

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
Co. No. 738090 - M
(Incorporated in Malaysia)

Reports and financial statements
for the financial period from 19 June 2006
(date of incorporation) to 30 June 2007

**Company No.
738090-M**

**HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)**

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial period from 19 June 2006 (date of incorporation) to 30 June 2007.

PRINCIPAL ACTIVITIES

The Company was incorporated under the Companies Act, 1965 on 19 June 2006 for the purpose of undertaking the business of a takaful operator pursuant to Section 8 of the Takaful Act, 1984. The Company is principally engaged in managing family takaful including investment-linked business and all classes of general takaful businesses. There has been no significant change in the nature of this activity during the financial period.

The Company commenced operations on 30 November 2006 at its head office, located at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

FINANCIAL RESULTS

RM'000

Net loss for the financial period

(2,683)

DIVIDENDS

No dividends have been paid or declared by the Company since the commencement of operations.

The directors do not recommend any dividend for the financial period ended 30 June 2007.

SHARE CAPITAL

The authorised share capital of the Company is RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each. As at 30 June 2007, the issued and paid-up share capital of the Company is RM100,000,000, divided into 100,000,000 ordinary shares of RM1.00 each.

The ordinary shares of RM1.00 each were issued and fully paid for cash at par as follows:-

Date	No. of shares
19 June 2006	100
16 October 2006	<u>99,999,900</u>
	<u>100,000,000</u>

The 100 ordinary shares of RM1.00 each were subscribers' shares. On 16 October 2006, 99,999,900 ordinary shares of RM1.00 were issued and allotted for cash at par for working capital purpose and the shares rank pari passu in all respects with the existing ordinary shares of the Company.

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DIRECTORS' REPORT

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office during the financial period since the date of incorporation are as follows:

Ms Yvonne Chia (First Director - Appointed on 19 June 2006)
Mr David John Doree Vicary (Daud Abdullah) (First Director - Appointed on 19 June 2006 and resigned on 2 June 2007)
Mr Low Teik Leong (Appointed on 21 November 2006 and resigned on 1 July 2007)
YBhg Tan Sri A. Razak bin Ramli (Appointed on 21 November 2006)
Mr Jun Hemmi (Appointed on 21 November 2006)
Encik Mustapha b Hamat (Appointed on 21 November 2006)
Syed Zaid Bin Syed Jaffar Albar (Chairman) (Appointed on 3 January 2007)

In accordance with Article 119 of the Company's Articles of Association, all the Directors of the Company, namely Ms Yvonne Chia, YBhg Tan Sri A. Razak bin Ramli, Mr Jun Hemmi, Encik Mustapha bin Hamat and Syed Zaid bin Syed Jaffar Albar retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

DIRECTORS' INTERESTS

None of the directors holding office at the end of the financial period had any beneficial interest in ordinary shares of the Company and/or its related corporations during the financial period ended 30 June 2007 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, except for Ms Yvonne Chia and Syed Zaid bin Syed Jaffar Albar, whose direct interests in the ordinary shares of related corporations, are as follows:

	Nominal Value per Share	As at date of incorporation/ appointment	Acquired	Sold	As at 30.6.2007
Interests of Ms Yvonne Chia in:					
Hong Leong Bank Berhad	1.00	20,000	70,000	-	90,000
Guocoland (Malaysia) Berhad	0.50	-	10,000	-	10,000
Interest of Syed Zaid bin Syed Jaffar Albar in:					
Hong Leong Industries Berhad	0.50	50,000	-	50,000	-

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DIRECTORS' REPORT

DIRECTORS' BENEFITS

During and at the end of the financial period, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements of the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest except for Syed Zaid bin Syed Jaffar Albar who may be deemed to derive a benefit in respect of those transactions for the provision of legal services between related corporations and a firm in which Syed Zaid bin Syed Jaffar Albar has interest.

There were no arrangements during and at the end of the financial period, which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia and the principles of Shariah. The Nomination Committee and Remuneration Committee are in the process of being established.

Board of Directors/Chief Executive Officer

The Board of Directors of the Company ("Board") assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Company's business; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM, from time to time.

The Chief Executive Officer of the Company is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and director, benchmark and targets for the Bank, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing shareholders' wealth.

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DIRECTORS' REPORT

CORPORATE GOVERNANCE (Continued)

Board of Directors/Chief Executive Officer (Continued)

The present Board comprises the Chairman who is an Independent Non-Executive Director, two Non-Independent Non-Executive Directors and two Independent Non-Executive Directors. In accordance with the Guidelines on Directorships for Takaful Operators, all Directors are appointed to the Board after prior approval has been obtained from Bank Negara Malaysia.

During the financial period ended 30 June 2007, six Board Meetings were held and the attendance of the Directors was as follows:-

Directors	Attendance
Ms Yvonne Chia (Non-Independent Non-Executive Director) (First Director - Appointed on 19 June 2006)	6/6
Mr David John Doree Vicary (Daud Abdullah) (Non-Independent Non-Executive Director) (First Director - Appointed on 19 June 2006 and resigned on 2 June 2007)	5/5
YBhg Tan Sri A. Razak bin Ramli (Independent Non-Executive Director) (Appointed on 21 November 2006)	4/4
Mr Jun Hemmi (Non-Independent Non-Executive Director) (Appointed on 21 November 2006)	4/4
Encik Mustapha bin Hamat (Independent Non-Executive Director) (Appointed on 21 November 2006)	4/4
Mr Low Teik Leong (Non-Independent Non-Executive Director) (Appointed on 21 November 2006 and resigned on 1 July 2007)	5/5
Syed Zaid bin Syed Jaffar Albar (Chairman) (Independent Non-Executive Director) (Appointed on 3 January 2007)	3/3

Chief Executive Officer

The Chief Executive Officer (non-director) of the Company is En Ezamshah bin Ismail.

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DIRECTORS' REPORT

CORPORATE GOVERNANCE (Continued)

Board of Directors/Chief Executive Officer (Continued)

Supply of Information

Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and management's proposal which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the Internal Auditors.

Re-election

At the first annual general meeting, all the Directors are required to submit themselves for re-election. Subsequently, all Directors are required to submit themselves for re-election every three years.

Appointment to the Board and Remuneration of Directors

The Nomination Committee and Remuneration Committee are in the process of being set-up. Accordingly, all new nominations received are assessed and approved by the entire Board. The fees for Directors are endorsed by the Board for tabling at the Annual General Meeting, where they are approved by the shareholders.

The Directors fees are set out in Note 14 to the financial statements.

Board Audit and Risk Management Committee ("BARMC")

The financial reporting and internal control system of the Company is overseen by the BARMC which was established on 25 April 2007. The members of the BARMC are as follows:

YBhg Tan Sri A. Razak bin Ramli (Chairman) (Appointed on 25 April 2007)	Independent Non-Executive Director
Syed Zaid bin Syed Jaffar Albar (Appointed on 25 April 2007)	Independent Non-Executive Director
Encik Daud Abdullah (Appointed on 25 April 2007 and resigned on 2 June 2007)	Non-Independent Non-Executive Director
Ms Yvonne Chia (Appointed on 2 June 2007)	Non-Independent Non-Executive Director

During the financial period ended 30 June 2007, one (1) BARMC meeting was held and attended by all members, except for Ms Yvonne Chia. Encik Daud Abdullah had resigned from the BARMC prior to the meeting.

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DIRECTORS' REPORT

CORPORATE GOVERNANCE (Continued)

Board Audit and Risk Management Committee ("BARMC") (Continued)

The primary functions and responsibilities of BARMC are set out in the terms of reference as follows:

1. To review the audit plan, audit charter and budget of the Internal Audit Department as well as the scope of internal audit procedures and to ensure that the Internal Audit Department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to achieve their audit objectives;
2. To review the overall internal management system, in particular, financial status of the Company, its internal controls in critical areas of operations, risks and implications of the internal audit findings and recommendations;
3. To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Chief Internal Auditor and senior officers of the internal audit functions;
4. To review with the external auditors, the scope of their audit and audit reports, including their findings, issues or reservations arising from the interim and financial audits and any action to be taken by management;
5. To consider the provision of non-audit services by the external auditors;
6. To review and assess the objectivity, performance and independence of the external auditors and to recommend the appointment or re-appointment of external auditors and to review and assess fees paid to the external auditors for their audit and non-audit services;
7. To review the Chairman's statement, corporate governance disclosures in the Directors' Report, interim financial reports and all representation letters by management in relation to the financial audit of the Company;
8. To review related party transactions and conflict of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity;
9. To ensure prompt publication of annual accounts of the Company. The Board is duty bound to ensure that accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with frequent reviews of the adequacy of provisions and to ensure supervisory issues raised by Bank Negara Malaysia are resolved in a timely manner;

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DIRECTORS' REPORT

CORPORATE GOVERNANCE (Continued)

Board Audit and Risk Management Committee ("BARMC") (Continued)

10. To report and recommend to the Board measures:
 - a) to identify all critical business risks faced by the Company;
 - b) to improve risk management strategies and policies proposed by management; and
 - c) to monitor and evaluate that risks have been managed effectively.
11. To review the implementation of the Risk Management Framework and risk management activities and reports; and
12. Other functions as may be determined by the Board.

Internal Audit

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

Corporate Independence

The Company has complied with BNM's Guidelines JPI/GPI 19 on Related Party Transactions. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 23 to the financial statements.

Financial Reporting

The Board is responsible for ensuring that the accounting records of the Company are properly maintained. Financial and management reports of the Company are reviewed at Board meetings.

Internal Controls and Operational Risk Management

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

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

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DIRECTORS' REPORT

CORPORATE GOVERNANCE (Continued)

Management Accountability

The Company operates in an organisational structure and control environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment.

Relationship with Auditors

External auditors are appointed based on the recommendation by the BARMC. The BARMC also determines the remuneration of external auditors. The external auditors meet with the BARMC to:-

- (a) Present the scope of audit before the commencement of audit; and
- (b) review the results of the financial period as well as the Internal Control letter after the conclusion of the audit.

HOLDING COMPANIES

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

OTHER STATUTORY INFORMATION REGARDING THE COMPANY

- (l) As at the end of the financial period
 - (a) Before the financial statements of the Company were made out, the Directors took reasonable steps:-
 - (i) to ascertain that there was adequate provision for incurred claims, including incurred but not reported claims ("IBNR");
 - (ii) to ascertain proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (iii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE COMPANY (Continued)

- (b) In the opinion of the Directors, the results of the operations of the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.
- (II) As at the end of the financial period to the date of this report
- (a) The Directors are not aware of any circumstances:-
 - (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements misleading; and
 - (iii) which had arisen which would render adherence to the existing method of valuation of assets and liabilities of the Company misleading or inappropriate.
 - (b) In the opinion of the Directors:-
 - (i) the results of the operations of the Company for the financial period ended 30 June 2007 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial period and the date of this report; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial period which will or may affect the ability of the Company to meet their obligations as and when they fall due (for the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contract of takaful underwritten in the ordinary course of business of the Company).
- (III) As at the date of this report
- (a) There are no charges on the assets of the Company which had arisen since the end of the financial period to secure the liabilities of any other person;
 - (b) There are no contingent liabilities which had arisen since the end of the financial period; and
 - (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

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DIRECTORS' REPORT

AUDITORS

The auditors, PriceWaterhouseCoopers, have indicated their willingness to continue in office.

Signed on behalf of the Board, in accordance with a resolution of the directors dated 26 July 2007.

Tan Sri A. Razak bin Ramli
Director

Yvonne Chia
Director

Kuala Lumpur

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
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**STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169 (15) OF THE COMPANIES ACT, 1965**

We, Tan Sri A. Razak bin Ramli and Yvonne Chia, being two of the directors of HONG LEONG TOKIO MARINE TAKAFUL BERHAD, state that, in the opinion of the directors, the financial statements set on pages 15 to 59 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2007 and of the results and cash flows of the Company for the financial period ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia for Entities Other than Private Entities.

On behalf of the Board,

Tan Sri A. Razak bin Ramli
Director

Yvonne Chia
Director

Kuala Lumpur
26 July 2007

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
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**STATUTORY DECLARATION PURSUANT TO
SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Ezamshah bin Ismail, the Officer primarily responsible for the financial management of HONG LEONG TOKIO MARINE TAKAFUL BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 15 to 59 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the above named Ezamshah)
bin Ismail at Kuala Lumpur in)
Wilayah Persekutuan on)
26 July 2007)
Before me,)

Ezamshah bin Ismail

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD
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REPORT OF THE SHARIAH ADVISORY COMMITTEE

In the name of Allah, The Beneficent, The Merciful.

To the Shareholders of Hong Leong Tokio Marine Takaful Berhad,

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial period ended 30 June 2007. We have also conducted our review to form an opinion as to whether the Company has complied with Shariah rules and principles and with the specific fatwas, rulings and guidelines issued by us.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion and report, based on our review of the operations of the Company.

We performed our review on the basis of information and explanations provided to us which are deemed essential together with sufficient evidence to give reasonable assurance that the Company has not violated Shariah rules and principles.

In our opinion:

- a) the contracts, transactions and dealings entered into by the Company during the financial period ended 30 June 2007 that we have reviewed are in compliance with the Shariah rules and principles;
- b) the main sources and investments of the Company disclosed to us conform to the basis that had been approved by us in accordance with Shariah rules and principles;

We beg Allah the Almighty to grant us all the success and straight-forwardness.

**Assoc. Prof. Dr. Ab.
Mumin Ab. Ghani**
Chairman
Shariah Advisory
Committee

**Dr Uzaimah
Ibrahim**
Member
Shariah Advisory
Committee

**Ustaz Muhamad
Rahimi Osman**
Member
Shariah Advisory
Committee

Kuala Lumpur
26 July 2007

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**AUDITORS' REPORT TO THE MEMBERS OF
HONG LEONG TOKIO MARINE TAKAFUL BERHAD**

We have audited the financial statements set out on pages 15 to 59. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion,

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia for Entities Other than Private Entities, so as to give a true and fair value of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Company as at 30 June 2007 and of the results and cash flows for the financial period ended on that date.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PRICEWATERHOUSECOOPERS
(No. AF:1146)
Chartered Accountants

SRIDHARAN NAIR
(NO. 2656/05/08(J))
Partner of the firm

Kuala Lumpur
26 July 2007

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
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**BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 RM'000
ASSETS		
SHAREHOLDERS' FUND ASSETS		
Property, plant and equipment	4	1,131
Intangible assets	5	1,652
Investments	6(a)	91,330
Receivables	7	1,101
Cash and bank balances		3,245
Total shareholders' fund assets		98,459
Total family takaful fund assets		6,443
Total general takaful fund assets		432
TOTAL ASSETS		105,334
LIABILITIES		
SHAREHOLDERS' FUND LIABILITIES		
Payables	8	778
Due to related companies	23	364
Deferred Wakalah income		-*
Total shareholders' fund liabilities		1,142
Total family takaful fund liabilities		1,067
Total general takaful fund liabilities		300
		2,509
Family takaful fund	17	5,375
General takaful fund		(29)
Unearned contribution reserves		161
TOTAL LIABILITIES		8,017
SHAREHOLDERS' EQUITY		
Share capital	9	100,000
Accumulated losses		(2,683)
TOTAL SHAREHOLDERS' EQUITY		97,317
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		105,334

-* Denotes RM249

The accompanying notes form an integral part of the financial statements

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
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INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007

	Note	Financial period from 19 June 2006 (date of incorporation) to 30 June 2007
		RM'000
Operating revenue	10	<u>7,889</u>
Share of investment profit from:		
Family takaful		1
General takaful		1
Wakalah fee	11	277
Investment income	12	1,637
Other operating expenses - net	13	(7)
Management expenses	14	(4,510)
Commission paid		<u>(82)</u>
Loss before zakat and taxation		(2,683)
Zakat		-
Taxation		-
Net loss for the financial period		<u>(2,683)</u>

The accompanying notes form an integral part of the financial statements

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**GENERAL TAKAFUL BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 RM'000
ASSETS		
Investments	6(b)	300
Receivables	7	16
Cash and bank balances		116
TOTAL GENERAL TAKAFUL ASSETS		432
LIABILITIES		
Payables	8	270
Outstanding claim		30
TOTAL GENERAL TAKAFUL LIABILITIES		300
PARTICIPANTS' FUND		
General Takaful Fund	17	(29)
Unearned contribution reserves	18	161
		132
TOTAL GENERAL TAKAFUL LIABILITIES AND PARTICIPANTS' FUND		432

The accompanying notes form an integral part of the financial statements

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
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**GENERAL TAKAFUL REVENUE ACCOUNT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

		Financial period from 19 June 2006 (date of incorporation) to 30 June 2007
	Note	Fire RM'000
Gross contributions	10	240
Net contributions		240
Increase in unearned contribution reserves	18	(161)
Earned contributions		79
Net claims incurred	16	(31)
Wakalah fee	11	(84)
Underwriting deficit		(36)
Net Investment income	12	7
Profit before taxation		(29)
Taxation	15	-
Profit after taxation / General takaful fund at end of the financial period		(29)

The accompanying notes form an integral part of the financial statements

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
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**FAMILY TAKAFUL BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 RM'000
ASSETS		
Investments	6(c)	815
Receivables	7	505
Cash and bank balances		124
Investment-linked business assets	19	4,999
TOTAL FAMILY TAKAFUL FUND ASSETS		6,443
LIABILITIES		
Trade and other payables	8	727
Investment-linked business liabilities	19	340
TOTAL FAMILY TAKAFUL FUND LIABILITIES		1,067
PARTICIPANTS' FUND		
Family takaful fund	17	5,376
TOTAL FAMILY TAKAFUL FUND LIABILITIES AND PARTICIPANTS' FUND		6,443

The accompanying notes form an integral part of the financial statements

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
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**FAMILY TAKAFUL REVENUE ACCOUNT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

		Financial period from 19 June 2006 (date of incorporation) to 30 June 2007
	Note	RM'000
Gross contributions	10	5,994
Retakaful		(2)
Net contributions		<u>5,992</u>
Benefits paid and payable:		
Death		(102)
Wakalah fee *	11	(193)
Other operating expenses - net	13	(10)
Inward retakaful surplus sharing with ceding takaful operator		(312)
		<u>(515)</u>
Net investment income	12	8
Surplus before taxation		<u>5,383</u>
Taxation	15	(51)
Surplus after taxation before surplus from investment-linked business		<u>5,332</u>
Surplus after taxation from investment-linked business		3
Surplus after taxation		<u>5,335</u>
Increase in Qardhul Hassan loan		41
Family takaful fund at end of financial period	17	<u>5,376</u>

* Including deferred wakalah fee of RM238

The accompanying notes form an integral part of the financial statements

Company No.
738090-M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

		Issued and fully paid ordinary shares of RM1 each			
	Note	Number of shares	Nominal value RM'000	Accumulated losses RM'000	Total RM'000
At date of incorporation	9	-*	-**	-	-**
Issuance of shares		100,000	100,000	-	100,000
Net loss for the financial period				(2,683)	(2,683)
At 30 June 2007		100,000	100,000	(2,683)	97,317

-* Denotes 100

-** Denotes RM100

The accompanying notes form an integral part of the financial statements

Company No.
738090-M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

SHAREHOLDERS' FUND CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007

	Financial period from 19 June 2006 (date of incorporation) to 30 June 2007
CASH FLOW FROM OPERATING ACTIVITIES	RM'000
Net loss for the financial period	(2,683)
Adjustments for: -	
Depreciation of property, plant and equipment	158
Amortisation in intangible assets	188
Investment income	(1,655)
Allowance for diminution in value of investments	7
Increase in unearned contribution reserves	161
Increase in family takaful fund	5,376
Increase in general takaful fund	(29)
Taxation	(51)
Loss from operations before changes in operating assets and liabilities	1,472
Purchase of investments	(12,339)
Increase in deposit and money market placements with licensed banks	(84,915)
Increase in receivables	(370)
Increase in outstanding claims	30
Increase in payables	1,194
Increase in Qardhul Hassan	(41)
Increase in amount due to related companies	364
	(94,605)
Profit received from investments	1,344
Dividend received from investments	9
Tax paid	51
Net cash used in operating activities	(93,201)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of intangible assets	(1,840)
Purchase of property, plant and equipment	(1,289)
Net cash used in investing activities	(3,129)
CASH FLOW FROM FINANCING ACTIVITIES	
Issuance of ordinary shares	100,000
Net cash generated from financing activities	100,000
Net increase in cash and cash equivalents	3,670
Cash and cash equivalents at date of incorporation	-*
Cash and cash equivalents at end of the financial period	3,670
Cash and cash equivalents comprise:	
Shareholders' fund	3,245
Family fund	124
Investment-linked business	185
General fund	116
	3,670

-* Denotes 100

The accompanying notes form an integral part of the financial statements

Company No.
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HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 19 JUNE 2006
TO 30 JUNE 2007**

1. CORPORATE INFORMATION

The Company is engaged principally in the managing of family takaful including investment-linked business and all classes of general takaful business. The company commenced operation on 30 November 2006. There has been no significant change in the nature of this activity during the financial period.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur. The principal place of business of the Company is located at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 July 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

(a) Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies and comply with Financial Reporting Standards ("FRS"), which are MASB approved accounting standards in Malaysia for Entities Other than Private Entities, the provisions of the Companies Act, 1965, the Takaful Act, 1984, and relevant Guidelines and Circulars issued by Bank Negara Malaysia ("BNM") in all material aspects.

The preparation of financial statements in conformity with MASB approved accounting standards in Malaysia for Entities Other than Private Entities, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 19 JUNE 2006
TO 30 JUNE 2007**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Preparation (Continued)

Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

- (i) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted.

The new standards, amendments to published standards and interpretations that are mandatory for the Company's financial year beginning on 1 July 2007, but which the Company has not early adopted, are as follows:

FRS 117 - Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payments. The Company does not have any leasehold land, but will apply this standard from financial year beginning on 1 July 2007, if applicable.

FRS 124 - Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Company will apply this standard from financial year beginning on 1 July 2007.

Amendment to FRS 119 (2004) Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for financial year beginning on 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Company does not have any multi-employer plans, but will apply amendments if applicable from financial year beginning on 1 July 2007.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 19 JUNE 2006
TO 30 JUNE 2007**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Preparation (Continued)

- (ii) Standards that are approved and issued by MASB but the effective date has yet to be determined

FRS 139 – Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Company will apply this standard when effective.

- (iii) Standards that are not yet effective and not relevant for the Company's operations

FRS 6 – Exploration for and Evaluation of Mineral Resources (effective for financial year beginning on 1 January 2007). FRS 6 is not relevant to the Company's operations as the Company does not carry out exploration for and evaluation of mineral resources.

(b) Property, Plant and Equipment

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

Subsequent expenditure are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Repairs and maintenance costs are charged to the income statement and/or revenue accounts during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Furniture & fittings, office equipment and renovations	5 years
Computer and peripherals	5 years
Motor vehicles	4 years

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 19 JUNE 2006
TO 30 JUNE 2007**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Property, Plant and Equipment (Continued)

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

At each balance sheet date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2 (e) on impairment of assets.

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

(c) Intangible Assets - Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 5 years.

(d) Investments

Islamic corporate debentures

Islamic corporate debentures which are secured or which carry a minimum rating of "BBB" or "P3" are stated at cost adjusted for amortisation of premiums or accretion of discounts, calculated on a constant yield basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statement and/or revenue accounts.

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**NOTES TO THE FINANCIAL STATEMENTS
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TO 30 JUNE 2007**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments (Continued)

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 in value of a particular investment is not regarded as temporary, allowance is made against the value of that investment. Market value is determined by reference to the stock exchange closing price at the balance sheet date.

Unquoted investments

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

Investment-linked business

Investments of investment-linked business are stated at closing market prices. Any increase or decrease in value of these investments is recognised in the investment-linked business revenue account.

(e) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. Impairment is measured by comparing carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows.

An impairment loss is recognised as an expense in the income statement and/or revenue accounts immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. A reversal of such impairment loss is recognised as an income in the income statement and/or revenue accounts.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Trade Receivables

Trade receivables are carried at invoiced amount less an allowance for bad debts.

Known bad debts are written off and specific provisions are made for any contributions including agents' or retakaful balances which remain outstanding for more than six months from the date on which they become receivable and for all debts which are considered doubtful.

(g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances excluding deposits in Islamic investment accounts, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Payables

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

(i) Taxation

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

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

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Advisory Committee. Zakat provision is calculated based on 2.5% of the profit before zakat and taxation of the Company for the financial period.

(k) Management Expenses, Commission Expenses and Wakalah Fee

Acquisition costs, commissions and management expenses are borne by the family takaful and general takaful funds respectively in the revenue accounts at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by the Company's Shariah Advisory Committee and agreed between the participants and the Company. These expenses are transferred to the shareholders' fund via upfront wakalah fee and deferred wakalah fee.

Upfront wakalah fee is allocated to the shareholders' fund and recognised as income upon issuance of certificates.

Deferred wakalah fee is allocated to the shareholders' fund upon monthly allocation of tabarru'/donation from the participants' fund to the risk fund and is deferred as a liability under "deferred wakalah fee reserve". Deferred wakalah fee is recognised as income in the shareholders' fund based on the recommendation by the appointed actuary when the risk fund is in a surplus position after an annual actuarial valuation of the risk fund at the end of the financial period.

In the event that the risk fund is in a deficit position, the deficit in the risk fund will be made good by the "deferred wakalah fee reserve" before the shareholders' fund via a benevolent loan or Qardhul Hassan.

(l) Employee Benefits

Short term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits, which are short-term employee benefits, are accrued in the financial period in which the associated services are rendered by employees of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee Benefits (Continued)

Post employment benefits

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

(m) Family Takaful Fund

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the Company.

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a benevolent loan or Qardhul Hassan.

Contribution Income

Contributions are recognised as soon as the amount of contributions can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward retakaful contributions are recognised in the same accounting period as the original certificates to which the retakaful relates.

Contribution of investment-linked business is in respect of the net creation of units which represents contribution paid by participants as payment for new certificates or subsequent payments to increase the amount of their certificate. Net creation of units is recognised on a receipt basis.

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Family Takaful Fund (Continued)

Provision for Claims

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

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

Claims and provision for claims arising on family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose the benefits payable under a family takaful certificate are recognised as follows:

- (i) Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) Death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the participant or occurrence of contingency covered.

The benefits payable under investment-linked business are in respect of net creation of units and are recognised as surrenders.

(n) General Takaful Fund

The general takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and consists of unearned contribution reserves, and accumulated surplus attributable to participants which represents the participants' share in the net surplus of the general takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the Company. The general takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions and claims incurred. Any deficit in the participants' special account will be made good by the shareholders' fund via a benevolent loan or Qardhul Hassan.

The general takaful results are determined for each class of business after taking into account retakaful, wakalah fee, unearned contribution and claim incurred.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 19 JUNE 2006
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) General Takaful Fund (Continued)

Contribution Income

Contributions are recognised in a financial period in respect of risks assumed during that particular financial period. Contributions from direct business are recognised during the financial period upon the issuance of debit notes.

Unearned Contribution Reserves

Unearned contribution reserves ("UCR") represent the portion of net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial period. In determining the UCR at balance sheet date, the method that most accurately reflects the actual unearned contributions is used as follows:

- (i) 1/365th method for all classes of general takaful business within Malaysia, reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by Bank Negara Malaysia.
- (ii) Time apportionment method for non-annual certificates and first year annual certificate with certificate cover period of more than one year, reduced by the percentage of accounted gross direct business commissions to the corresponding contribution, not exceeding the limits specified by BNM.

Provision for Outstanding Claims

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

Provision is also made for the cost of claims, together with related expenses incurred but not reported ("IBNR") at the balance sheet date, based on an actuarial valuation by a qualified actuary.

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Other Revenue Recognition

Profits including the amount of amortisation of premium and accretion of discounts is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

Gains or losses arising on disposal of investments are credited or charged to the income statement and/or revenue accounts.

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

Investment profit of family takaful and general takaful funds are shared by the participants and the shareholders' fund at an agreed percentage, in accordance with the principles of Mudharabah basis as approved by the Company's Shariah Advisory Committee and agreed between the participants and the Company.

(p) Foreign Currencies

(i) Functional and presentation currencies

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

(ii) Transactions and balances

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

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Contingent Liabilities and Contingent Assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(r) Financial Instruments

Description

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

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

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

Recognition

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

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial Instruments (Continued)

Fair value estimation for disclosure purpose

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

- The fair values of quoted equity are based on quoted market prices;
- The fair values of unquoted Islamic corporate debentures are based on the indicative market yield obtained from fund managers; and
- The carrying values for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Provision for incurred but not reported ("IBNR") claims

For the financial period ended 30 June 2007, the IBNR estimates have been computed by a qualified actuary, Mercer Zainal Consulting Sdn Bhd ("MERCER"). Different methods can be used to analyse past data and project past patterns into the future, however the choice of method is constrained by the fact that the Company only has one year of operations. MERCER has considered the Ultimate Loss Ratio ("ULR") for the IBNR estimates. The method requires a selected ULR to be applied to net earned contribution in order to project the amount of ultimate claims incurred for each loss year, then subtract claims incurred for known claims from the projected ultimate claims incurred for each loss year in order to estimate the amount of claims to be incurred for IBNR claims.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Provision for incurred but not reported (“IBNR”) claims (Continued)

Assumptions regarding the ULR vary by class of business and take into account the following:

- (i) The Company’s claims incurred development to date;
- (ii) Net contribution remaining after deducting wakalah fee; and
- (iii) The industry loss experience.

Actuarial liabilities for family takaful fund

For family takaful plans, the actuarial liabilities are determined by the Company’s Appointed Actuary and were set up based on the unearned contribution reserve basis in which the proportion is equivalent to the ratio of the period from the valuation date to the period of next Tabarru’ dripping period and the period of cover provided by risk charges recognised.

The following methodology is used in determining the unearned contribution reserve:

For long term liabilities, which currently consist of Mortgage Reducing Term Takaful policies, the cash flow reserves are set up for mortality benefits on a best estimate basis, which results in reserves being equal to a proportion of the risk charges, for unexpired risk or unearned contribution. Cash flow reserves for future expenses are not set up as management expenses and commissions are paid from the shareholders’ fund.

Critical judgments in applying the Company’s accounting policies:

In determining and applying accounting policies, judgments are often required in respect of items where choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgment to be exercised.

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4. PROPERTY, PLANT AND EQUIPMENT

Shareholders' fund

Cost	Furniture & Fittings, Office Equipment and Renovations RM'000	Computer and Peripherals RM'000	Motor Vehicles RM'000	Total RM'000
At date of incorporation	-	-	-	-
Additions	563	405	321	1,289
At 30 June 2007	<u>563</u>	<u>405</u>	<u>321</u>	<u>1,289</u>
Accumulated Depreciation				
At date of incorporation	-	-	-	-
Charge for the financial period	102	34	22	158
At 30 June 2007	<u>102</u>	<u>34</u>	<u>22</u>	<u>158</u>
Net Book Value				
At 30 June 2007	<u>461</u>	<u>371</u>	<u>299</u>	<u>1,131</u>

5. INTANGIBLE ASSETS

Shareholders' fund

Cost	Computer Software RM'000
At date of incorporation	-
Additions	1,840
At 30 June 2007	<u>1,840</u>
Accumulated Amortisation	
At date of incorporation	-
Charge for the financial period	188
At 30 June 2007	<u>188</u>
Net Book Value	
At 30 June 2007	<u>1,652</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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6. INVESTMENTS

(a) Shareholders' fund

2007	Carrying Value RM'000	Market Value RM'000
Quoted in Malaysia:		
Equity securities of corporations, at cost	266	
Allowance for diminution in value	(7)	
	<u>259</u>	<u>259</u>
Unquoted: Islamic corporate debentures, at cost		
Government Guaranteed	5,000	
Islamic Debt Securities	3,072	
Amortisation of premium	(1)	
	<u>8,071</u>	
Unit-linked funds (seed money), at cost	4,000	
	<u>4,000</u>	
Deposit and money market placements with licensed banks	79,000	
Total investments	<u>91,330</u>	

(b) General takaful

2007	Carrying Value RM'000
Deposit and money market placements with licensed banks	<u>300</u>

(c) Family takaful

2007	Carrying Value RM'000
Deposit and money market placements with licensed banks	<u>815</u>

(d) Investment-linked

2007	Carrying Value RM'000
Deposit and money market placements with licensed banks	<u>4,800</u>

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6. INVESTMENTS (Continued)

The maturity structure of Islamic corporate debentures, deposit and money market placements above is as follows:

	Less than 1 year RM'000	1 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2007					
Shareholders' fund					
Islamic corporate debentures	-	-	2,000	6,071	8,071
Deposits and money market placements	79,000	-	-	-	79,000
	Less than 1 year RM'000	1 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2007					
General takaful fund					
Deposits and money market placements	300	-	-	-	300
Family takaful fund					
Deposits and money market placements	815	-	-	-	815
Investment-linked fund					
Deposits and money market placements	4,800	-	-	-	4,800

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7. RECEIVABLES

2007	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Trade receivables:			
Outstanding contributions	-	9	31
Due from retakaful operator	-	-	467
	<u>-</u>	<u>9</u>	<u>498</u>
Other receivables:			
Amount due from general fund	270	-	-
Amount due from family fund	305	-	-
Amount due from investment- linked fund	34	-	-
Profits receivable	289	7	7
Qardhul Hassan loan	41	-	-
Other debtors, deposits and prepayments	162	-	-
	<u>1,101</u>	<u>7</u>	<u>7</u>
	<u>1,101</u>	<u>16</u>	<u>505</u>

Qardhul Hassan represents a benevolent loan to the family fund to make good the actuarial deficit in the fund. The amount is unsecured, not subject to any profit element and has no fixed term of repayment.

Amount due from takaful funds is unsecured, not subject to any profit elements and has no fixed term of repayment.

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8. PAYABLES

2007	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Trade payables:			
Amount due to retakaful operator	-	-	2
Amount due to participants	-	-	15
	<u>-</u>	<u>-</u>	<u>17</u>
Other payables:			
Contribution deposits	-	-	93
Surplus sharing reserves	-	-	312
Amount due to Shareholders' fund	-	270	305
Sundry payables and accruals	778	-	-
	<u>778</u>	<u>270</u>	<u>710</u>
	<u>778</u>	<u>270</u>	<u>727</u>

Amount due to Shareholders' fund include a transfer of funds from the shareholders' fund to the family fund under the Qardhul Hassan principle as disclosed in Note 2(m). The amount was transferred to the family fund subsequent to the financial period end. All amounts due to shareholders fund are unsecured, not subject to any profit elements and have no fixed term of repayment.

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9. SHARE CAPITAL

	Shareholders' Fund 2007 RM'000
Authorised	
At date of incorporation	1,000,000
Issued and fully paid :	
At date of incorporation	_**
Issued on 16 October 2006:	<u>100,000</u>
At end of the financial year	<u>100,000</u>
-** Denotes RM100	

The authorised share capital of the Company is RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each. As at 30 June 2007, the issued and paid-up share capital of the company is RM100,000,000 divided into 100,000,000 ordinary shares of RM1.00 each.

The ordinary shares of RM1.00 each were issued and fully paid for cash at par as follows:-

Date	No. of shares
19 June 2006	100
16 October 2006	<u>99,999,900</u>
	<u>100,000,000</u>

The 100 ordinary shares of RM1.00 each were subscribers' shares. On 16 October 2006, 99,999,900 ordinary shares of RM1.00 were issued and allotted for cash at par for working capital purpose and the shares rank pari passu in all respects with the existing ordinary shares of the Company.

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10. OPERATING REVENUE

	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
2007				
Gross contributions	-	240	5,994	6,234
Investment income	<u>1,637</u>	<u>7</u>	<u>11</u>	<u>1,655</u>
	<u>1,637</u>	<u>247</u>	<u>6,005</u>	<u>7,889</u>

Investment income of Family takaful fund includes investment income of investment-linked fund of RM3,000.

11. WAKALAH FEES

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
2007			
Net commission expenses	36	54	90
Management expenses	<u>48</u>	<u>139</u>	<u>187</u>
	<u>84</u>	<u>193</u>	<u>277</u>

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12. INVESTMENT INCOME

2007	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Gross dividends from equity securities of companies:			
Quoted in Malaysia	9	-	-
Profits from:			
- Islamic corporate Debentures	30	-	-
- Deposits and money market placements	1,599	8	9
Amortisation of premium	(1)	-	-
Less :			
Share of investment profit with shareholders' fund	-	(1)	(1)
	<u>1,637</u>	<u>7</u>	<u>8</u>

13. OTHER OPERATING EXPENSES - NET

2007	Shareholders' fund RM'000	Family takaful fund RM'000
Allowance for diminution in value	7	-
Others	-	10
	<u>7</u>	<u>10</u>

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14. MANAGEMENT EXPENSES

2007	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Staff costs:			
Salary and bonus	1,030	1,030	2,060
Social security costs	6	6	12
Employees' Provident Fund	107	107	214
Other staff related expenses	40	40	80
Directors' fees	42	42	84
Shariah committee remuneration and other expenses	30	30	60
Depreciation of property, plant and equipment	79	79	158
Amortisation of intangible assets	94	94	188
Auditors' remuneration			
Statutory audit	10	10	20
Tax consultation	8	8	16
Rental of properties	113	113	226
Foreign exchange loss	6	6	12
Other expenses	690	690	1,380
Total	2,255	2,255	4,510

Management expenses of general takaful fund and family takaful fund are transferred to the shareholders' fund under the principles of Wakalah as disclosed in Note 2 (k).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer ("CEO") of the Company during the financial period amounted to RM482,113.

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15. TAXATION

2007	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Current tax:			
Malaysian tax	-	-	-
Foreign tax	-	-	51
	<hr/>	<hr/>	<hr/>

The taxation charge of the family takaful fund and general takaful fund is based on the method prescribed under the Income Tax Act, 1967. The taxation charge in the income statement of the Company relates to income attributable to shareholders' fund.

The numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate:

	2007 RM'000
Loss before taxation	<hr/> (2,683)
Taxation at Malaysia statutory tax rate of 27%	(724)
Tax effects of expenses not deductible for tax purposes	225
Unrecognised tax losses	499
	<hr/> -

The amount of deductible temporary differences, unused tax losses for which no deferred tax asset is recognised in the balance sheet is as follows:

	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Deductible temporary differences	-	26	1,347
Tax losses	1,846	-	-
	<hr/> 1,846	<hr/> 26	<hr/> 1,347

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16. NET CLAIMS INCURRED

General takaful fund	Fire
2007	RM'000
Gross claims paid less salvage	1
Net claims paid	1
Net outstanding claims:	
At end of the financial period	30
Net claims incurred	31

17. TAKAFUL FUND

2007	Family takaful fund RM'000	General takaful fund RM'000
Liabilities to participants		
Participants' Account (PA):		
At date of incorporation	-	-
Add: Increase in PA	4,845	(35)
At end of the financial period	4,845	(35)
Participants' Special Account (PSA):		
At date of incorporation	-	-
Add: Increase in PSA	531	6
At end of the financial period	531	6
Liabilities to participants at end of the financial period	5,376	(29)
Unallocated surplus:		
At date of incorporation	-	-
Surplus after taxation	5,335	(29)
Increase in Qardhul Hassan loan	41	-
Increase in liabilities to participants	(5,376)	-
Unallocated surplus carried forward	-	(29)
Family takaful fund at end of financial period:		
Liabilities to participants	5,376	-
Unallocated surplus	-	(29)
	5,376	(29)

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18. UNEARNED CONTRIBUTION RESERVES

2007	Fire RM'000
At date of incorporation	-
Increase in unearned contribution reserves	161
At end of the financial period	<u>161</u>

19. INVESTMENT-LINKED BUSINESS

A. BALANCE SHEET AS AT 30 JUNE 2007

	2007 RM'000
ASSETS	
Investments (Note 6(d))	4,800
Receivables	14
Cash and bank balances	185
Investment-linked business assets	<u>4,999</u>
LIABILITIES	
Payables	306
Amount due to shareholders' fund	34
Investment-linked business liabilities	<u>340</u>
Net Asset Value of Funds	<u>4,659</u>

B. INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007

	2007 RM'000
Investment income	3
Surplus before taxation	<u>3</u>
Taxation	-
Surplus for the year after taxation	<u>3</u>

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20. SEGMENTAL INFORMATION ON CASH FLOW

2007	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Investment- linked business RM'000	Total RM'000
Cash flows from:					
Operating activities	(93,626)	116	124	185	(93,201)
Investing activities	(3,129)	-	-	-	(3,129)
Financing activities	100,000	-	-	-	100,000
	<u>3,245</u>	<u>116</u>	<u>124</u>	<u>185</u>	<u>3,670</u>
Net increase / (decrease) in cash and cash equivalents					
	(96,755)	116	124	185	(96,330)
Cash and cash equivalents:					
At date of incorporation	-**	-	-	-	-**
Issued on 16 October 2006:	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
At end of the financial period	<u>3,245</u>	<u>116</u>	<u>124</u>	<u>185</u>	<u>3,670</u>

-** Denotes RM100

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21. CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	2007 RM'000
<u>Property, plant and equipment</u> Authorised by the Directors and contracted	<u>1,205</u>

22. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	Future minimum lease RM'000
2007	
Not later than 1 year	300
Later than 1 year and not later than 5 years	<u>350</u>
	<u>650</u>

23. RELATED PARTY TRANSACTIONS

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

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Bank Berhad	Immediate holding company
Tokio Marine & Nichido Fire Insurance Co. Limited	Substantial Shareholder of the Company
Hong Leong Assurance Berhad	Subsidiary of ultimate holding company
Hong Leong Islamic Bank Berhad	Subsidiary of immediate holding company

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23. RELATED PARTY TRANSACTIONS (Continued)

The Directors are of the opinion that related party transactions were entered into in the normal course of business and have been established on terms and conditions that are no more favourable than those obtainable in similar transactions with unrelated parties unless otherwise stated.

Significant related party transactions with related parties during the financial period are as follows:

	Financial period from 19 June 2006 (date of incorporation) to 30 June 2007 RM'000
Transactions with ultimate holding company:	
Other expenses	<u>(3)</u>
Transactions with companies within the Hong Leong Company (Malaysia) Berhad:	
Commission expenses	(81)
Profits from Islamic deposits and money market placements	1,625
Office rental expenses	(226)
Shared services fee	(297)
Other expenses	<u>(7)</u>
Transactions with companies within the Tokio Marine & Nichido Fire Insurance Co. Limited:	
Shared services fee	<u>(42)</u>

Companies within the Hong Leong Company (Malaysia) Berhad Group include Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad and Hong Leong Assurance Berhad where there were related parties transactions.

Companies within the Tokio Marine & Nichido Fire Insurance Co. Limited, include Tokio Marine Asia Ltd where there were related parties transactions.

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23. RELATED PARTY TRANSACTIONS (Continued)

Included in the balance sheet of the Company are significant related party balances represented by the following:

	2007 RM'000
Amount due from/(to) other related companies within the Hong Leong Company (Malaysia) Berhad:	
Bank balances	3,633
Islamic deposits and money market placements	79,515
Profits receivables	246
Amount due to related companies	<u>(364)</u>
Transactions with companies within the Tokio Marine & Nichido Fire Insurance Co. Limited:	
Amount due to related companies	<u>(42)</u>

Amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

24. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has to comply with the Takaful Act, 1984, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company's investment policy rests with the Board of Directors ("the Board"). The Board exercises oversight on investments to safeguard the interests of the stakeholders.

The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board. The IC oversees the formulation of investment, risk strategy and asset allocation to determine the optimum risk and return profile.

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

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24. FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The relevant risks affecting the Company are:

(1) Takaful risks

The core activities of the Company are the provision of financial advisory services coupled with Takaful protection against such risks such as mortality, morbidity, disability, critical illness, medical health and personal accident. The mortality and morbidity risks are managed through various risk mitigation measures as well as appropriate actuarial techniques. New risks are carefully assessed before the formation of Takaful contracts.

(2) Investment and pricing risks

The appropriate asset/liability match is derived through formulation of appropriate investment strategy, assets mix and pricing/re-pricing of products. Pricing risks pertaining to the risk of Takaful contribution being paid are generally inadequate to meet the obligations of the certificate benefits and general cost of carrying on the business. Such a situation may arise when there is an increase in operating costs, unfavourable change in the mortality and/or morbidity experience and major fluctuation in expected long term investment return.

Generally, products are developed and priced after considerable market research to minimise risks associated with the above factors.

There is also regular reporting to the IC on compliance with established financial risk limits.

(3) Profit rate risks

The Company's core Takaful and investment activities are inherently exposed to profit rate risks which arise principally from differences in maturities or re-pricing of the invested assets and also long-term participants' liabilities. In dealing with the risk, the Company adopts an approach of focusing on achieving a desired overall profit rate profile, which may change over time, based on management's long term view of profit rates and economic conditions.

(4) Equity price risks

The Company monitors its equity price through regular stress testing and constant market supervision of the equity price.

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24. FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(5) Credit risks

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations. The Company implements a strict credit control policy to minimise credit risks.

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

	Shareholders' fund RM'000
2007	
Islamic corporate debentures	
Plantation	1,000
Finance	1,000
Utilities	1,071
Other government guaranteed financing low risk assets	<u>5,000</u>
	<u>8,071</u>

Rating of the Islamic Corporate debentures and bonds and other government guaranteed low-risk asset securities on carrying value basis are as follows:-

	Shareholders' fund RM'000
2007	
AA	2,071
A	1,000
Other government guaranteed financing low risk assets	<u>5,000</u>
	<u>8,071</u>

(6) Liquidity risks

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Finance Department manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times.

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24. FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(7) Business and operational risks

Operational risks include legal, political, regulatory, market conduct, competition, tax, environmental and business continuity risks. The Group Internal Auditor reviews the effectiveness of the internal controls and reports to the BARMC on a regular basis.

(8) Market risk

Equity risk

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

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24. FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(8) Market risk (Continued)

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

Shareholders' fund 2007	Non-Profit Bearing	Profit-bearing maturity period			Total Carrying Value	Average Effective Profit rate
		1 Year or less	1 to 5 Years	> 5 Years		
Assets						
Investments:						
- Islamic corporate debenture	-	-	2,000	6,071	8,071	4.24%
- Deposit and money market placement	-	79,000	-	-	79,000	-
- Equity securities of companies	259	-	-	-	259	-
- Unit-linked funds (seed money)	4,000	-	-	-	4,000	-
Cash and bank balances	3,245	-	-	-	3,245	
Other Receivables	1,015	-	-	-	1,015	
Financial assets	<u>8,519</u>	<u>79,000</u>	<u>2,000</u>	<u>6,071</u>	<u>95,590</u>	
Non-financial assets					<u>2,869</u>	
Total assets					<u>98,459</u>	
Liabilities						
Other payables					778	
Due to related companies					<u>364</u>	
Financial liabilities					<u>1,142</u>	
Non-financial liabilities					<u>97,317</u>	
Total liabilities					<u>98,459</u>	

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24. FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(8) Market risk (Continued)

General takaful fund

2007	Non- Profit Bearing	Profit-bearing maturity period			Total Carrying Value	Average Effective Profit rate
		1 Year or less	1 to 5 Years	> 5 Years		
Assets						
Deposit and money market placement	-	300	-	-	300	-
Cash and bank balances	116	-	-	-	116	
Receivables	7	-	-	-	7	
Financial assets	123	300	-	-	423	
Other financial assets*					9	
Total assets					432	
Liabilities						
Payables	270	-	-	-	270	
Financial liabilities	270	-	-	-	270	
Other financial liabilities*					30	
Non-financial liabilities					132	
Total liabilities					432	

* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under takaful contracts is not shown as it is excluded from the scope of FRS132 – Financial Instruments: Disclosure and Presentation.

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24. FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(8) Market risk (Continued)

Family takaful fund (including investment-linked fund)

	Non- Profit Bearing	Profit-bearing maturity period			Total Carrying Value	Average Effective Profit rate
		1 Year or less	1 to 5 Years	> 5 Years		
2007						
Assets						
Deposit and money market placement	-	5,615	-	-	5,615	-
Cash and bank balances	309	-	-	-	309	
Receivables	11	-	-	-	11	
Financial assets	<u>320</u>	<u>5,615</u>	<u>-</u>	<u>-</u>	<u>5,935</u>	
Other financial assets*					<u>508</u>	
Total assets					<u>6,443</u>	
Liabilities						
Payables	<u>235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235</u>	
Financial liabilities	235	-	-	-	235	
Other financial liabilities*					399	
Non-financial liabilities					<u>5,809</u>	
Total liabilities					<u>6,443</u>	

* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under takaful contracts is not shown as it is excluded from the scope of FRS132 – Financial Instruments: Disclosure and Presentation.

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25. FAIR VALUES

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

- (i) Fair values of quoted investments are based on quoted market price;
- (ii) Fair values of unquoted Islamic corporate debentures are based on the indicative market prices quoted by at least two licensed financial institutions.
- (iii) The carrying value for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

The carrying values of financial assets and liabilities of the company as at 30 June 2007 approximate their fair values, except for the following:

	Carrying values 2007 RM'000	Fair values 2007 RM'000
Investments:		
Islamic corporate debentures	8,071	8,054

The carrying value of investments in Islamic corporate debentures at the balance sheet has not been written down to their fair value as the Directors are of the opinion that these investments will be held for long term purpose.

26. COMPARATIVES

There are no comparative figures as this is the Company's first set of statutory financial statements.