716</u>	<u>263,060</u>

G. OTHER OUTGO

Benefits paid and payable:				
Death	6,528	2,457	4,782	2,457
Surrender	227,323	166,072	225,804	157,829
Maturity	174,702	209	174,702	209
Others	18,636	32,525	18,636	32,525
Loss on disposal of investments	2,444	30	1,508	30
Loss on disposal of derivatives	22,647	-	22,647	-
Investment fluctuation	108,527	10,412	104,370	10,412
Unrealised foreign exchange loss	23,812	22,884	23,812	22,884
Unrealised loss on derivatives	51,751	3,321	51,751	3,321
Auditors' remuneration	55	52	46	42
Others	37,262	85,304	36,981	84,882
	<u>673,687</u>	<u>323,266</u>	<u>665,039</u>	<u>314,591</u>

23. INVESTMENT-LINKED FUNDS (CONT'D)**H. TAXATION**

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current year's provision	8,281	10,148	8,281	10,148
Over provision of taxation in prior financial years	(222)	(143)	(222)	(143)
Tax equalisation	-	(303)	-	(303)
Deferred tax:				
Relating to origination and reversal of temporary differences	(12,419)	10,220	(12,419)	10,220
Tax expense for the financial year	<u>(4,360)</u>	<u>19,922</u>	<u>(4,360)</u>	<u>19,922</u>

The Malaysian tax charge on the investment-linked life insurance business is based on the method prescribed under the Income Tax Act, 1967 for life business.

The deferred tax (assets)/liabilities are in respect of unrealised capital (losses)/gains of the investment-linked funds.

24. SEGMENT INFORMATION ON CASH FLOW

Group	Shareholders'		Total
	fund	Life fund	
	RM'000	RM'000	RM'000
2008			
Cash flows from:			
Operating activities	133	(5,180)	(5,047)
Investing activities	-	20	20
	<u>133</u>	<u>(5,160)</u>	<u>(5,027)</u>
Net increase/(decrease) in cash and cash equivalents	133	(5,160)	(5,027)
At beginning of financial year	224	20,965	21,189
At end of financial year	<u>357</u>	<u>15,805</u>	<u>16,162</u>

24. SEGMENT INFORMATION ON CASH FLOW (CONT'D)

Group	Shareholders' fund RM'000	Life fund RM'000	Total RM'000
2007			
Cash flows from:			
Operating activities	68	18,545	18,613
Investing activities	-	(2,240)	(2,240)
	<u>68</u>	<u>16,305</u>	<u>16,373</u>
Net increase in cash and cash equivalents	68	16,305	16,373
At beginning of financial year	156	4,660	4,816
At end of financial year	<u>224</u>	<u>20,965</u>	<u>21,189</u>
Company			
2008			
Cash flows from:			
Operating activities	134	(4,822)	(4,688)
Investing activities	-	20	20
	<u>134</u>	<u>(4,802)</u>	<u>(4,668)</u>
Net increase/(decrease) in cash and cash equivalents	134	(4,802)	(4,668)
At beginning of financial year	139	20,198	20,337
At end of financial year	<u>273</u>	<u>15,396</u>	<u>15,669</u>
2007			
Cash flows from:			
Operating activities	135	18,443	18,578
Investing activities	-	(2,241)	(2,241)
	<u>135</u>	<u>16,202</u>	<u>16,337</u>
Net increase in cash and cash equivalents	135	16,202	16,337
At beginning of financial year	4	3,996	4,000
At end of financial year	<u>139</u>	<u>20,198</u>	<u>20,337</u>

25. SIGNIFICANT RELATED PARTY DISCLOSURES

Significant transactions of the Group and the Company with related parties during the financial year were, as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) Shareholders' fund				
Transactions with the ultimate holding company:				
Commissions and fee expense	(28)	(21)	(28)	(21)
Interest income	152	106	152	106
Rental income	18	17	18	17
Transactions with the holding company:				
Rental income	21	16	21	16
Transactions with other related companies within MBB group:				
General insurance premium expense	(9)	(9)	(9)	(9)
Interest income	966	1,122	450	742
Rental income	1,355	1,020	1,355	1,020
(b) Life fund				
Transactions with the ultimate holding company:				
Gross insurance premium income	3,707	3,660	3,707	3,660
Interest income	(1,808)	1,914	(1,808)	1,914
Commissions and fee expense	(38,745)	(48,242)	(38,731)	(48,242)
Dividend income	548	489	548	489
Rental income	67	69	67	69

25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(b) Life fund (Cont'd)				
Transactions with the holding company:				
Gross insurance premium income	35	31	35	31
Rental income	82	64	82	64
Transactions with the subsidiary:				
Gross insurance premium income	-	-	1	1
Transactions with other related companies within MBB group:				
Gross insurance premium income	155	161	155	161
General insurance premium expense	(116)	(134)	(109)	(114)
Interest income	8,266	6,691	8,147	6,562
Rental income	5,419	4,082	5,419	4,082
Rental expense	(541)	(270)	(541)	(270)
Management fees	(122)	(101)	-	-

Included in the balance sheet of the Group and of the Company are amounts due from/(to) related companies represented by the following:

(a) Shareholders' fund

Amount due from the ultimate holding company:				
Bank balances	355	224	273	139
Fixed and call deposits	3,000	3,000	3,000	3,000
Income due and accrued	72	31	72	31
Sundry receivables	5	2	5	2
Amount due from the holding company:				
Sundry receivables	1	3	1	3

25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) Shareholders' fund (Cont'd)				
Amount due from the subsidiary:				
Sundry receivables	-	-	-	1
Amount due from other related companies within MBB group:				
Fixed and call deposits	12,369	17,590	1,371	10,506
Income due and accrued	-	33	-	2
Sundry receivables	127	353	113	353
(b) Life fund				
Amount due from/(to) the ultimate holding company:				
Bank balances	15,796	5,557	15,395	4,802
NCD	151,056	233,882	151,056	233,882
Structured deposits	30,000	30,000	30,000	30,000
Fixed and call deposits	12,178	227,217	12,178	227,217
Income due and accrued	341	665	341	665
Sundry receivables	80	78	80	78
Commissions payable	(2,460)	(6,361)	(2,460)	(6,361)
Sundry payables	(683)	(1,327)	(683)	(1,306)
Amount due from/(to) the holding company:				
Sundry receivables	77	13	77	13
Sundry payables	(1,284)	(718)	(1,284)	(716)
Amount due from the subsidiary:				
Sundry receivables	3	-	3	-

25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(b) Life fund (Cont'd)				
Amount due from/(to) other related companies within MBB group:				
Fixed and call deposits	164,519	253,202	161,963	249,434
Income due and accrued	15	48	15	46
Outstanding premiums	1	1	1	1
Sundry receivables	1,745	2,922	1,741	2,922
Sundry payables	(2,051)	(3,748)	(2,051)	(3,748)

The remuneration of the key management during the year are, as follows:

(a) Key management personnel compensation

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Fees	225	223	160	162
Allowances	40	52	29	38
	<u>265</u>	<u>275</u>	<u>189</u>	<u>200</u>

The movement in share options in Maybank Group ESOS held by key management personnel is, as follows:

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
At 1 July	57,900	200,900	57,900	200,900
Granted	-	42,000	-	42,000
Exercised	31,000	185,000	31,000	185,000
At 30 June	<u>26,900</u>	<u>57,900</u>	<u>26,900</u>	<u>57,900</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly. The key management personnel of the Group and Company are the directors and Chief Executive Officer.

26. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group's risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses taking into account its various risks. The overall objective is, to safeguard the interests of all its stakeholders. Risk management at Mayban Fortis Group ("MFHG") is therefore, organised both centrally and on a business/functional unit basis. As the first line of defence, the Company and its subsidiary, Etiqa Life International (Labuan) Ltd. (formerly known as Mayban Life International (Labuan) Ltd), are responsible for the day-to-day management of risks inherent in their business activities. The Central Risk Management ("CRM") at MFHG acts as a risk control and coordinating unit whose responsibility includes the establishment of a risk management framework, the formulation and implementation of risk and capital management guidelines and the development of tools and methodologies for risk identification, measurement, monitoring, control and pricing. As such, CRM becomes the second line of defence and assumes the role of an oversight function. It provides risk management guidance, support and advice across the Group. The internal auditors of Maybank Group, acting as the third line of defence, provide an independent assurance on the effectiveness of the risk management framework and practices. This three-level approach is consistent with Maybank Group's approach.

A. Types of Risk

Risks can arise in all business activities, operational areas, processes, systems and also from external events. Assessing the risk situation of MFHG's businesses therefore, requires a holistic, enterprise-wide approach. The scope of risk management at MFHG includes the strategic and reputational risks which come under the purview of the Risk Management Committee ("RMC") and the Boards. The risk management approach and practices at MFHG are in accordance to the three pillars of risks and are in line with the Maybank Group's approach and practices. The three pillars are the Insurance Risk, Financial Risk and Operational Risk.

(i) Insurance business risk

Insurance Risk relates to the risks inherent in the business activities of an insurer. Such risks include pricing risk, premium/benefits risk, premium/claims risk, claims/actuarial reserve risk, reinsurance risk and solvency risk. Premium/benefits risk in the life and health insurance is the risk of having to pay, from a premium that is fixed for many years at a constant level, benefits that can be affected by intervening trends before they become due. In the case of non-life insurance, the premium/claims risk is the risk of having to pay, from premiums fixed in advance, claims and benefits whose scope is uncertain at the time the premium is fixed.

26. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

A. Types of Risk (Cont'd)

(i) Insurance business risk (Cont'd)

Reinsurance risk can arise from the underwriting of direct or reinsurance businesses in relation to reinsurers, retrocessionaires, cedants and brokers. Solvency risk relates to the ability of an insurance operator to fulfil its obligations under all contracts. Therefore, special attention is given to the adequacy of the actuarial reserves, the claims reserves and the margin of solvency. For this purpose, the Appointed Actuary carries out financial investigations and makes an assessment on the adequacy of pricing, capital and reserves on a regular basis in accordance with BNM's and actuarial guidelines.

(ii) Financial risk

Financial Risk includes market, credit, liquidity, asset-liability matching ("ALM") and currency risks. Market risk involves potential losses in the value of invested capital as a result of changes in market prices, due to fluctuations in interest rates/rates of return or profits, share prices, exchange rates, property prices and their respective derivatives. Credit risk arises when a borrower or counterparty is no longer able to honour the debts. The risks from defaults can arise from the portfolio of assets, particularly bonds and other fixed income securities. ALM risk relates to the non-parallel movement of the present values of assets and liabilities following a change in interest rate. It is also called the interest rate risk. The resulting value gap is mainly due to the differences in the cash-flow profiles of assets and liabilities, including their duration and convexity. ALM risk mainly arises in the life insurance funds. Liquidity risk is the risk that funds may not be available when required, which may lead to forced sale of assets. Currency risk involves potential losses in value of invested assets if the assets are invested into non-Ringgit denominated financial instruments.

(iii) Operational risk

Operational Risk covers a wide range of risks other than the Insurance and Financial Risks. It is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This broad definition includes legal risk, but excludes strategic and reputational risks. The approach and methodology used to identify, assess, mitigate and control the operational risks, and the management of business continuity risks in the events of disasters are in accordance to the Maybank Group's risk framework and practices.

26. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

B. Monitoring and Controlling Risks

Having classified the different types and categories of risks, it is important that risks are continuously identified, monitored, mitigated and controlled. The applications of consistent approach and methodology throughout MFHG have become the focal point of interest to the Management, RMC and Boards of MFHG companies. In essence, they can be described as follows:

(i) Insurance risk

Comprehensive underwriting and claims guidelines and limits have been established to clearly regulate the responsibility and accountability for the whole process of conducting insurance, reinsurance, takaful and retakaful contracts. The guidelines spell out who may accept what risks and up to what amounts. They are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting, claim and reserve adequacy risks, the actuarial department regularly assesses the adequacy of insurance pricing, reserves and technical provisions. In addition, CRM monitors the risk-return evolution of the business results and whether the business creates or destroys value.

The risks of defaults by reinsurance operators are reduced by selecting only reinsurance operators with reputable securities or those that have been awarded with at least an "A" rating by internationally recognised rating agencies. Additionally, provisions for known and unknown liabilities arising from the insurance contracts are computed for life business using prudent and generally accepted actuarial principles and methods.

(ii) Financial risk

In order to manage the enterprise-wide financial risks, the Asset-Liability Management Committee ("ALCO") has been established. ALCO is responsible for advising the Investment Committee ("IC"), RMC and the Board of Directors on financial and investment-related risks. It is responsible, among others, for formulating the investment management guidelines on market, counterparty and concentration risks in the fixed income, equity, property investments and derivatives, taking into account BNM's regulations and market trends. In addition, ALM studies, based on stress tests of the impact of alternative investment strategies on solvency, revenue and balance sheet values are performed for every investment portfolio separately, taking into account the characteristics of the liabilities and translated into a specific investment management mandate. The investment management guidelines and the portfolio specific mandates are submitted to the IC, RMC and the Boards for review and approval. ALCO and CRM will then monitor the compliance with the approved mandates.

26. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

B. Monitoring and Controlling Risks (Cont'd)

(ii) Financial risk (Cont'd)

In managing credit risk, credit limits are imposed where ALCO sets forth the maximum credit exposures which the Group is willing to assume over specified periods. They relate to products, conditions of the exposure and other factors.

(iii) Operational risk

An ongoing process of implementing a comprehensive framework for identifying, monitoring and controlling operational risks has been put in place. In the process, operational loss data is collected and analysed using an approach similar to the requirements of Bank for International Settlement Capital Accord II ("Basel II") and consistent with the Maybank Group's operational risk framework and practices. Key risk indicators, i.e. advanced warning signals and their respective responses and mitigating actions are regularly compiled for deliberation at the Management and RMC meetings.

In practice, risk control self assessment scorecards and risk responses and mitigation plans are maintained by the respective risk-taking units in order to continuously identify, manage, mitigate and control their operational risks. To inculcate an appropriate risk management culture, a risk communication programme is regularly carried out by CRM with the objective to create in-depth risk awareness among all staff of MFHG of possible risks and to avoid the common fallacy of equating risk-awareness with being risk-averse.

26. FINANCIAL INSTRUMENTS (CONT'D)**(b) Fair Values**

The aggregate net fair values of financial assets of the Group and of the Company as at the end of the financial year are represented as follows:

2008	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
(a) Shareholders' fund				
Quoted in Malaysia:				
Shares and warrants of corporations	8,812	9,624	8,812	9,624
Loan stocks of corporations	21	25	21	25
Unit and property trusts	847	847	847	847
Unquoted in Malaysia:				
Corporate bonds	83,558	82,748	83,558	82,748
NCD	20,143	20,577	20,143	20,577
NICD	5,000	4,918	5,000	4,918
(b) Life fund				
MGS	26,585	24,031	26,585	24,031
GII	16,716	16,621	16,716	16,621
Quoted in Malaysia:				
Shares and warrants of corporations	149,318	162,979	149,318	162,979
Unit and property trusts	26,644	27,108	26,644	27,108
Quoted outside Malaysia:				
Shares of corporations	38,460	38,460	38,460	38,460
Unit trusts	8,562	14,070	8,562	14,070
Unquoted in Malaysia:				
Shares of corporations	2,092	*	2,092	*
Government guaranteed bonds	340,881	330,736	340,881	330,736
Khazanah bonds	9,901	9,918	9,901	9,918
Corporate bonds	1,457,501	1,392,600	1,457,501	1,392,600
NCD	127,715	126,889	127,715	126,889
NICD	353,225	343,531	353,225	343,531
Structured deposits	394,948	382,684	394,948	382,684

26. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair Values (Cont'd)

(b) Life fund (Cont'd)

* it is not practical to estimate the fair value of these investments as there are no readily available secondary market indicative prices

2007	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
(a) Shareholders' fund				
Quoted in Malaysia:				
Shares of corporations	3,750	5,473	3,750	5,473
Loan stocks of corporations	21	27	21	27
Unit and property trusts	265	324	265	324
Unquoted in Malaysia:				
Corporate bonds	47,983	48,552	47,983	48,552
NCD	20,195	21,445	20,195	21,445
NICD	5,000	5,294	5,000	5,294
(b) Life fund				
MGS	26,655	27,969	26,655	27,969
GII	16,643	17,514	16,643	17,514
Cagamas bonds	19,999	19,990	19,999	19,990
Quoted in Malaysia:				
Shares of corporations	136,968	181,670	136,968	181,670
Unit and property trusts	22,281	26,469	22,281	26,469
Quoted outside Malaysia:				
Shares of corporations	59,390	59,390	59,390	59,390
Unit trusts	9,055	14,236	9,055	14,236
Unquoted in Malaysia:				
Shares of corporations	2,147	*	2,147	*
Government guaranteed bonds	306,820	319,267	306,820	319,267
Khazanah bonds	14,203	14,359	14,203	14,359
Corporate bonds	1,379,820	1,407,258	1,379,820	1,407,258
NCD	174,511	182,651	174,511	182,651
NICD	280,418	295,152	280,418	295,152
Structured deposits	260,494	260,906	260,494	260,906

26. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair Values (Cont'd)

(b) Life fund (Cont'd)

- * it is not practical to estimate the fair value of these investments as there are no readily available secondary market indicative prices

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents and Other Receivables/Payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

In the opinion of the directors, no disclosure of fair value is made for inter-company balances as it is not practical to determine their fair values with sufficient reliability given that, these balances have no fixed terms of repayment.

(ii) Investments

The fair values of quoted investments are determined by reference to the stock exchange and unit trust market bid prices at the close of the business on the balance sheet date.

The fair values of MGS, GIL, Cagamas bonds, Corporate bonds, Government guaranteed bonds, NCD, NICD and structured deposits are determined by reference to indicative prices obtained from Bondweb, interest swap from BNM and market prices obtained from the financial institutions.

27. CURRENCY

All amounts are stated in Ringgit Malaysia, unless otherwise stated.