

MUI CONTINENTAL INSURANCE BERHAD

(Company No. 29123-D)
(Incorporated in Malaysia)

Financial statements - 31 December 2007
Together with Reports of the Directors and Auditors
(In Ringgit Malaysia)

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Reports and financial statements for the year ended 31 December 2007

CONTENTS	PAGE
Directors' report	1 - 9
Statement by Directors	10
Statutory declaration	10
Report of the auditors	11
Group balance sheet	12
Group income statement	13
Group statement of changes in equity	14
Group cash flow statement	15 - 16
Balance sheet	17
Income statement	18
Statement of changes in equity	19
General insurance revenue account	20 - 21
Cash flow statement	22 - 23
Notes to the financial statements	24 - 53

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Directors' reports

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

Principal activities

The Company is principally engaged in the general insurance business of all classes. There has been no change in the principal activity of the Company during the financial year. The principal activity of the subsidiary is disclosed in Note 5 to the financial statements. During the year, the subsidiary's principal activity has been changed from property investment to investment holding.

Results

	Group	Company RM
Profit for the financial year	<u>10,515,759</u>	<u>9,998,231</u>

Dividends

As proposed and included in the last year's report, a final dividend of 9% less tax amounting to RM6,571,544 for the financial year ended 31 December 2006 was paid on 27 June 2007.

The Board of Directors proposed a final dividend of 10% less 26% tax totaling RM7,401,739 in respect of the year ended 31 December 2007.

Reserves and provisions

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

Provision for outstanding claims

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

Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount 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.

Current assets

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business at their values as shown in the financial statements of the Company have been written down to an amount which they might be expected so to realise.

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

Valuation methods

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

Contingent and other liabilities

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

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

No contingent liability 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 in the opinion of the Directors will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

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

Company No. 29123-D

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature except for the writeback of provision for diminution in value of RM2,273,191 as disclosed in Note 20 to the financial statements.

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

Issue of shares

There were no changes in the issued and paid-up capital of the Company during the financial year.

Board of Directors

The Directors in office since the date of the last report and their attendance record for the seven Board meetings held during the year are as follows:-

<u>Director</u>	<u>No. of Board Meetings Attended</u>
Tan Sri Datuk Seri Abu Talib bin Othman (Chairman)	7/7
Tan Sri Dato' Khoo Kay Peng	7/7
Tan Sri Dato' Paduka Dr. Mazlan bin Ahmad	6/7
Dato' Tee Tiam Lee	6/7
Dato' Leong Kok Wah	5/7
Dr. Ngui Chon Hee	5/7
Tan Lian Tee	7/7
Lai Chee Leong	7/7
Chan Choung Yau (Appointed on 16 August 2007)	3/3
Khet Kok Yin (Resigned on 16 August 2007)	2/4

Dr. Ngui Chon Hee retires pursuant to Section 129(2) of the Companies Act, 1965 at the forthcoming Annual General Meeting and offers himself for re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

In accordance with Article 99 of the Company's Articles of Association, Chan Choung Yau retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 94 of the Company's Articles of Association, Tan Sri Dato' Khoo Kay Peng and Dato' Tee Tiam Lee retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Company No. 29123-D

Directors' interests in securities

The interests in the shares and/or securities of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares				Balance as at 31.12.2007
	Nominal value per share	Balance as at 1.1.2007	Bought	Sold	
Shareholdings in which Directors have direct interests					
Interest of Tan Sri Datuk Seri Abu Talib bin Othman in: Company	RM1.00	4,340,000	-	-	4,340,000
Interest of Dato' Tee Tiam Lee in: Company	RM1.00	20,004,700	-	-	20,004,700
Interest of Tan Sri Dato' Paduka Dr. Mazlan bin Ahmad in: Malayan United Industries Berhad ("MUI")	RM1.00	100,000	-	-	100,000
Interest of Dr. Ngui Chon Hee in: MUI Properties Berhad ("MPB")	RM0.20	30,000	-	-	30,000
Shareholdings in which Directors have deemed/indirect interest					
Deemed interest of Tan Sri Dato' Khoo Kay Peng in:					
Company	RM1.00	52,226,568	-	-	52,226,568
MUI	RM1.00	903,492,500	41,740,000	(40,500,000)	904,732,500
MPB	RM0.20	550,862,661	-	-	550,862,661
Pan Malaysia Corporation Berhad	RM0.50	428,544,500	-	-	428,544,500
Pan Malaysia Holdings Berhad	RM0.10	638,572,986	25,999,810	(25,999,810)	638,572,986
Metrojaya Berhad	RM1.00	113,751,983	3,691,650	-	117,443,633
Indirect interest of Dato' Leong Kok Wah in:					
Company	RM1.00	4,501,057	-	-	4,501,057
Indirect interest of Dr. Ngui Chon Hee in:					
MPB	RM0.20	84,000	-	-	84,000

Company No. 29123-D

Directors' interests in securities (continued)

	Nominal Value			Balance as at 31.12.2007 RM
	Balance as at 1.1.2007 RM	Bought RM	Sold RM	
Deemed interest of Tan Sri Dato' Khoo Kay Peng in:				
Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of MUI				
Class A1 ICULS	127,842,529	66,200,000	(27,302,612)	166,739,917
Class A2 ICULS	159,525,529	70,000,000	(27,302,612)	202,222,917
Direct interest of Dr. Ngui Chon Hee in:				
ICULS of MUI				
Class A1 ICULS	13,013	-	-	13,013
Class A2 ICULS	13,013	-	-	13,013
Indirect interest of Dr. Ngui Chon Hee in:				
ICULS of MUI				
Class A1 ICULS	36,436	-	-	36,436
Class A2 ICULS	36,436	-	-	36,436

By virtue of Tan Sri Dato' Khoo Kay Peng's deemed interest in MUI, he is deemed to have an interest in the shares of all other subsidiaries of MUI (including the Company and its subsidiary) to the extent that MUI has an interest.

Other than as disclosed above, none of the other Directors holding office at the end of the financial year held or dealt in the securities of the Company and its related corporations at any time during the financial year.

Directors' benefits

Since the end of the previous financial year, no Directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in 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 the Director is a member, or with a company in which the Director has a substantial financial interest except where certain Directors may benefit from transactions as disclosed in Note 25 to the financial statements.

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

Statement on corporate governance and internal controls

The Company is committed to uphold good corporate governance practices in conformity with the Bank Negara Malaysia (“BNM”) Guidelines JPI/GPI 25 : Prudential Framework of Corporate Governance for Insurers. Towards this end, the Company has generally complied with the prescriptive applications and adopted management practices which are consistent with the above guidelines.

The Board has established specialised Board Committees to assist it to effectively carry out its responsibilities and provide an oversight over the Company’s operations. These Board Committees, established on 25 June 2003, were namely, the Risk Management Committee, the Nomination Committee and the Remuneration Committee.

Risk Management Committee

The Risk Management Committee is responsible for overseeing the senior management’s activities in managing key risk areas of the Company and to ensure that the risk management process is functioning effectively by aligning it with accepted best practices.

Composition of the Risk Management Committee is as follows:

Tan Sri Datuk Seri Abu Talib bin Othman - Chairman
Independent Non-Executive Director

Dato’ Tee Tiam Lee
Non-Independent Non-Executive Director

Dr. Ngui Chon Hee
Non-Independent Non-Executive Director

Through its risk management framework and overall business strategies, the Company seeks to effectively manage the core risks which arise directly from its commercial activities in the ordinary course of business.

The Company’s risk management framework is guided by the following risk management practices:

- assigning various levels of approving authorities and adherence to strict controls such as segregation of duties, establishment of performance measurement and formulating a system of internal controls;
- abiding by all applicable laws, regulations and governance standards; and
- managing risks within quantifiable parameters, risk tolerance and control standards, whenever possible.

In addition to the above, the financial risk management objectives and policies are disclosed in Note 26 to the financial statements.

The Risk Management Committee provides an objective oversight of the above risk management functions.

During the financial year ended 31 December 2007, three (3) Risk Management Committee Meetings were held. Tan Sri Datuk Seri Abu Talib bin Othman and Dato’ Tee Tiam Lee attended all the 3 meetings, whereas Dr Ngui Chon Hee attended two (2) of them.

Statement on corporate governance and internal controls (continued)

Nomination Committee

The Nomination Committee is responsible for proposing new appointments of Directors, Board Committees and key senior officers, as well as developing an objective and transparent mechanism for the formal assessment of the effectiveness of the Board as a whole, the contribution of individual Directors and performance evaluation of key senior officers.

Composition of the Nomination Committee is as follows:

Tan Sri Datuk Seri Abu Talib bin Othman - Chairman
Independent Non-Executive Director

Tan Sri Dato' Khoo Kay Peng
Non-Independent Non-Executive Director

Dr. Ngui Chon Hee
Non-Independent Non-Executive Director

Tan Lian Tee
Non-Independent Non-Executive Director

Chan Choung Yau (appointed on 4 December 2007)
Non-Independent Non-Executive Director

Khet Kok Yin (resigned on 16 August 2007)
Non-Independent Non-Executive Director

During the financial year ended 31 December 2007, two (2) Nomination Committee Meetings were held. Tan Sri Datuk Seri Abu Talib bin Othman, Tan Sri Dato' Khoo Kay Peng, Dr Ngui Chon Hee and Ms Tan Lian Tee attended all the meetings, which were held before the appointment of Mr Chan Choung Yau.

During the year, the Committee carried out an assessment of the retiring Directors and duly recommended to the Board for their reappointments and the necessary applications to BNM.

Remuneration Committee

The Remuneration Committee is responsible for the development of relevant policies and framework for the remuneration of Directors, Chief Executive Officer and key senior officers as well as setting specific remuneration packages.

Composition of the Remuneration Committee is as follows:

Tan Sri Datuk Seri Abu Talib bin Othman - Chairman
Independent Non-Executive Director

Dato' Tee Tiam Lee
Non-Independent Non-Executive Director

Dr. Ngui Chon Hee
Non-Independent Non-Executive Director

Khet Kok Yin (resigned on 16 August 2007)
Non-Independent Non-Executive Director

Statement on corporate governance and internal controls (continued)

Remuneration Committee (continued)

During the financial year ended 31 December 2007, one (1) Remuneration Committee Meeting was held, which was attended by Tan Sri Datuk Seri Abu Talib bin Othman, Dato' Tee Tiam Lee and Dr Ngui Chon Hee.

Audit Committee

The Audit Committee's Terms of Reference are in compliance with JPI/GPI 13 : Guidelines on Audit Committee and Internal Audit Departments for Insurance Companies. It assists the Board in fulfilling the oversight of the Company's financial statements, financial reporting process, the system of internal audit process and also the Company's process for monitoring compliance with legal and regulatory requirements. The Audit Committee also reviews the performance of the internal auditor and evaluates the independence and objectivity of the external auditors including the yearly audit plan.

Composition of the Audit Committee is as follows:

Tan Sri Datuk Seri Abu Talib bin Othman - Chairman
Independent Non-Executive Director

Dato' Leong Kok Wah
Independent Non-Executive Director

Chan Choung Yau (appointed on 29 August 2007)
Non-Independent Non-Executive Director

Tan Sri Dato' Paduka Dr. Mazlan bin Ahmad (appointed on 26 February 2008)
Independent Non-Executive Director

Dr Ngui Chon Hee (resigned on 4 December 2007)
Non-Independent Non-Executive Director

During the financial year ended 31 December 2007, six (6) Audit Committee Meetings were held. Tan Sri Datuk Seri Abu Talib bin Othman attended all the meetings, whereas Dato' Leong Kok Wah attended five (5) of the meetings. Mr Chan Choung Yau attended all the two (2) meetings held since his appointment.

Holding and ultimate holding companies

The holding and ultimate holding companies are Novimax (M) Sdn. Bhd. and Malayan United Industries Berhad respectively, both companies incorporated in Malaysia.

Company No. 29123-D

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors.

.....
Tan Sri Datuk Seri Abu Talib bin Othman

.....
Chan Choung Yau

Kuala Lumpur
28 March 2008

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Datuk Seri Abu Talib bin Othman and Mr Chan Choung Yau, being two Directors of MUI Continental Insurance Berhad, do hereby state that, in the opinion of the Directors, the financial statements of the Group and of the Company set out on pages 12 to 53 are properly drawn up to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of their results and cash flows for the financial year then ended, and have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia.

On behalf of the Board

.....
Tan Sri Datuk Seri Abu Talib bin Othman

.....
Chan Choung Yau

Kuala Lumpur
28 March 2008

Statutory declaration Pursuant to Section 169(16) of the Companies Act, 1965

I, **Wong Kim Teck**, being the officer primarily responsible for the financial management of MUI Continental Insurance Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 53 are 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 at)
Kuala Lumpur this)
28 March 2008)

Wong Kim Teck

Before me:

Report of the auditors to the members of MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 12 to 53. 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 the 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 towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These 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 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company at 31 December 2007 and of their results and cash flows for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

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

We are satisfied that the financial statements of the subsidiary that are consolidated with the Company's financial statements 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.

Our report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

BDO Binder
AF : 0206
Chartered Accountants

Kuala Lumpur
28 March 2008

Ng Chee Hoong
2278/10/08 (J)
Partner

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Group balance sheet as at 31 December 2007

		Group	
	Note	2007 RM	2006 RM
Assets			
Property, plant and equipment	4	1,574,621	1,613,333
Goodwill		145,887	145,887
Investment properties	6	25,117,092	214,784
Other investments	7	199,913,989	187,767,809
Deferred tax asset	8	2,264,000	3,537,000
Receivables	9	38,411,191	34,326,449
Tax recoverable		880	8,842
Cash and cash equivalents	10	<u>35,350,363</u>	<u>26,372,150</u>
Total assets		<u><u>302,778,023</u></u>	<u><u>253,986,254</u></u>
Liabilities			
Provision for outstanding claims	11	64,064,947	53,328,169
Payables	12	72,401,975	44,562,513
Staff retirement gratuity	13	1,529,538	1,106,152
Taxation		<u>614,053</u>	<u>399,132</u>
Total liabilities		<u>138,610,513</u>	<u>99,395,966</u>
Insurance reserve			
Unearned premium reserve	14	<u>32,767,937</u>	<u>27,134,930</u>
Shareholders' equity:			
Share capital	15	100,023,500	100,023,500
Reserves	16	<u>31,376,073</u>	<u>27,431,858</u>
		<u>131,399,573</u>	<u>127,455,358</u>
Total liabilities and shareholders' equity		<u><u>302,778,023</u></u>	<u><u>253,986,254</u></u>

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

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Group income statement

For the financial year ended 31 December 2007

		Group	
	Note	2007 RM	2006 RM
Operating revenue	18	<u>173,502,292</u>	<u>137,272,562</u>
Shareholders' fund			
Investment income	19	1,292,306	1,169,543
Other operating income - net	20	487,237	117,922
Management expenses	24	<u>(22,166)</u>	<u>(7,285)</u>
		1,757,377	1,280,180
Transfer from insurance revenue account		<u>14,005,227</u>	<u>14,159,330</u>
Profit before tax		15,762,604	15,439,510
Tax expense	21	<u>(5,246,845)</u>	<u>(4,703,994)</u>
Profit for the year		<u>10,515,759</u>	<u>10,735,516</u>
Dividend per ordinary share - net (sen)	22	<u>7.40</u>	<u>6.57</u>

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

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Group statement of changes in equity For the financial year ended 31 December 2007

Group

	Share capital RM	Non <u>distributable</u> Share premium RM	<u>Distributable</u> Retained earnings RM	Total RM
Balance as at 31 December 2005	100,023,500	980,000	21,117,611	122,121,111
Profit for the financial year, representing total recognised income and expense for the year	-	-	10,735,516	10,735,516
Dividend paid (Note 22)	-	-	(5,401,269)	(5,401,269)
Balance as at 31 December 2006	100,023,500	980,000	26,451,858	127,455,358
Profit for the financial year, representing total recognised income and expense for the year	-	-	10,515,759	10,515,759
Dividend paid (Note 22)	-	-	(6,571,544)	(6,571,544)
Balance as at 31 December 2007	<u>100,023,500</u>	<u>980,000</u>	<u>30,396,073</u>	<u>131,399,573</u>

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

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Group cash flow statement

For the financial year ended 31 December 2007

	Group	
	2007 RM	2006 RM
Cash flows from operating activities		
Profit before tax	15,762,604	15,439,510
Adjustments for:		
Allowance for doubtful debts no longer required	(1,246,731)	-
Amortisation of premiums net of accretion of discounts of Malaysian Government Securities and Corporate Bonds	152,198	331,660
Bad debts written off	576,219	-
Depreciation and adjustment of property, plant and equipment	367,883	435,586
Gain on disposal of investments	(3,565,010)	(2,407,730)
Gain on disposal of property, plant and equipment	(980)	(18,971)
Increase in unearned premium reserve	5,633,007	428,682
Investment income	(9,309,467)	(7,234,938)
Property, plant and equipment written off	1,683	130,375
Provision for retirement gratuity	423,386	97,669
Write back of diminution in value of quoted investments	<u>(2,273,191)</u>	<u>(4,214,563)</u>
Profit from operations before changes in operating assets and liabilities	6,521,601	2,987,280
Increase in receivables	(3,414,230)	(2,893,971)
Increase in outstanding claims	10,736,778	4,079,273
Increase in payables	<u>27,896,554</u>	<u>10,897,713</u>
Cash generated from operations	41,740,703	15,070,295
Tax paid	(3,591,685)	(3,203,524)
Payment of retirement benefits	<u>-</u>	<u>(6,500)</u>
Net cash from operating activities	38,149,018	11,860,271

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Group cash flow statement

For the financial year ended 31 December 2007 (continued)

	Group	
	2007 RM	2006 RM
Cash flows from investing activities		
Purchase of investment	(17,515,036)	(26,096,064)
Proceeds from redemption and disposal of investments	20,212,095	36,730,536
Increase in fixed deposits	(9,592,452)	(9,721,528)
Purchase of investment property	(25,117,092)	-
Investment income received		
- Dividend	905,644	1,039,625
- Interest	7,742,529	6,195,313
- Rental income	502,017	-
Proceeds from disposal of investment property	650,000	-
Proceeds from disposal of property, plant and equipment	3,698	25,079
Purchase of property, plant and equipment	(390,664)	(728,025)
Net cash (used in)/from investing activities	(22,599,261)	7,444,936
Cash flow from financing activity		
Dividends paid	(6,571,544)	(5,401,269)
Net cash used in financing activity	(6,571,544)	(5,401,269)
Net increase in cash and cash equivalents	8,978,213	13,903,938
Cash and cash equivalents at beginning of financial year	26,372,150	12,468,212
Cash and cash equivalents at end of financial year (Note 10)	35,350,363	26,372,150

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

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Balance sheet as at 31 December 2007

	Note	Company	
		2007 RM	2006 RM
Assets			
Property, plant and equipment	4	1,574,621	1,613,333
Investment in a subsidiary	5	1,810,000	1,810,000
Investment property	6	25,117,092	-
Other investments	7	199,913,989	187,767,809
Deferred tax asset	8	2,264,000	3,537,000
Receivables	9	38,341,281	34,287,709
Cash and cash equivalents	10	31,438,350	23,169,233
Total assets		<u>300,459,333</u>	<u>252,185,084</u>
Liabilities			
Provision for outstanding claims	11	64,064,947	53,328,169
Payables	12	72,388,399	44,548,929
Staff retirement gratuity	13	1,529,538	1,106,152
Taxation		565,543	350,622
Total liabilities		<u>138,548,427</u>	<u>99,333,872</u>
Insurance reserve			
Unearned premium reserve	14	32,767,937	27,134,930
Shareholders' equity:			
Share capital	15	100,023,500	100,023,500
Reserves	16	29,119,469	25,692,782
		<u>129,142,969</u>	<u>125,716,282</u>
Total liabilities and shareholder's equity		<u>300,459,333</u>	<u>252,185,084</u>

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

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Income statement

For the financial year ended 31 December 2007

	Note	Company	
		2007 RM	2006 RM
Operating revenue	18	<u>173,368,101</u>	<u>137,166,423</u>
Shareholders' fund			
Investment income	19	1,158,115	1,063,404
Other operating income/(expenditure) - net	20	<u>55,438</u>	<u>132,809</u>
		1,213,553	1,196,213
Transfer from insurance revenue account		<u>14,005,227</u>	<u>14,159,330</u>
Profit before tax		15,218,780	15,355,543
Tax expense	21	<u>(5,220,549)</u>	<u>(4,679,886)</u>
Profit for the financial year		<u>9,998,231</u>	<u>10,675,657</u>
Dividend per ordinary share - net (sen)	22	<u>7.40</u>	<u>6.57</u>

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

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Statement of changes in equity For the financial year ended 31 December 2007

Company

	Share capital RM	<u>Non distributable</u> Share premium RM	<u>Distributable</u> Retained earnings RM	Total RM
Balance as at 31 December 2005	100,023,500	980,000	19,438,394	120,441,894
Profit for the financial year, representing total recognised income and expense for the year	-	-	10,675,657	10,675,657
Dividend paid (Note 22)	-	-	(5,401,269)	(5,401,269)
Balance as at 31 December 2006	100,023,500	980,000	24,712,782	125,716,282
Profit for the financial year, representing total recognised income and expense for the year	-	-	9,998,231	9,998,231
Dividend paid (Note 22)	-	-	(6,571,544)	(6,571,544)
Balance as at 31 December 2007	<u>100,023,500</u>	<u>980,000</u>	<u>28,139,469</u>	<u>129,142,969</u>

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

MUI Continental Insurance Berhad

(Company No. 29123-D)

(Incorporated in Malaysia)

General insurance revenue account For the financial year ended 31 December 2007

	Note	Fire		Motor		Marine Aviation & Transit		Miscellaneous		Total	
		2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Gross premium	18	36,115,601	31,331,665	37,912,005	28,630,670	22,443,173	14,147,053	67,722,046	55,928,236	164,192,825	130,037,624
Less: Reinsurance		(23,870,240)	(21,046,131)	(5,372,829)	(2,980,309)	(20,698,561)	(12,411,708)	(41,071,610)	(33,169,997)	(91,013,240)	(69,608,145)
Net premium (Increase)/Decrease in unearned premium reserve	14	12,245,361 (526,723)	10,285,534 768,882	32,539,176 (3,437,906)	25,650,361 (824,448)	1,744,612 (350,193)	1,735,345 532,386	26,650,436 (1,318,185)	22,758,239 (905,502)	73,179,585 (5,633,007)	60,429,479 (428,682)
Earned premium		11,718,638	11,054,416	29,101,270	24,825,913	1,394,419	2,267,731	25,332,251	21,852,737	67,546,578	60,000,797
Net claims incurred	23	(6,147,863)	(2,963,027)	(27,510,240)	(17,899,350)	(1,211,215)	(720,316)	(14,550,944)	(17,728,226)	(49,420,262)	(39,310,919)
Net commission		(182,608)	(1,024,190)	(3,158,489)	(2,577,762)	1,129,781	534,388	(2,099,073)	(1,849,902)	(4,310,389)	(4,917,466)
		(6,330,471)	(3,987,217)	(30,668,729)	(20,477,112)	(81,434)	(185,928)	(16,650,017)	(19,578,128)	(53,730,651)	(44,228,385)
Underwriting surplus/ (deficit) before management expenses		5,388,167	7,067,199	(1,567,459)	4,348,801	1,312,985	2,081,803	8,682,234	2,274,609	13,815,927	15,722,412

MUI Continental Insurance Berhad

(Company No. 29123-D)

(Incorporated in Malaysia)

General insurance revenue account

For the financial year ended 31 December 2007 (continued)

	Note	Fire		Motor		Marine Aviation & Transit		Miscellaneous		Total	
		2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Underwriting surplus/ (deficit) before management expenses		5,388,167	7,067,199	(1,567,459)	4,348,801	1,312,985	2,081,803	8,682,234	2,274,609	13,815,927	15,772,412
Management expenses	24									(12,686,496)	(13,550,690)
Underwriting surplus										1,129,431	2,221,722
Investment income	19									8,017,161	6,065,395
Other income - net	20									4,858,635	5,872,213
Transfer to income statement										14,005,227	14,159,330

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

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Cash flow statement

For the financial year ended 31 December 2007

	Company	
	2007 RM	2006 RM
Cash flows from operating activities		
Profit before tax	15,218,780	15,355,543
Adjustments for:		
Allowance for doubtful debts no longer required	(1,246,731)	-
Amortisation of premiums net of accretion of discounts of Malaysian Government Securities and Corporate Bonds	152,198	331,660
Bad debts written off	576,219	-
Depreciation and adjustment of property, plant and equipment	367,883	435,586
Gain on disposal of investments	(3,129,794)	(2,407,730)
Gain on disposal of property, plant and equipment	(980)	(18,971)
Increase in unearned premium reserve	5,633,007	428,682
Investment income	(9,175,276)	(7,128,799)
Property, plant and equipment written off	1,683	130,375
Provision for retirement gratuity	423,386	97,669
Write back of diminution in value of quoted investments	<u>(2,273,191)</u>	<u>(4,214,563)</u>
Profit from operations before changes in operating assets and liabilities	6,547,184	3,009,452
Increase in receivables	(3,383,060)	(2,887,476)
Increase in outstanding claims	10,736,778	4,079,273
Increase in payables	<u>27,896,562</u>	<u>10,896,345</u>
Cash generated from operations	41,797,464	15,097,594
Tax paid	(3,573,351)	(3,186,724)
Payment of retirement benefits	<u>-</u>	<u>(6,500)</u>
Net cash from operating activities	38,224,113	11,904,370

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Cash flow statement

For the financial year ended 31 December 2007 (continued)

	Company	
	2007 RM	2006 RM
Cash flows from investing activities		
Purchase of investment property	(25,117,092)	-
Purchase of investments	(17,515,036)	(26,096,064)
Proceeds from redemption and disposal of investments	20,212,095	36,730,536
Increase in fixed deposits	(9,592,452)	(9,721,528)
Investment income received		
- Dividend	905,644	1,039,625
- Interest	7,608,338	6,089,174
- Rental income	502,017	-
Proceeds from disposal of property, plant and equipment	3,698	25,079
Purchase of property, plant and equipment	(390,664)	(728,025)
Net cash (used in)/from investing activities	(23,383,452)	7,338,797
Cash flow from financing activity		
Dividends paid	(6,571,544)	(5,401,269)
Net cash used in financing activity	(6,571,544)	(5,401,269)
Net increase in cash and cash equivalents	8,269,117	13,841,898
Cash and cash equivalents at beginning of financial year	23,169,233	9,327,335
Cash and cash equivalents at end of financial year (Note 10)	<u>31,438,350</u>	<u>23,169,233</u>

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

MUI Continental Insurance Berhad

(Company No. 29123-D)
(Incorporated in Malaysia)

Notes to the financial statements

MUI Continental Insurance Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

Registered office:

5th Floor, Menara PMI
No. 2, Jalan Changkat Ceylon
50200 Kuala Lumpur
Malaysia

Principal place of business:

Mezzanine & 1st Floor, Plaza See Hoy Chan
Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

The Company is principally engaged in the general insurance business of all classes. There has been no change in the principal activity of the Company during the financial year. The principal activity of the subsidiary is disclosed in Note 5 to the financial statements. During the year, the subsidiary's principal activity has been changed from property investment to investment holding.

The holding and ultimate holding companies are Novimax (M) Sdn. Bhd. and Malayan United Industries Berhad respectively. Both companies are incorporated in Malaysia.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRS") in Malaysia, accounting principles generally accepted in Malaysia, the provisions of the Companies Act, 1965, the Insurance Act, 1996, Insurance Regulations, 1996 and the Guidelines/Circulars issued by Bank Negara Malaysia.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

General business assets and liabilities relate to both General Insurance Fund and Shareholders' Fund.

1. **Basis of preparation (continued)**

(c) **Functional and presentation currency**

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

(d) **Use of estimates and judgements**

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

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

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

Note 2(i) - Provision for outstanding claims

2. **Significant accounting policies**

The accounting policies set out below have been applied consistently to all period presented in these financial statements, unless otherwise stated.

(a) **Basis of consolidation**

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of the subsidiary included in the consolidated financial statements is from the date that control commences until the date that control ceased.

Investment in a subsidiary is stated in the Company's balance sheet at cost less impairment losses, if any.

(ii) *Transactions eliminated on consolidation*

Intra-group balance, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

(b) Property, plant and equipment

(i) Recognition and measurement

All items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

(ii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The straight-line method is used to write off the cost of the assets over their estimated useful lives at the following principal annual rates:

Furniture and fittings	6.0% - 7.5%
Office equipment	7.5% - 20.0%
Motor vehicles	20.0%

(c) Intangible asset

Goodwill

Goodwill arose from the acquisition of the subsidiary.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the 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 of the acquiree.

Goodwill is measured at cost and is not longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

For the purpose of annual impairment testing, the carrying value of investing in subsidiary was compared against the net tangible assets of the subsidiary's audited financial statements.

2. Significant accounting policies (continued)

(d) Investment properties

Investment properties are properties which are held to earn rentals or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

(e) Investments

Investments in Malaysian Government Securities and other unquoted unsecured bonds held to maturity are stated at cost adjusted for amortisation of premiums or accretion of discounts. The amortisation of premiums and accretion of discounts are recognised in the revenue account, and are calculated on a straight line basis over the period from the date of acquisition to the date of maturity of the securities.

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments. Specific allowance for diminution in value of quoted investments will be made, if any, when the market value has been less than 80% of its cost at all times during the preceding 24 months, by writing down the cost of that quoted investment to the average median price for each month during that 24-month period.

All other unquoted investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

2. Significant accounting policies (continued)

(f) Impairment of assets

The carrying amounts of assets, except for deferred tax assets and financial assets (other than investment in a subsidiary), are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

Known bad debts are written off and specific allowance for doubtful debts is made for any premiums including agents and reinsurance balances which remain outstanding for more than six months from the date on which they became receivable, for motor premiums which remain outstanding for more than 30 days and for all debts which are considered doubtful.

2. Significant accounting policies (continued)

(h) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

The Company's contribution to the Employees' Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Company had no further payment obligations.

(ii) Defined benefit plans

The Company operates an unfunded defined benefit scheme. Benefits are payable upon retirement age of 50 and 55 with a minimum vesting period of 20 and 10 years service, respectively; and based on a percentage of eligible employees' salaries over the period of their employment. Contributions to the scheme are charged to the income statement so as to spread the cost of the scheme over the employees' working lives in the Company.

The retirement benefit is calculated based on the current emoluments of all eligible employees and the length of their service to the extent of the Company's contractual liability at year end. Full provision is maintained for all eligible employees in the absence of an independent actuarial valuation. This is not in compliance with the requirements of FRS 119 Employee Benefits but the Directors are of the opinion that the effect is not material.

(i) General insurance underwriting results

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

Premium Income

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

Inward Treaty Business

Underwriting results relating to reinsurance inward treaty transactions, regardless of the underwriting years to which they pertain, are included in current operations to the extent that such transactions are reported by the brokers and reinsurers in their statements of accounts received by the Company as at the end of the financial year.

2. Significant accounting policies (continued)

(i) General insurance underwriting results (continued)

Unearned Premium Reserve

The Unearned Premium Reserve (“UPR”) represents the portion of the net premiums of insurance policies written that relates to the unexpired period of the policies at the end of the financial year.

In determining the UPR at balance sheet date, the methods that most accurately reflects the actual unearned premium are used and are as follows:

- (i) 25% method for Malaysian marine and aviation cargo business.
- (ii) 1/24th method for all other classes of Malaysian general policies business.
- (iii) 1/8th method for all other classes of overseas inward treaty business.

The UPR calculation is adjusted for additional UPR as required under the guidelines issued by Bank Negara Malaysia in respect of premiums ceded to overseas reinsurers.

Provision for outstanding claims

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is made for the estimated costs and all claims together with the related expenses less recoveries to settle the present obligations at the balance sheet date.

Provision is also made for the cost of claims, together with related expenses incurred but not reported (IBNR) at balance sheet date, using a mathematical method of estimation as determined by an independent external actuary.

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

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

Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premium is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs or ceding income which are not recoverable or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

2. Significant accounting policies (continued)

(j) Other revenue recognition

Interest income on deposits and other interest-bearing investments are recognised on an accruals basis.

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the right to receive payment is established.

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

Rental income is recognised in the income statement as it accrues based on the terms of the agreements.

(k) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(l) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences in relation to the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit/loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Significant accounting policies (continued)

(m) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are retranslated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the income statement.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

3. Adoption of new and revised financial reporting standards

3.1 New and revised FRS adopted

On 1 January 2007, the Group and the Company adopted the following new and revised FRS which are mandatory for annual periods beginning on or after 1 January 2007:

*FRS 117	Leases
*FRS 124	Related Party Disclosures
#Amendment to FRS 119 ₂₀₀₄	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
#FRS 6	Exploration for and Evaluation of Mineral Resources

* Effective for annual periods beginning on or after 1 October 2006

Effective for annual periods beginning on or after 1 January 2007

The adoption of FRS 124 has not resulted in significant changes in accounting policies of the Group and of the Company.

FRS 5, 6 and 117, and Amendment to FRS 119₂₀₀₄ are not relevant to the Group's or the Company's operations.

3. Adoption of new and revised financial reporting standards (continued)

3.2 New FRS and amendments to FRS not adopted

The Group and the Company have not adopted FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 which effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

The Group and the Company have also not early adopted the following FRS and amendments that have been issued as at the date of authorisation of these financial statements but are not yet effective. The Directors do not anticipate that the application of these standards when they are effective will have a material impact on the results and the financial position of the Group:

(a) FRS which are effective for annual periods beginning on or after 1 July 2007

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

These amendments align the MASB's FRS with the equivalent International Accounting Standards ("IAS"), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements. The Group will apply this amendment for its annual period beginning 1 January 2008.

FRS 111, 120 and 134 are not relevant to the Group's or the Company's operations.

(b) Framework for the Preparation and Presentation of Financial Statements ("Framework") which is effective for annual periods beginning on or after 1 July 2007

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a MASB approved accounting standard and hence does not define standards for any particular measurement or disclosure issue. The Group will apply this Framework for its annual period beginning 1 January 2008.

3. Adoption of new and revised financial reporting standards (continued)

3.2 New FRS and amendments to FRS not adopted

- (c) Amendments and Issues Committee (“IC”) Interpretations which are effective for annual periods beginning on or after 1 July 2007

<p>Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</p>	<p>This amendment results in exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and if whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. The Group will apply this amendment from its annual periods beginning 1 January 2008.</p>
<p>IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities</p>	<p>This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 47 of FRS 137 and an increase that reflects the passage of time. The Group will apply this interpretation from its annual periods beginning 1 January 2008.</p>
<p>IC Interpretation 2 Members’ Shares in Co- operative Entities and Similar Instruments</p>	<p>IC Interpretation 2 is not relevant to the Group’s operations.</p>
<p>IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</p>	<p>IC Interpretation 5 is not relevant to the Group’s operations.</p>

3. Adoption of new and revised financial reporting standards (continued)

3.2 New FRS and amendments to FRS not adopted (continued)

- (c) Amendments and IC Interpretations which are effective for annual periods beginning on or after 1 July 2007 (continued)

<p>IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</p>	<p>IC Interpretation 6 is not relevant to the Group's operations.</p>
--	---

<p>IC Interpretation 7 Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies</p>	<p>IC Interpretation 7 is not relevant to the Group's operations.</p>
--	---

<p>IC Interpretation 8 Scope of FRS 2</p>	<p>This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share based payment will be charged to income statement. The Group will apply this interpretation from its annual periods beginning 1 January 2008.</p>
---	---

4. Property, plant and equipment

Group and Company	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Total RM
Cost				
Balance as at 1 January 2006	1,303,499	4,420,461	216,676	5,940,636
Additions	415,307	312,718	-	728,025
Written-off	(252,098)	(147,286)	-	(399,384)
Disposals	(2,450)	(35,819)	-	(38,269)
Balance as at 31 December 2006/ 1 January 2007	1,464,258	4,550,074	216,676	6,231,008
Additions	35,650	128,014	227,000	390,664
Disposals	-	(7,640)	-	(7,640)
Written-off	(2,200)	-	-	(2,200)
Adjustment	(57,092)	-	-	(57,092)
Balance as at 31 December 2007	1,440,616	4,670,448	443,676	6,554,740
Accumulated depreciation				
Balance as at 1 January 2006	558,889	3,748,894	175,476	4,483,259
Charge for the year	102,023	292,363	41,200	435,586
Written-off	(130,564)	(138,445)	-	(269,009)
Disposals	(931)	(31,230)	-	(32,161)
Balance as at 31 December 2006/ 1 January 2007	529,417	3,871,582	216,676	4,617,675
Charge for the year	93,772	236,918	45,400	376,090
Disposals	-	(4,922)	-	(4,922)
Written-off	(517)	-	-	(517)
Adjustment	(8,207)	-	-	(8,207)
Balance as at 31 December 2007	614,465	4,103,578	262,076	4,980,119
Net book value				
Balance as at 31 December 2006	934,841	678,492	-	1,613,333
Balance as at 31 December 2007	826,151	566,870	181,600	1,574,621

Company No. 29123-D

5. Investment in a subsidiary

	Company	
	2007 RM	2006 RM
Unquoted shares, at cost	<u>1,810,000</u>	<u>1,810,000</u>

Details of the subsidiary is as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective ownership interest	
			2007 %	2006 %
United Continental Properties Sdn. Bhd.*	Investment Holding	Malaysia	100	100

* Subsidiary audited by BDO Binder, Malaysia.

During the year, the subsidiary's principal activity has been changed from property investment to investment holding after the sale of its sole investment property.

6. Investment properties

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At cost				
Freehold land and building				
Balance as at 1.1.2007	214,784	-	-	-
Transfer from property, plant and equipment	-	214,784	-	-
Addition from acquisition	25,117,092	-	25,117,092	-
Disposal of freehold land and building	<u>(214,784)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31.12.2007	<u>25,117,092</u>	<u>214,784</u>	<u>25,117,092</u>	<u>-</u>

The fair value of investment properties at 31 December 2007 amounted to approximately RM25,117,000 (2006: RM580,000).

Company No. 29123-D

7. Other investments

	Group and Company	
	2007	2006
	RM	RM
Malaysian Government Securities, at cost	22,332,500	22,808,000
Less: Accretion of discounts/(amortisation of premiums)	82,009	(181,293)
	22,414,509	22,626,707
Quoted in Malaysia:		
Shares	26,851,971	26,350,736
Warrants	16,370	24,870
REITs	672,770	672,770
Less: Allowance for diminution in value	(177,684)	(2,450,875)
	27,363,427	24,597,501
Unquoted in Malaysia:		
Corporate bonds	5,100,000	5,100,000
Fixed deposits with licensed banks	145,036,053	135,443,601
	<u>199,913,989</u>	<u>187,767,809</u>
Market value		
Malaysian Government Securities	22,544,750	22,820,250
Quoted investments in Malaysia	<u>30,959,020</u>	<u>24,866,256</u>
Investment maturity after twelve months:		
Malaysian Government Securities	4,921,500	12,445,014
Corporate bonds	<u>5,100,000</u>	<u>5,100,000</u>

8. Deferred tax asset

(a) The deferred tax asset and liability are made up of the following:

	Group and Company	
	2007	2006
	RM	RM
Balance as at 1 January	3,537,000	4,406,000
Recognised in the income statement (Note 21)	<u>(1,273,000)</u>	<u>(869,000)</u>
Balance as at 31 December	<u>2,264,000</u>	<u>3,537,000</u>
Presented after appropriate offsetting:		
Deferred tax asset	2,474,000	3,824,000
Deferred tax liability	<u>(210,000)</u>	<u>(287,000)</u>
	<u>2,264,000</u>	<u>3,537,000</u>

8. Deferred tax asset (continued)

- (b) The components of deferred tax asset and liability during the financial year prior to offsetting are as follows:

	Group and Company	
	2007	2006
	RM	RM
Property, plant and equipment	(210,000)	(287,000)
Provisions	2,474,000	3,824,000
	<u>2,264,000</u>	<u>3,537,000</u>

9. Receivables

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Trade receivables				
Outstanding premium including agents and brokers balances	27,746,375	22,628,435	27,746,375	22,628,435
Allowance for doubtful debts	(3,639,175)	(3,705,924)	(3,639,175)	(3,705,924)
	24,107,200	18,922,511	24,107,200	18,922,511
Amount due from reinsurers ceding companies and co-insurers	12,137,483	14,908,642	12,137,483	14,908,642
Allowance for doubtful debts	(2,979,369)	(4,425,744)	(2,979,369)	(4,425,744)
	9,158,114	10,482,898	9,158,114	10,482,898
Amount due from ultimate holding company	1,043	420	1,043	420
Allowance for doubtful debts	(1,043)	(420)	(1,043)	(420)
	-	-	-	-
Amount due from related companies	474,041	456,242	474,041	456,242
Allowance for doubtful debts	(60,854)	(85,081)	(60,854)	(85,081)
	413,187	371,161	413,187	371,161
Other receivables				
Other receivables, deposits and prepayments	3,119,005	3,033,449	3,049,095	3,034,990
Income due and accrued	1,613,685	1,516,430	1,613,685	1,476,149
	4,732,690	4,549,879	4,662,780	4,511,139
	<u>38,411,191</u>	<u>34,326,449</u>	<u>38,341,281</u>	<u>34,287,709</u>

Company No. 29123-D

9. Receivables (continued)

The amounts receivable from the ultimate holding company and related companies are unsecured, interest-free and repayable on demand.

10. Cash and cash equivalents

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Call deposits with licensed banks	20,813,000	22,026,000	20,813,000	22,026,000
Cash and bank balances	10,649,418	1,152,150	10,625,350	1,143,233
Fixed deposits with licensed banks	3,887,945	3,194,000	-	-
	<u>35,350,363</u>	<u>26,372,150</u>	<u>31,438,350</u>	<u>23,169,233</u>

11. Provision for outstanding claims

	Group and Company	
	2007 RM	2006 RM
Provision for outstanding claims	185,539,067	107,037,669
Less: Recoverable from reinsurers thereon	<u>(121,474,120)</u>	<u>(53,709,500)</u>
Net outstanding claims	<u>64,064,947</u>	<u>53,328,169</u>

12. Payables

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables				
Amount due to reinsurers/ceding companies and co-insurers	37,431,969	26,688,092	37,431,969	26,688,092
Amount due to agents/brokers and insureds	<u>4,547,814</u>	<u>1,774,750</u>	<u>4,547,814</u>	<u>1,774,750</u>
	41,979,783	28,462,842	41,979,783	28,462,842
Other payables				
Other payables and accrued liabilities	30,397,302	16,040,390	30,383,726	16,026,806
Amount due to ultimate holding company	11,586	50,802	11,586	50,802
Amounts due to related companies	<u>13,304</u>	<u>8,479</u>	<u>13,304</u>	<u>8,479</u>
	<u>72,401,975</u>	<u>44,562,513</u>	<u>72,388,399</u>	<u>44,548,929</u>

Company No. 29123-D

12. Payables (continued)

The amounts due to ultimate holding company and related companies arose from non-trade transactions which are unsecured, interest-free and repayable on demand.

Included in other payables and accrued liabilities of the Company is cash collaterals retained for bond policies of RM24,357,088 (2006: RM9,948,483).

13. Staff retirement gratuity

	Group and Company	
	2007	2006
	RM	RM
Balance as at 1 January	1,106,152	1,014,983
Provision for the financial year	423,386	97,669
Retirement benefits paid	-	(6,500)
	<u>1,529,538</u>	<u>1,106,152</u>
Balance as at 31 December	<u>1,529,538</u>	<u>1,106,152</u>

14. Unearned premium reserve

Group and Company	Marine, Aviation &				Total RM
	Fire RM	Motor RM	Transit RM	Miscellaneous RM	
2007					
Balance as at 1 January	3,909,060	11,957,101	605,169	10,663,600	27,134,930
Increase	<u>526,723</u>	<u>3,437,906</u>	<u>350,193</u>	<u>1,318,185</u>	<u>5,633,007</u>
Balance as at 31 December	<u>4,435,783</u>	<u>15,395,007</u>	<u>955,362</u>	<u>11,981,785</u>	<u>32,767,937</u>
2006					
Balance as at 1 January	4,677,942	11,132,653	1,137,555	9,758,098	26,706,248
(Decrease)/Increase	<u>(768,882)</u>	<u>824,448</u>	<u>(532,386)</u>	<u>905,502</u>	<u>428,682</u>
Balance as at 31 December	<u>3,909,060</u>	<u>11,957,101</u>	<u>605,169</u>	<u>10,663,600</u>	<u>27,134,930</u>

Company No. 29123-D

15. Share capital

	Group and Company			
	2007		2006	
	No. of shares RM	RM	No. of shares RM	RM
Authorised:				
Ordinary shares of RM1.00 each	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid:				
Ordinary shares of RM1.00 each	<u>100,023,500</u>	<u>100,023,500</u>	<u>100,023,500</u>	<u>100,023,500</u>

16. Reserves

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable:				
Share premium	980,000	980,000	980,000	980,000
Distributable:				
Retained earnings (Note 17)	<u>30,396,073</u>	<u>26,451,858</u>	<u>28,139,469</u>	<u>24,712,782</u>
	<u>31,376,073</u>	<u>27,431,858</u>	<u>29,119,469</u>	<u>25,692,782</u>

17. Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank the payment of dividends out of its entire retained earnings at 31 December 2007.

18. Operating revenue

Group	Shareholders' fund RM	General business RM	Total RM
2007			
Gross premium	-	164,192,825	164,192,825
Investment income (Note 19)	<u>1,292,306</u>	<u>8,017,161</u>	<u>9,309,467</u>
	<u>1,292,306</u>	<u>172,209,986</u>	<u>173,502,292</u>

18. Operating revenue (continued)

Group	Shareholders' fund RM	General business RM	Total RM
2006			
Gross premium	-	130,037,624	130,037,624
Investment income (Note 19)	1,169,543	6,065,395	7,234,938
	<u>1,169,543</u>	<u>136,103,019</u>	<u>137,272,562</u>
Company			
	Shareholders' fund RM	General business RM	Total RM
2007			
Gross premium	-	164,192,825	164,192,825
Investment income (Note 19)	1,158,115	8,017,161	9,175,276
	<u>1,158,115</u>	<u>172,209,986</u>	<u>173,368,101</u>
2006			
Gross premium	-	130,037,624	130,037,624
Investment income (Note 19)	1,063,404	6,065,395	7,128,799
	<u>1,063,404</u>	<u>136,103,019</u>	<u>137,166,423</u>

19. Investment income

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Insurance fund				
Interest income from:				
Malaysian Government				
Securities	1,073,300	1,269,276	1,073,300	1,269,276
Corporate bonds	315,000	406,993	315,000	406,993
Fixed and call deposits	5,072,690	3,370,980	5,072,690	3,370,980
Gross dividends from:				
Quoted shares in				
Malaysia	1,036,504	999,378	1,036,504	999,378
Others	17,650	18,768	17,650	18,768
Rental income	502,017	-	502,017	-
	<u>8,017,161</u>	<u>6,065,395</u>	<u>8,017,161</u>	<u>6,065,395</u>

19. Investment income (continued)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Shareholders' fund				
Interest from fixed and call deposits	1,281,539	1,148,064	1,147,348	1,041,925
Gross dividends from:				
Quoted shares in Malaysia	10,767	21,479	10,767	21,479
	<u>1,292,306</u>	<u>1,169,543</u>	<u>1,158,115</u>	<u>1,063,404</u>
	<u>9,309,467</u>	<u>7,234,938</u>	<u>9,175,276</u>	<u>7,128,799</u>

20. Other income/(expenditure) - net

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Insurance fund				
Amortisation of premium net of accretion of discounts of Malaysian Government Securities and Corporate Bonds	(152,198)	(331,660)	(152,198)	(331,660)
Property, plant and equipment written off	(1,683)	(130,375)	(1,683)	(130,375)
(Loss)/Gain on foreign exchange	(18,666)	2,448	(18,666)	2,448
Gain on disposal of property, plant and equipment	980	18,971	980	18,971
Gain on disposal of investments	3,074,204	2,330,327	3,074,204	2,330,327
Write back of diminution in value of quoted investments	2,273,191	4,158,973	2,273,191	4,158,973
Provision for staff retirement gratuity	(423,386)	(97,669)	(423,386)	(97,669)
Sundry income/(expenses)	106,193	(78,802)	106,193	(78,802)
	<u>4,858,635</u>	<u>5,872,213</u>	<u>4,858,635</u>	<u>5,872,213</u>

20. Other income/(expenditure) - net (continued)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Shareholders' fund				
Gain on disposal of investments	490,806	77,403	55,590	77,403
Write back of diminution in value of quoted investments	-	55,590	-	55,590
Sundry expenses	(3,569)	(26,627)	(152)	(184)
Bad debts recovered	-	11,556	-	-
	<u>487,237</u>	<u>117,922</u>	<u>55,438</u>	<u>132,809</u>
	<u>5,345,872</u>	<u>5,990,135</u>	<u>4,914,073</u>	<u>6,005,022</u>

21. Tax expense

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Income tax expense				
Malaysia - current	3,796,296	3,525,788	3,770,000	3,504,663
- prior years	177,549	309,206	177,549	306,223
	<u>3,973,845</u>	<u>3,834,994</u>	<u>3,947,549</u>	<u>3,810,886</u>
Deferred tax (Note 8)				
- Relating to reversal of deductible temporary differences	1,309,000	1,115,000	1,309,000	1,115,000
- Deferred tax assets under recognised in prior years	(36,000)	(246,000)	(36,000)	(246,000)
	<u>1,273,000</u>	<u>869,000</u>	<u>1,273,000</u>	<u>869,000</u>
	<u>5,246,845</u>	<u>4,703,994</u>	<u>5,220,549</u>	<u>4,679,886</u>

The Malaysian income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated taxable profit for the fiscal year. The Malaysian statutory tax rate has been reduced to 27% from the previous year's rate of 28% for the fiscal year of assessment 2007, to 26% for fiscal year of assessment 2008, and to 25% for fiscal year of assessment 2009 onwards. The computation of deferred tax as at 31 December 2007 has reflected these changes.

21. Tax expense (continued)

The numerical reconciliation between the average effective tax rate and the applicable tax rate of the Group and of the Company are as follows:

	2007 RM'000	2006 RM'000
Group		
Profit before tax	<u>15,763</u>	<u>15,440</u>
Income tax based on Malaysian tax rates	4,256	4,323
Non-deductible expenses	711	388
Tax exempt income	(162)	(62)
Other items	<u>300</u>	<u>(8)</u>
	5,105	4,641
Current tax underprovided in prior years	178	309
Deferred tax asset under recognised in prior years	<u>(36)</u>	<u>(246)</u>
Tax expense	<u><u>5,247</u></u>	<u><u>4,704</u></u>
Company		
Profit before tax	<u>15,219</u>	<u>15,356</u>
Income tax based on Malaysian tax rates	4,109	4,300
Non-deductible expenses	705	379
Tax exempt income	(44)	(59)
Other items	<u>309</u>	<u>-</u>
	5,079	4,620
Current tax underprovided in prior years	178	306
Deferred tax asset under recognised in prior years	<u>(36)</u>	<u>(246)</u>
Tax expense	<u><u>5,221</u></u>	<u><u>4,680</u></u>

22. Dividends

	Group and Company	
	2007	2006
	RM	RM
Ordinary share		
Final dividend paid of 9.0% (2006: 7.5%)	<u>6,571,544</u>	<u>5,401,269</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2007, comprising of 10% less 26% taxation on the issued and paid-up share capital, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the next financial year ending 31 December 2008.

Company No. 29123-D

23. Net claims incurred

Group and Company	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscel- laneous RM	Total RM
2007					
Gross claims paid less salvage	10,805,352	21,815,276	2,520,416	22,937,912	58,078,956
Reinsurances recoveries	(7,210,859)	(2,182,548)	(1,497,714)	(8,504,351)	(19,395,472)
Net claims paid	3,594,493	19,632,728	1,022,702	14,433,561	38,683,484
Net outstanding claims:					
Balance as at 31 December	7,347,414	35,346,541	2,136,533	19,234,459	64,064,947
Balance as at 1 January	(4,794,044)	(27,469,029)	(1,948,020)	(19,117,076)	(53,328,169)
Net claims incurred	<u>6,147,863</u>	<u>27,510,240</u>	<u>1,211,215</u>	<u>14,550,944</u>	<u>49,420,262</u>
2006					
Gross claims paid less salvage	18,979,750	16,837,351	1,664,194	24,699,797	62,181,092
Reinsurances recoveries	(14,928,343)	(1,689,095)	(1,107,571)	(9,224,437)	(26,949,446)
Net claims paid	4,051,407	15,148,256	556,623	15,475,360	35,231,646
Net outstanding claims:					
Balance as at 31 December	4,794,044	27,469,029	1,948,020	19,117,076	53,328,169
Balance as at 1 January	(5,882,424)	(24,717,935)	(1,784,327)	(16,864,210)	(49,248,896)
Net claims incurred	<u>2,963,027</u>	<u>17,899,350</u>	<u>720,316</u>	<u>17,728,226</u>	<u>39,310,919</u>

24. Management expenses

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Insurance fund				
Staff salaries and related expenses	6,068,744	6,141,174	6,068,744	6,141,174
Directors' remuneration				
- fees	120,000	115,956	120,000	115,956
- other remuneration	96,000	96,000	96,000	96,000
Auditors' remuneration	54,000	60,000	54,000	60,000
Rental of offices and premises	871,626	773,932	871,626	773,932
Depreciation of property and equipment	376,090	435,586	376,090	435,586
Hire of equipment	71,159	81,349	71,159	81,349
(Allowance for doubtful debts no longer required)/ Allowance for bad and doubtful debts	(1,246,731)	506,196	(1,246,731)	506,196
Bad debts written off	576,219	57,152	576,219	57,152
Other expenses	5,623,615	5,283,345	5,623,615	5,283,345
Investment related expenses	75,774	-	75,774	-
	<u>12,686,496</u>	<u>13,550,690</u>	<u>12,686,496</u>	<u>13,550,690</u>
Shareholders' fund				
Auditor's remuneration	2,092	1,500	-	-
Other expenses	20,074	5,785	-	-
	<u>22,166</u>	<u>7,285</u>	<u>-</u>	<u>-</u>
	<u>12,708,662</u>	<u>13,557,975</u>	<u>12,686,496</u>	<u>13,550,690</u>

Included in other expenses are contributions to the Employees Provident Fund of RM596,554 (2006: RM559,414) for the Company.

25. Related parties

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationships with its subsidiary and its holding and ultimate holding companies.

25. Related parties (continued)

(b) Significant transactions with related parties are as follows:

	Group and Company	
	2007	2006
	RM	RM
Holding and related companies:		
Premium income	1,881,145	2,127,422
Major shareholder of holding company:		
Premium income	148,037	185,750
Subsidiary of major shareholder of holding company		
Premium income	600,585	475,477
Associate of related company:		
Brokerage fees and disaster recovery charges	(17,932)	(42,407)
Management fees	(330,496)	(171,669)
Related companies:		
Internal audit and secretarial services	(63,081)	(46,527)
Hotel facilities and accommodation	(47,177)	(8,130)
Travelling	(38,699)	(46,538)
Website development	(87,062)	(91,554)

The Directors of the Group and Company are of the opinion that the transactions have been transacted in the normal course of business and have been established under normal commercial terms and conditions.

(c) Compensation of key management personnel

The remuneration of key management personnel during the financial year was as follows:

	Group and Company	
	2007	2006
	RM	RM
Short term employee benefits	1,197,523	1,022,150
Post-employment benefits	254,010	207,712
	<u>1,451,533</u>	<u>1,229,862</u>

26. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risks arise in the normal course of the Company's business. The Group and Company have risk management policies and guidelines which set out its overall business strategies, risk tolerance and general risk management philosophy.

Credit risk

Credit risk is the risk of loss if counterparties to insurance, reinsurance and investment transactions failed to perform or meet payment obligations as contracted. The Group and Company have credit policies in place to ensure that premiums from policyholders are duly collected. At balance sheet date, there were no significant concentrations of credit risks.

Interest rate risk

The Group's and Company's earnings are affected by changes in market interest rates as such changes have an impact on interest income from cash and cash equivalents and investments. The Group and Company have investment policies and guidelines to monitor the Group and Company's investments.

Foreign currency risk

The Group and Company do not have significant foreign currency risk as operating transactions are mainly denominated in Ringgit Malaysia.

Liquidity risk

The Group and Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group and Company's operations and to mitigate the effects of fluctuations in cash flows.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Company No. 29123-D

26. Financial instruments (continued)

Group	Average effective annual interest rate %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
2007								
Financial assets								
Debt securities held to maturity:								
Malaysian Government Securities	3.84	22,414,509	4,988,982	7,484,496	-	-	4,950,877	4,990,154
Corporate bonds	6.30	5,100,000	-	-	-	-	5,000,000	100,000
Fixed and call deposits	3.70	<u>169,736,998</u>	<u>169,736,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>197,251,507</u>	<u>174,725,980</u>	<u>7,484,496</u>	<u>-</u>	<u>-</u>	<u>9,950,877</u>	<u>5,090,154</u>
2006								
Financial assets								
Debt securities held to maturity:								
Malaysian Government Securities	4.83	22,626,707	10,181,693	4,972,456	7,472,558	-	-	-
Corporate bonds	6.79	5,100,000	-	-	-	-	5,000,000	100,000
Fixed and call deposits	3.55	<u>160,663,601</u>	<u>160,663,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>188,390,308</u>	<u>170,845,294</u>	<u>4,972,456</u>	<u>7,472,558</u>	<u>-</u>	<u>5,000,000</u>	<u>100,000</u>

Company No. 29123-D

26. Financial instruments (continued)

Company	Average effective annual interest rate %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
2007								
Financial assets								
Debt securities held to maturity:								
Malaysian Government Securities	3.84	22,414,509	4,988,982	7,484,496	-	-	4,950,877	4,990,154
Corporate bonds	6.30	5,100,000	-	-	-	-	5,000,000	100,000
Fixed and call deposits	3.70	165,849,053	165,849,053	-	-	-	-	-
		<u>193,363,562</u>	<u>170,838,035</u>	<u>7,484,496</u>	<u>-</u>	<u>-</u>	<u>9,950,877</u>	<u>5,090,154</u>
2006								
Financial assets								
Debt securities held to maturity:								
Malaysian Government Securities	4.83	22,626,707	10,181,693	4,972,456	7,472,558	-	-	-
Corporate bonds	6.79	5,100,000	-	-	-	-	5,000,000	100,000
Fixed and call deposits	3.55	157,469,601	157,469,601	-	-	-	-	-
		<u>185,196,308</u>	<u>167,651,294</u>	<u>4,972,456</u>	<u>7,472,558</u>	<u>-</u>	<u>5,000,000</u>	<u>100,000</u>

26. Financial instruments (continued)

Fair values

Recognised financial instruments

The aggregate fair values of financial assets carried on the balance sheet as at 31 December are represented in the following table:

Group and Company	2007		2006	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets				
Malaysian Government Securities	22,414,509	22,544,750	22,626,707	22,820,250
Unquoted debt securities				
- long term corporate bonds	5,100,000	5,448,500	5,100,000	5,423,000
Quoted shares	26,674,287	30,090,394	23,918,631	24,142,326
Quoted warrants	16,370	40,626	24,870	69,930
Other investment - REITs	672,770	828,000	654,000	654,000

The fair value of quoted securities is the closing market price at the balance sheet date. For Malaysian Government Securities and corporate bonds, fair values are indicative prices at the balance sheet date. In respect of cash and cash equivalents, receivables and payables, the carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

The Directors regard the net tangible assets of the unquoted subsidiary approximate the fair value. The subsidiary's net tangible assets is RM3,964,792 (2006: RM3,454,000) based on audited financial statements of the subsidiary as at 31 December 2007.