Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2008

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Company No.	
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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CONTENTS

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITY

The Company is principally engaged in the underwriting of all classes of general insurance business. There have been no significant changes in the nature of this activity during the year.

FINANCIAL RESULTS

	RM
Net profit for the year	32,174,509

DIVIDENDS

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

The Directors do not recommend the payment of any dividend in respect of the current year.

RESERVES AND PROVISIONS

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

PROVISION FOR OUTSTANDING CLAIMS

Before the income statement and balance sheet 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 income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amounts of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

SIGNIFICANT EVENT SUBSEQUENT TO THE YEAR END

On 1 February 2009, the Company completed the acquisition of certain assets and liabilities of the general insurance business of PanGlobal Insurance Berhad for a total cash consideration of RM15,000,000. The details of the acquisition are disclosed in Note 29 to the financial statements.

CURRENT ASSETS

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records 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 Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities 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 Company that has arisen since the end of the year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Company that has arisen since the end of the year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its 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 Company.

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 Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the 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 Company for the year in which this report is made.

SHARE CAPITAL

On 18 December 2008, the Company increased its authorised share capital from RM100,000,000 to RM300,000,000. On the same day, the Company issued 178,000,000 ordinary shares of RM1 each per share for cash at par, to fund the further expansion of the Company's operations. The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under JPI/GPI 25 (Consolidated): Prudential Framework of Corporate Governance for Insurers and JPI/GPI 1(Consolidated): Minimum Standards for Prudential Management of Insurers, issued by Bank Negara Malaysia ("BNM").

In compliance with JPI/GPI 1 (Consolidated): Minimum Standards for Prudential Management of Insurers, the Board of Directors ('the Board") established three sub-committees in 2003 as set out below:

<u>Risk Management Committee</u>

The main responsibilities of the Committee are to recommend a risk management framework, in terms of strategies, policies and risk tolerance, for the Board's approval as well as to provide an overall assessment on the adequacy of risk reporting infrastructure, which includes resources and support system, in promoting a pro-active risk management culture.

The Committee comprises two independent non-executive Directors and one non-independent non-executive Director. They are Teh Boon Eng, Jun Hemmi and Dato' Ahmad Fuaad bin Mohd Dahalan.

Four Risk Management Committee meetings were held during the year, in which one Director was unable to attend a meeting due to other commitments.

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (continued)

The risk management framework of the Company comprises an ongoing process for identifying, evaluating and managing the significant risks faced by the Company through designated management functions and internal controls, which cover all levels of personnel and business processes to ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest. This process is supported by the maintenance of a reliable information system that covers all significant activities. Continuous assessment of the effectiveness and adequacy of internal controls, which include independent examination of controls by the internal audit function, ensures corrective action, where necessary, is taken in a timely manner.

Nominating Committee

The main responsibilities of the Committee are to ensure that the Board comprises members with the required technical competency, professionalism, mixture of skills and there is a balance between executive, non-executive and independent directors to ensure the effective discharge of the Board's responsibilities.

The Committee also recommends the appointment, promotion and removal of the directors, Chief Executive Officer and Technical Advisors and provides assessment on their individual performance and contribution to the Company as a whole.

The Committee comprises two independent non-executive Directors, two non-independent non-executive Directors and a non-independent executive Director. They are Teh Boon Eng, Jun Hemmi, Hironari Iwakuma, Dato' Fuaad bin Mohd Dahalan and Dai Inoue. To ensure full compliance with JPI/GPI 1 (Consolidated), the Board is currently seeking for a replacement to fill the vacancy.

Two Nominating Committee meetings were held during the year, in which one Director was unable to attend a meeting due to other commitments.

The Board as at the date of this report, comprises six members, five of whom are non-executive Directors. All Board members possess the required qualifications and experience in all material aspects of an insurance business to effectively ensure that the Company operates under the highest standard of professionalism.

Six Board meetings were held during the financial year, in which one Director was unable to attend a meeting due to other commitments.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee

The main responsibilities of the Committee are to establish and recommend to the Board, the remuneration structure and policy, including the terms of employment or contract of service for executive directors, Chief Executive Officer and Technical Advisors, and to ensure a strong link is maintained between the level of remuneration and individual performance against agreed targets on total remuneration package.

The Committee comprises two independent non-executive Directors and a non-independent non-executive Director. They are Teh Boon Eng, Jun Hemmi and Dato' Ahmad Fuaad bin Mohd Dahalan.

Three Remuneration Committee meetings were held during the financial year, in which one Director was unable to attend a meeting due to other commitments.

DIRECTORS AND THEIR INTERESTS IN SHARES

The Directors who have held office since the date of the last report are as follows:

Teh Boon Eng	
Professor Emeritus Dato' Dr Lian Chin Boon	
Jun Hemmi	
Dato' Ahmad Fuaad bin Mohd Dahalan	Appointed on 2 June 2008
Dai Inoue	Appointed on 17 September 2008
Hironari Iwakuma	Appointed on 22 September 2008
Michio Umeda	Resigned on 11 August 2008
Hiroshi Endo	Resigned on 21 August 2008

In accordance with the Company's Articles of Association, Professor Emeritus Dato' Dr Lian Chin Boon and Dato' Ahmad Fuaad bin Mohd Dahalan retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

According to the register of directors' shareholdings, none of the Directors in office at the end of the financial year held any interest in shares in or debentures of the Company or its related corporations.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

During and at end of the year, no arrangements subsisted to which the Company is a party with the object or objects 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.

Since the end of the previous year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind shown in the notes to the financial statements of this Company, Tokio Marine Asia Pte. Ltd., being the holding company of this Company and Tokio Marine and Nichido Fire Insurance Company Limited, being a subsidiary of the ultimate holding company of this Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

ULTIMATE HOLDING COMPANY

The Directors regard Tokio Marine Holdings Inc. (formerly known as Millea Holdings Inc.), a company incorporated in Japan, as the ultimate holding company of the Company.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 March 2009.

TEH BOON ENG	HIRONARI IWAKUMA
DIRECTOR	DIRECTOR

Kuala Lumpur

Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

We, Teh Boon Eng and Hironari Iwakuma, being two of the Directors of Tokio Marine Insurans (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 10 to 54 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2008 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 March 2009.

TEH BOON ENG
DIRECTOR

HIRONARI IWAKUMA
DIRECTOR

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

I, Phang Kwang Chee, being the Chief Executive Officer primarily responsible for the financial management of Tokio Marine Insurans (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 54 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.

PHANG KWANG CHEE

Subscribed and solemnly declared by the abovenamed Phang Kwang Chee at Kuala Lumpur in Malaysia on 13 March 2009.

Before me,

PESURUHJAYA SUMPAH
W 550
ARSHAD ABDULLAH
MALAYSIA

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No. 149520 U)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tokio Marine Insurans (Malaysia) Berhad, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 54.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOKIO MARINE INSURANS (MALAYSIA) BERHAD (CONTINUED)

(Incorporated in Malaysia)
(Company No. 149520 U)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, 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.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/10 (J))
Chartered Accountant

Kuala Lumpur
13 March 2009

Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	2008 RM	2007 RM
ASSETS			
Property, plant and equipment	4	11,365,848	8,701,880
Goodwill	5	26,929,731	26,929,731
Investments	6	821,322,195	533,650,064
Loans	7	10,356,430	9,900,456
Current tax recoverable		-	2,455,928
Deferred tax assets	11	5,300,000	4,317,354
Receivables	8	98,279,688	96,054,046
Cash and bank balances		22,439,950	13,961,968
TOTAL ASSETS		995,993,842	695,971,427
LIABILITIES			
Provision for outstanding claims	9	308,313,246	278,153,815
Payables	10	89,731,397	83,549,260
Current taxation liabilities		4,176,667	-
		402,221,310	361,703,075
Unearned premium reserves	12	197,215,752	147,886,081
TOTAL LIABILITIES		599,437,062	509,589,156
SHAREHOLDERS' EQUITY			
Share capital	13	278,000,000	100,000,000
Retained earnings	14	117,839,283	85,664,774
Revaluation reserve	15	717,497	717,497
Total shareholders' equity		396,556,780	186,382,271
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		995,993,842	695,971,427

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

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 RM	2007 RM
Operating revenue	16	603,415,004	437,640,196
Shareholders' fund:			
Investment income	17	135,384	116,729
Other operating expenditure	19	(1,127,380)	(1,100,650)
		(991,996)	(983,921)
Surplus transferred from General Insurance Revenue Account (Pages 12 and 13)		45,250,194	40,638,889
Profit before taxation		44,258,198	39,654,968
Taxation	20	(12,083,689)	(7,232,405)
Net profit for the year		32,174,509	32,422,563
Earnings per share	21	0.30	0.32

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

Company No.	
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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
Gross premium	16	97,077,801	330,036,672	46,217,050	107,351,355	580,682,878
Reinsurance		(55,686,785)	(17,296,568)	(13,072,395)	(29,882,708)	(115,938,456)
Net premium		41,391,016	312,740,104	33,144,655	77,468,647	464,744,422
Increase in unearned premium reserves	12	(3,103,734)	(41,167,665)	(1,567,793)	(3,490,479)	(49,329,671)
Earned premium		38,287,282	271,572,439	31,576,862	73,978,168	415,414,751
Net claims incurred	22	(22,248,481)	(194,405,295)	(12,714,834)	(38,797,455)	(268,166,065)
Net commission income/(expenses)		4,466,447	(31,376,947)	(2,260,983)	(10,146,250)	(39,317,733)
Underwriting surplus before management expenses		20,505,248	45,790,197	16,601,045	25,034,463	107,930,953
Management expenses	18					(79,432,995)
Underwriting surplus						28,497,958
Investment income	17					22,596,742
Other operating expenditure - net	19					(5,844,506)
Surplus transferred to Income Statement						45,250,194

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

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
Gross premium	16	70,858,673	226,578,919	39,816,563	82,443,938	419,698,093
Reinsurance		(40,987,169)	(12,314,427)	(13,261,212)	(21,298,188)	(87,860,996)
Net premium		29,871,504	214,264,492	26,555,351	61,145,750	331,837,097
Decrease/(increase) in unearned premium reserves	12	348,437	(13,721,109)	(204,454)	545,069	(13,032,057)
Earned premium		30,219,941	200,543,383	26,350,897	61,690,819	318,805,040
Net claims incurred	22	(9,045,042)	(143,245,122)	(17,521,578)	(40,552,361)	(210,364,103)
Net commission income/(expenses)		5,256,848	(22,203,771)	(1,406,066)	(8,397,388)	(26,750,377)
Underwriting surplus before management expenses		26,431,747	35,094,490	7,423,253	12,741,070	81,690,560
Management expenses	18					(64,682,350)
Underwriting surplus						17,008,210
Investment income	17					17,825,374
Other operating income - net	19					5,805,305
Surplus transferred to Income Statement						40,638,889

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

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

		Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	
	Note	Number of shares	Nominal value	Revaluation reserve	Retained earnings	Total
			RM	RM	RM	RM
At 1 January 2008		100,000,000	100,000,000	717,497	85,664,774	186,382,271
Net profit for the year		-	-	-	32,174,509	32,174,509
Issuance of shares	13	178,000,000	178,000,000	-	-	178,000,000
At 31 December 2008		278,000,000	278,000,000	717,497	117,839,283	396,556,780
At 1 January 2007		100,000,000	100,000,000	698,105	53,242,211	153,940,316
Net profit for the year		-	-	-	32,422,563	32,422,563
Deferred tax on revaluation reserve	11	-	-	19,392	-	19,392
At 31 December 2007		100,000,000	100,000,000	717,497	85,664,774	186,382,271

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

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		32,174,509	32,422,563
Adjustment of:			
Property, plant and equipment			
- depreciation		4,577,953	3,912,737
- gain on disposal		(137,974)	(121,088)
- write off		35,425	123,764
Amortisation of prepaid lease rental		55,556	55,556
Allowance for/(write-back) of diminution in value of investments		6,828,686	(50,855)
Amortisation of premiums - net		423,023	475,951
Loss/(gain) on disposal of investments		558,564	(4,283,445)
Investment income		(23,155,149)	(18,418,054)
Write-back of doubtful debts		(1,789,885)	(200,462)
Bad debts written off		409,584	468,900
Increase in unearned premium reserves		49,329,671	13,032,057
Tax expense		12,083,689	7,232,405
Profit from operations before changes in operating assets and liabilities		81,393,652	34,650,029
Purchase of investments		(289,175,565)	(76,375,556)
Proceeds from disposal of investments		22,625,159	21,127,852
Proceeds from maturity of investments		122,263,859	60,527,749
(Increase)/decrease in fixed and call deposits		(151,195,857)	18,248,611
Decrease/(increase) in receivables		196,135	(25,691,316)
Increase in provision for outstanding claims		30,159,431	4,196,192
Increase in payables		6,182,137	12,464,827
Increase in loans		(455,974)	(695,515)
		(178,007,023)	48,452,873
Tax paid		(6,433,740)	(4,166,668)
Investment income received:			
- Interest		20,696,911	16,948,470
- Dividend		1,247,099	1,202,456
- Rental		114,107	117,600
Net cash (used in)/generated from operating activities	23	(162,382,646)	62,554,731

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

	Note	2008 RM	2007 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of general insurance business	28	-	(47,103,950)
Purchase of property, plant and equipment		(7,578,669)	(3,834,952)
Proceeds from disposal of property, plant and equipment		439,297	145,411
Net cash outflow from investing activities	23	(7,139,372)	(50,793,491)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares	23	178,000,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	23	8,477,982	11,761,240
CASH AND CASH EQUIVALENTS AT 1 JANUARY		13,961,968	2,200,728
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	23	22,439,950	13,961,968
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		22,439,950	13,961,968

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

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

The registered office of the Company is located at:

10th Floor, Wisma Havela Thakardas
No. 1 Jalan Tiong Nam Off Jalan Raja Laut
50350 Kuala Lumpur

The principal place of business of the Company is located at:

29 - 31st Floor, Menara Dion
27 Jalan Sultan Ismail
50250 Kuala Lumpur

The Directors regard Tokio Marine Holdings Inc. (formerly known as Millea Holdings Inc.,) a company incorporated in Japan, as the Company's ultimate holding company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which 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 the summary of significant accounting policies and comply with the Financial Reporting Standards ("FRS"), which are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Insurance Act and Regulations, 1996 and relevant Guidelines and Circulars issued by Bank Negara Malaysia ("BNM") in all material aspects.

The preparation of financial statements in conformity with the provisions of the Malaysian Accounting Standards Board ("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 year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standard that is applicable to the Company and is effective

The new accounting standard effective for the Company's year ended 31 December 2008 and applicable to the Company is as follows:

FRS 112 Income Taxes

The adoption of the above new and revised FRS does not have any significant financial impact on the results of the Company.

(ii) Standards that are applicable to the Company but not yet effective

The following standards will be effective for annual periods beginning on or after 1 January 2010. The Company will apply these standards from financial periods beginning on 1 January 2010. The Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Company.

FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures

(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant to the Company

FRS 8 Operating Segments (effective for annual period beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual period beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant to the Company (continued)

IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

(b) Business combination

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 2(c) on goodwill. If the cost of acquisition is less than fair value of the acquired net assets, the difference is recognised directly in the income statement and/or revenue account.

(c) Goodwill

Goodwill represents the excess of purchase consideration and related costs of acquisition over the aggregate of the fair value of the net assets of the business acquired at the date of acquisition. See accounting policy Note 2(f) on impairment of assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Building on leasehold land is subsequently shown at revalued amount, based on periodic valuation of at least once in every 5 years by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Subsequent costs 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 are charged to the income statement and/or revenue account during the financial period in which they are incurred.

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

Building on leasehold land	50 years
Motor vehicles	4 years
Office equipment	3 – 6 years
Furniture and fittings	3 – 6 years

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each balance sheet date.

Surpluses arising from revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement and/or revenue account.

At each balance sheet date, the Company also 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(f) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statement and/or revenue account. On disposal of revalued assets, amounts in the revaluation reserve relating to the assets are transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments

Malaysian Government Securities, Cagamas papers and other unquoted corporate debt securities as specified by BNM, are stated at cost adjusted for the amortisation of premiums or the 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 account.

Quoted investments are stated at the lower of cost and market value determined on the 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 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 year in which the decline is identified.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non - financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the income statement and/or revenue account immediately unless it reverses the previous valuation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement and/or revenue account unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits

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

(h) Receivables

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

Known bad debts are written off and allowance is made for any debt considered to be doubtful of collection. In addition, allowance is made for any premiums, including agents' and reinsurers' balances, which remain outstanding for more than 6 months from the date on which they become receivable, except for outstanding motor premiums for which allowance is made for amounts outstanding for more than 30 days.

(i) General insurance underwriting results

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

<u>Premium income</u>

Premium income is recognised in a year in respect of risks assumed during that particular year. Premiums from direct business are recognised during the year upon issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the balance sheet date are accrued at that date as pipeline premiums.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) General insurance underwriting results (continued)

Unearned premium reserves

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the year.

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

- 25% method for marine cargo, aviation cargo and transit;
- Time apportionment method for non-annual policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and
- 1/24th method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM.

Provision for claims

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

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

Acquisition costs

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

(j) Other revenue recognition

Interest income including the amount of amortisation of premium and accretion of discount 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.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign currency transactions

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Foreign currency transactions in the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated at the rates of exchange ruling at that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement and/or revenue account.

(l) Income taxes

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 purposes and their carrying amount in the financial statements.

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 substantially enacted by the balance sheet date are used to determined deferred tax and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(m) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

(o) Operating lease and prepaid lease rental

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement and/or revenue account on a straight line basis over the period of the leases.

Leasehold land is accounted for as an operating lease and payments made in acquiring the leasehold land are classified as prepaid lease rental and amortised over the lease period.

(p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(q) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits.

(r) Financial instruments

<u>Description</u>

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.

<u>Recognition method</u>

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.

2 SUMMARY OF 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 Malaysian Government Securities are based on the indicative market prices;

- the fair values of Cagamas papers and unquoted corporate debt securities are based on the indicative market yield obtained from fund managers;

- the fair values of quoted equity securities are based on quoted market prices; and

- the carrying amounts 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 judgements 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.

(a) 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. To enhance the information content of the estimates, certain key variables that are expected to have a material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. 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.

(i) Estimated impairment of goodwill

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed annually by the Company according to its accounting policies by comparing the recoverable amounts of the CGUs with the carrying amount of its net assets allocated to the CGU, including the attributable goodwill.

The recoverable amounts of the CGUs were determined based on the value-in-use calculations. The calculations require the use of estimates as set out in Note 5.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Incurred but not reported ("IBNR") claims

IBNR claims for each class of business are estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected estimates are based on a judgemental consideration of results of each method and qualitative information, for example, the class of business, the maturity of the portfolio and expected term to settlement of the class. Projections are based on historical experience and external benchmarks where relevant.

The IBNR claims of the Company were estimated on a best-estimate basis using the link ratio method with Bornhuetter Ferguson adjustments.

In addition, estimating the IBNR claims requires the 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 the actual claims experience. These uncertainties arise from changes in underlying risks, claims settlement, changes in risk spread as well as uncertainties in the projection model and underlying assumptions.

It is impracticable to disclose the extent of the possible effects of the potential changes to the key assumptions used in assessing the IBNR claims due to the number of variables included in the assessment. However, it is reasonably possible that outcomes within the next year which are different from the current assumptions could cause material adjustments to the IBNR claims of the Company.

(iii) Pipeline premiums

Pipeline premiums are premiums incepted for which the policies have not been issued.

The estimation of pipeline premiums for non-motor business is based on actual pipeline premiums in prior years adjusted for recent trend and events. The estimation of pipeline premiums for motor business is based on actual e-cover notes of the Company which have not been converted to policies.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iv) Income taxes

Judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for certain tax matters which involve subjective judgement based on an assessment of the additional taxes that will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period which such determination is made.

(b) Critical judgements in applying the Company’s accounting policies

In determining and applying accounting policies, judgement is 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 judgement to be exercised.

4 PROPERTY, PLANT AND EQUIPMENT

	Building RM	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Total RM
Cost/valuation					
At 1 January 2008	1,166,667	3,095,906	15,124,141	7,726,588	27,113,302
Additions	-	421,102	4,566,990	2,590,577	7,578,669
Disposals	-	(518,996)	(82,700)	-	(601,696)
Write off	-	-	(112,504)	-	(112,504)
	1,166,667	2,998,012	19,495,927	10,317,165	33,977,771
Accumulated depreciation					
At 1 January 2008	27,778	1,764,706	11,034,639	5,584,299	18,411,422
Depreciation charge	27,778	334,040	2,741,372	1,474,763	4,577,953
Disposals	-	(232,100)	(68,273)	-	(300,373)
Write off	-	-	(77,079)	-	(77,079)
At 31 December 2008	55,556	1,866,646	13,630,659	7,059,062	22,611,923
Net book value					
At 31 December 2008	1,111,111	1,131,366	5,865,268	3,258,103	11,365,848

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Building	Motor vehicles	Office equipment	Furniture and fittings	Total
	RM	RM	RM	RM	RM
Cost/valuation					
At 1 January 2007	1,166,667	2,593,675	13,117,437	6,390,191	23,267,970
Arising from acquisition of business (Note 28)	-	167,207	606,797	-	774,004
Additions	-	617,197	1,702,586	1,515,169	3,834,952
Disposals	-	(282,173)	(302,679)	-	(584,852)
Write off	-	-	-	(178,772)	(178,772)
	1,166,667	3,095,906	15,124,141	7,726,588	27,113,302
Accumulated depreciation					
At 1 January 2007	-	1,596,415	8,780,720	4,732,894	15,110,029
Depreciation charge	27,778	450,461	2,528,085	906,413	3,912,737
Disposals	-	(282,170)	(274,166)	-	(556,336)
Write off	-	-	-	(55,008)	(55,008)
At 31 December 2007	27,778	1,764,706	11,034,639	5,584,299	18,411,422
Net book value					
At 31 December 2007	1,138,889	1,331,200	4,089,502	2,142,289	8,701,880

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The building was last revalued in 2005, based on open market values of the properties, using the comparison method of valuation, carried out by an independent qualified valuer. The net book value of the building was adjusted to reflect the revaluation and the resultant surplus were credited to the revaluation reserve.

The net book value of the revalued land and building, had the asset been carried at cost less accumulated depreciation, is set out below:

	2008 RM	2007 RM
Building on leasehold land	985,420	1,010,056
Leasehold land	1,440,000	1,476,000
	2,425,420	2,486,056

5 GOODWILL

Cost		
At 1 January	26,929,731	13,666,666
Arising from acquisition of business (Note 28)	-	13,263,065
At 31 December	26,929,731	26,929,731

Goodwill of the Company arose from the business acquisition of Amanah General Insurance (M) Bhd (“AGIB”) and Asia Insurance (M) Bhd (“AIMB”) in 2002 and 2007 respectively. As at 31 December 2008, the carrying amount of goodwill arising from the business acquisition of AGIB and AIMB was RM13,666,666 (2007: RM13,666,666) and RM13,263,065 (2007: RM13,263,065) respectively.

The carrying amount of goodwill is allocated to the CGUs comprising the branch network transferred from AGIB and AIMB respectively.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated perpetual growth rates.

The key assumptions used in the value-in-use calculations for the respective CGUs are as follows:

	AGIB %	AIMB %
Average business growth rate	12	15
Perpetual growth rate (for terminal value)	5	5
Pre-tax discount rate	10	10
Loss ratio	65	60

5 GOODWILL (CONTINUED)

The Directors have determined the growth rate based on past performance and their expectations of market development. The weighted average growth rates are consistent with the forecasts included in industry reports, adjusted with the trends and expectation of the Company's branches. The discount rate used is pre-tax and reflects the Company's overall weighted average cost of capital.

If the estimated average business growth rate and perpetual growth rate had been 1% lower than management's estimate and if the pre-tax discount rate and loss ratio had been higher than management's estimate by 1%, the recoverable amounts of the CGUs will still be higher than the CGUs' net assets and therefore there will not be any impairment in goodwill.

6 INVESTMENTS

	2008		2007	
	Cost RM	Market value RM	Cost RM	Market value RM
At cost:				
Malaysian Government Securities	61,017,100	61,012,750	68,899,658	68,291,326
Amortisation of premiums - net	(859,019)		(744,802)	
	60,158,081		68,154,856	
At cost:				
Cagamas papers	13,147,000	13,261,600	10,147,000	10,161,000
Amortisation of premiums - net	(120,901)		(74,580)	
	13,026,099		10,072,420	
At cost:				
Equity securities of corporations quoted in Malaysia	43,327,041	36,575,082	17,484,370	20,230,245
Allowance for diminution in value	(6,751,959)		-	
	36,575,082		17,484,370	
Unquoted, at cost:				
Equity securities of corporations	334,423		334,423	
Allowance for diminution in value	(334,423)		(334,423)	
	-		-	
Corporate debt securities	150,613,179	151,568,380	28,219,200	28,780,900
Amortisation of premiums - net	(42,003)		(153,409)	
	150,571,176		28,065,791	

6 INVESTMENTS (CONTINUED)

	2008 Cost RM	2008 Market value RM	2007 Cost RM	2007 Market value RM
Other investments	500,000	423,273	500,000	557,416
Allowance for diminution in value	(76,727)		-	
	423,273		500,000	
Fixed and call deposits with:				
Licensed banks	560,568,484		409,372,627	
Total investments	821,322,195		533,650,064	

The maturity structure of Malaysian Government Securities, Cagamas papers, corporate debt securities and fixed and call deposits above is as follows:

	2008 RM	2007 RM
Investments maturing within 12 months	620,393,506	451,552,550
Investments maturing after 12 months	163,930,334	64,113,144
	784,323,840	515,665,694

7 LOANS

	2008 RM	2007 RM
Staff housing loans	7,771,879	7,364,175
Staff vehicle loans	2,565,020	2,498,882
Others	19,530	37,399
	10,356,430	9,900,456
Receivable within 12 months	1,362,040	1,281,784
Receivable after 12 months	8,994,390	8,618,672
	10,356,430	9,900,456

8 RECEIVABLES

	2008 RM	2007 RM
Trade receivables		
Due premiums including agents, brokers and co-insurers balances	78,253,037	63,258,666
Due from reinsurers and cedants	15,403,080	31,161,223
Allowance for doubtful debts	(14,610,094)	(16,424,658)
	79,046,023	77,995,231
Other receivables		
Income due and accrued	5,687,920	4,809,370
Knock for knock claims recoveries	1,871,543	2,352,334
Assets held under Malaysian Motor Insurance Pool	2,884,030	4,860,741
Deposit paid for the acquisition of PanGlobal Insurance Berhad	1,500,000	-
Other receivables, deposits and prepayments	5,067,951	3,758,593
	17,011,444	15,781,038
Prepaid lease rental		
As at 1 January	2,333,333	2,333,333
Accumulated amortisation	(111,112)	(55,556)
As at 31 December	2,222,221	2,277,777
Total receivables	98,279,688	96,054,046

9 PROVISION FOR OUTSTANDING CLAIMS

	2008 RM	2007 RM
Provision for outstanding claims	405,275,499	363,944,244
Recoverable from reinsurers	(96,962,253)	(85,790,429)
Net outstanding claims	308,313,246	278,153,815

10 PAYABLES

	2008 RM	2007 RM
Trade payables		
Due to insureds, agents, brokers and co-insurers	33,174,134	27,028,145
Due to reinsurers and cedants	31,673,357	28,021,777
	64,847,491	55,049,922
Other payables		
Cash collaterals held on bond	5,401,371	5,597,165
Payroll liabilities	9,414,606	9,744,745
Purchase consideration payable to Asia General Asset Bhd.	-	4,295,028
Other payables and accrued expenses	10,067,929	8,862,400
	24,883,906	28,499,338
Total payables	89,731,397	83,549,260

11 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

(a) The deferred tax balances of the Company after appropriate offsetting are as follows:

	2008 RM	2007 RM
Deferred tax assets	5,300,000	4,317,354
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Investments	2,046,258	339,876
- Receivables	3,857,230	4,401,667
- Unearned premium reserves	26,432	47,451
	5,929,920	4,788,994
Offsetting	(629,920)	(471,640)
Deferred tax assets (after offsetting)	5,300,000	4,317,354
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	629,920	471,640
Offsetting	(629,920)	(471,640)
Deferred tax liabilities (after offsetting)	-	-

11 DEFERRED TAXATION (CONTINUED)

(b) The movements in deferred tax balances during the year are as follows:

	2008 RM	2007 RM
At 1 January	4,317,354	2,234,000
Arising from acquisition of business (Note 28)	-	1,612,354
	4,317,354	3,846,354
Charged/(credited) to income statement (Note 20):		
- Investments	1,706,382	77,265
- Receivables	(544,437)	(255,300)
- Property, plant and equipment	(158,280)	623,722
- Unearned premium reserves	(21,019)	5,921
	982,646	451,608
Credited to revaluation reserve (Note 15):		
- Property, plant and equipment	-	12,928
- Prepaid lease rental	-	6,464
	-	19,392
Total movement for the year	982,646	471,000
At 31 December	5,300,000	4,317,354

12 UNEARNED PREMIUM RESERVES

	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
2008					
At 1 January 2008	13,757,004	101,730,423	6,851,771	25,546,883	147,886,081
Increase in unearned premium reserves	3,103,734	41,167,665	1,567,793	3,490,479	49,329,671
At 31 December 2008	16,860,738	142,898,088	8,419,564	29,037,362	197,215,752
2007					
At 1 January 2007	11,362,495	77,590,306	6,500,182	21,093,006	116,545,989
Arising from acquisition of business (Note 28)	2,742,946	10,419,008	147,135	4,998,946	18,308,035
	14,105,441	88,009,314	6,647,317	26,091,952	134,854,024
(Decrease)/increase in unearned premium reserves	(348,437)	13,721,109	204,454	(545,069)	13,032,057
At 31 December 2007	13,757,004	101,730,423	6,851,771	25,546,883	147,886,081

13 SHARE CAPITAL

	2008 RM	2007 RM
Authorised ordinary shares of RM1 each		
At 1 January	100,000,000	100,000,000
Created during the year	200,000,000	-
At 31 December	300,000,000	100,000,000
Issued and fully paid ordinary shares of RM1 each		
At 1 January	100,000,000	100,000,000
Issued during the year	178,000,000	-
At 31 December	278,000,000	100,000,000

On 18 December 2008, the Company increased its authorised share capital from RM100,000,000 to RM300,000,000. On the same day, the Company issued 178,000,000 ordinary shares of RM1 each per share for cash at par, to fund the further expansion of the Company's operations. The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

14 RETAINED EARNINGS

Under the single-tier tax system which comes into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2008 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt account to frank approximately RM81.2 million (2007: RM79.0 million) of its retained earnings as at 31 December 2008 if paid out as dividends. The extent of retained earnings not covered at that date amounted to RM36.6 million (2007: RM6.7 million).

15 REVALUATION RESERVE

	2008	2007
	RM	RM
Non-distributable		
At beginning of year	717,497	698,105
Deferred tax on revaluation surplus (Note 11(b))	-	19,392
At end of year	717,497	717,497

16 OPERATING REVENUE

	2008			2007		
	General insurance fund	Share-holders' fund	Total	General insurance fund	Share-holders' fund	Total
	RM	RM	RM	RM	RM	RM
Gross premium	580,682,878	-	580,682,878	419,698,093	-	419,698,093
Investment income (Note 17)	22,596,742	135,384	22,732,126	17,825,374	116,729	17,942,103
	603,279,620	135,384	603,415,004	437,523,467	116,729	437,640,196

17 INVESTMENT INCOME

General insurance fund	2008 RM	2007 RM
Interest from:		
Malaysian Government Securities	2,717,829	2,129,783
Cagamas papers	539,376	456,838
Corporate debt securities	3,400,054	1,177,616
Fixed and call deposits	14,657,305	12,913,739
Loans	343,995	304,992
Gross dividends from:		
Quoted investments in Malaysia	1,247,099	1,202,455
Unquoted investments	-	-
Rental of properties	114,107	115,902
Amortisation of premiums, net of accretion of discounts	(423,023)	(475,951)
	22,596,742	17,825,374

Shareholders' fund	2008 RM	2007 RM
Interest from fixed and call deposits	135,384	116,729

18 MANAGEMENT EXPENSES

General insurance fund	2008 RM	2007 RM
Staff salary and bonus	36,167,700	28,758,442
Defined contribution benefits	5,099,648	4,254,295
Others	2,130,271	2,913,841
Staff costs	43,397,619	35,926,578
Executive Director:		
- salary	228,528	267,072
- bonus	22,706	77,896
- other benefits/remuneration	1,848	1,864
Non-executive Directors:		
- fees	185,742	424,864
- bonus	-	72,216
- other benefits/remuneration	12,800	16,690
Directors' remuneration	451,624	860,602

18 MANAGEMENT EXPENSES (CONTINUED)

	2008	2007
	RM	RM
Property, plant and equipment		
- depreciation	4,577,953	3,912,737
- write off	35,425	123,764
Amortisation charge for prepaid lease rental	55,556	55,556
Auditors' remuneration		
- statutory audit	110,000	110,000
- others	75,000	-
Write-back of doubtful debts	(1,789,885)	(200,462)
Bad debts written off	409,584	468,900
Rental of office premises	4,828,395	3,496,237
IGSF levies	1,191,463	877,335
Entertainment	3,930,376	3,838,450
Training expenses	927,866	432,868
Management fees	1,015,588	692,714
Repairs and maintenance	878,162	1,339,995
Motor vehicle expenses	2,559,643	1,935,599
Travelling	824,324	634,529
Advertising	50,492	94,857
Printing and stationery	3,334,143	1,938,168
Postage and telephone	1,938,117	1,369,693
Electronic data processing expenses	4,327,920	2,846,149
Bank collection charges	4,961,872	2,961,296
Other expenses	1,341,758	966,785
	35,583,752	27,895,170
	79,432,995	64,682,350

The estimated cash value of benefits-in-kind provided to the Directors of the Company amounted to RM98,256 (2007: RM151,760).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the year amounted to RM669,917 (2007: RM1,857,218).

19 OTHER OPERATING INCOME/(EXPENDITURE)

	2008 RM	2007 RM
General insurance fund		
(Allowance for)/write-back of diminution in value of investments	(6,828,686)	50,855
(Loss)/gain on disposal of investments	(558,564)	4,283,445
Agency fee	1,085,878	1,124,312
Gain on disposal of property, plant and equipment	137,974	121,088
Sundry income	345,331	185,924
(Loss)/gain on foreign exchange - net	(26,439)	39,681
Other operating (expenditure)/income - net	(5,844,506)	5,805,305
Shareholders' fund		
Professional fees	(1,126,775)	(1,100,650)
Others	(605)	-
Other operating expenditure	(1,127,380)	(1,100,650)

20 TAXATION

	2008 RM	2007 RM
Current tax charge	(13,066,335)	(7,684,013)
Deferred tax (Note 11)	982,646	451,608
	(12,083,689)	(7,232,405)
Current tax:		
Current year	(13,029,140)	(6,554,105)
Under accrual in prior years	(37,195)	(1,129,908)
	(13,066,335)	(7,684,013)
Deferred tax:		
Origination and reversal of temporary differences	982,646	451,608
	(12,083,689)	(7,232,405)

20 TAXATION (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation is as follows:

	2008 RM	2007 RM
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate:		
Profit before taxation	44,258,198	39,654,968
Tax calculated at the Malaysian tax rate of 26% (2007: 27%)	11,507,131	10,706,841
Tax effects of:		
- expenses not deductible for tax purposes	969,021	553,824
- income not subject to tax	(25,057)	(5,054,810)
- income taxed at a lower tax rate	(404,601)	(103,358)
Under accrual in prior years	37,195	1,129,908
Tax expense	12,083,689	7,232,405

21 EARNINGS PER SHARE

The basic earnings per share are calculated as follows:

	Net profit		Weighted average number of shares		Earnings per share	
	2008 RM	2007 RM	2008	2007	2008 RM	2007 RM
Net profit for the financial year	32,174,509	32,422,563		-		-
Number of ordinary shares		-	106,339,726	100,000,000		-
Basic earnings per share		-		-	0.30	0.32

22 NET CLAIMS INCURRED

	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
2008					
Gross claims paid less salvage	25,924,380	178,062,341	19,025,668	52,149,568	275,161,957
Reinsurances recoveries	(11,334,494)	(9,320,761)	(5,145,758)	(11,354,310)	(37,155,323)
Net claims paid	14,589,886	168,741,580	13,879,910	40,795,258	238,006,634
Net outstanding claims:					
At 1 January 2008	(10,815,815)	(201,494,292)	(17,037,202)	(48,806,506)	(278,153,815)
At 31 December 2008	18,474,410	227,158,007	15,872,126	46,808,703	308,313,246
Increase/(decrease) in outstanding claims	7,658,595	25,663,715	(1,165,076)	(1,997,803)	30,159,431
Net claims incurred	22,248,481	194,405,295	12,714,834	38,797,455	268,166,065
2007					
Gross claims paid less salvage	47,979,933	144,648,580	20,867,721	49,007,225	262,503,459
Reinsurances recoveries	(28,430,443)	(8,305,707)	(6,706,661)	(12,892,737)	(56,335,548)
Net claims paid	19,549,490	136,342,873	14,161,060	36,114,488	206,167,911
Net outstanding claims:					
At 1 January 2007	(17,063,286)	(154,162,521)	(12,664,774)	(37,838,450)	(221,729,031)
Arising from acquisition of business (Note 28)	(4,256,977)	(40,429,522)	(1,011,910)	(6,530,183)	(52,228,592)
	(21,320,263)	(194,592,043)	(13,676,684)	(44,368,633)	(273,957,623)
At 31 December 2007	10,815,815	201,494,292	17,037,202	48,806,506	278,153,815
(Decrease)/increase in outstanding claims	(10,504,448)	6,902,249	3,360,518	4,437,873	4,196,192
Net claims incurred	9,045,042	143,245,122	17,521,578	40,552,361	210,364,103

23 CASH FLOW SEGMENT INFORMATION

	2008			2007		
	General insurance fund	Share-holders' fund	Total	General insurance fund	Share-holders' fund	Total
		RM	RM	RM	RM	RM
Cash flows from:						
Operating activities	(162,382,646)	-	(162,382,646)	62,554,731	-	62,554,731
Investing activities	(7,139,372)	-	(7,139,372)	(50,793,491)	-	(50,793,491)
Financing activities	178,000,000	-	178,000,000	-	-	-
	8,477,982	-	8,477,982	11,761,240	-	11,761,240
Net increase In cash and cash equivalents	8,477,982	-	8,477,982	11,761,240	-	11,761,240
Cash and cash equivalents:						
At 1 January	13,961,968	-	13,961,968	2,200,728	-	2,200,728
At 31 December	22,439,950	-	22,439,950	13,961,968	-	13,961,968

24 CAPITAL COMMITMENTS

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

	General insurance fund	
	2008	2007
	RM	RM
Authorised and contracted for:		
- property, plant and equipment	245,050	264,973

25 OPERATING LEASE COMMITMENT

The Company has rental commitments under non-cancellable operating leases and the future minimum lease payments as at 31 December 2008 are as follows:

	2008	2007
	RM	RM
Payable not later than 1 year	5,434,938	3,003,629
Payable later than 1 year and not later than 5 years	7,043,952	748,174
	12,478,890	3,751,803

26 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Company as at 31 December 2008, are as follows:

Related parties	Country of incorporation	Relationship
Tokio Marine Holdings Inc. ("TMH") (formerly known as Millea Holdings Inc.)	Japan	Ultimate holding company
Tokio Marine Asia Pte. Ltd. ("TM Asia")	Singapore	Holding company
Tokio Marine and Nichido Fire Insurance Company Limited ("TMNF")	Japan	Subsidiary of TMH
Tokio Marine Global Re Limited	Ireland	Subsidiary of TMNF
Tokio Marine Global Re Limited	Labuan	Subsidiary of TMNF
Asia General Asset Bhd.	Malaysia	Subsidiary of TMNF
Key management personnel*		

* Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company include the Executive Director, Chief Executive Officer, Senior General Managers and other senior management personnel of the Company.

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its holding company and other companies deemed related parties by virtue of being subsidiaries of its holding company.

The significant related party transactions during the year and balances at the end of the year between the Company and its related parties are set out below:

Significant related party transactions
Income/(expenses)

	2008 RM	2007 RM
Transactions with holding company:		
Underwriting risk survey fees paid	(766,509)	(166,859)
Transactions with related companies:		
Premium ceded	(27,434,182)	(23,723,940)
Commission received	5,694,334	5,326,337
Agency fees received	1,085,878	1,124,312
Rental paid	(172,380)	-
Claims paid on behalf of a related company	(1,925,618)	(1,958,786)
Claims recoveries and paid	5,493,000	15,808,215

26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	2008 RM	2007 RM
Key management personnel's remuneration		
Salary	2,958,660	2,727,025
Bonus	799,334	830,372
Defined contribution plan	695,430	299,550
Gratuity benefits	-	1,185,000
Other benefits	283,149	376,663
	4,736,573	5,418,610
Significant related party balances		
Receivables (Note 8)		
Claim recoveries due from related companies	1,264,406	1,788,342
Advance made on behalf of related company	-	295,045
Payables (Note 10)		
Reinsurance premiums due to related companies	(4,313,541)	(172,359)
Balance of purchase consideration payable to related company	-	(4,295,028)
Advance made on behalf by related companies	(190,614)	-

27 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to underwriting, credit, interest rate and currency risks during the normal course of its business. The Company has, in place, established procedures and guidelines to monitor the risks on an ongoing basis.

Underwriting risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the unpredictable nature of claims, especially in terms of frequency, severity and the risk of change in economic and legal conditions or behavioral patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer receiving too little or insufficient premium for the risks it underwrites and insufficient liquidity to pay claims, which are higher than expected. The Company seeks to minimise underwriting risks with a balanced mix of business portfolio and by strictly observing the underwriting guidelines and limits, prudent estimation of claims reserving and high standard of security vetting of all its reinsurers.

27 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions fail to perform as contracted. Management has a credit policy in place and the exposure to these credit risks is monitored consistently.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk

Changes in the market interest rates will affect the Company’s investment earnings as the Company places part of its excess funds in interest bearing instruments and bank deposits. The Company therefore has set strict investment guidelines in place that provide for careful selection of issuers and financial institutions to ensure that the risks are well spread and the investments generate favourable as well as safe returns for the shareholders.

Foreign currency risk

The Company is exposed to foreign currency risks on transactions that are denominated other than Ringgit Malaysia. These exposures are monitored on an ongoing basis.

The Company does not hedge its foreign currency risk.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

27 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Exposure to interest rate risk

The following tables provide information about financial assets and financial liabilities, showing the weighted average effective interest rate at the balance sheet date and the earlier of the contractual repricing or maturity date for each class of interest-bearing financial instrument in the balance sheet.

2008	Non-interest bearing	Interest-bearing Contractual repricing or maturity date (whichever is earlier): 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total carrying amount	Weighted average effective interest rate
	RM	RM	RM	RM	RM	RM	RM	RM	%
Financial assets:									
Investments									
- Malaysian Government Securities	-	25,076,064	-	29,734,570	-	-	5,347,447	60,158,081	3.77
- Cagamas papers	-	10,026,099	-	-	-	-	3,000,000	13,026,099	4.18
- Quoted equity securities	36,575,082	-	-	-	-	-	-	36,575,082	-
- Corporate debts securities	-	29,589,586	17,800,330	5,000,000	20,187,818	22,419,537	55,573,905	150,571,176	4.68
- Fixed and call deposits	-	555,701,757	27,217	17,586	-	-	4,821,924	560,568,484	3.27
- Other investments	423,273	-	-	-	-	-	-	423,273	-
Loans	-	1,362,040	1,306,307	1,170,607	937,055	780,547	4,799,874	10,356,430	3.60
Cash and bank balances	22,439,950	-	-	-	-	-	-	22,439,950	-
Other receivables	17,400,541	-	-	-	-	-	-	17,400,541	-
	76,838,846	621,755,546	19,133,854	35,922,763	21,124,873	23,200,084	73,543,150	871,519,116	
Other financial assets*								80,879,147	
Total financial assets								952,398,263	
Other assets								43,595,579	
Total assets per balance sheet								995,993,842	

27 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Exposure to interest rate risk (continued)

2008	Non-interest bearing RM	Interest-bearing Contractual repricing or maturity date (whichever is earlier) 1 year or less RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	More than 5 years RM	Total carrying amount RM	Weighted average effective interest rate %
Financial liabilities:									
Other payables	24,883,906	-	-	-	-	-	-	24,883,906	-
Other financial liabilities*								373,160,737	
Total financial liabilities								398,044,643	
Other liabilities								201,392,419	
Total liabilities per balance sheet								599,437,062	

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

27 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Exposure to interest rate risk (continued)

		Interest-bearing Contractual repricing or maturity date (whichever is earlier)							
2007	Non-interest bearing	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total carrying amount	Weighted average effective interest rate
	RM	RM	RM	RM	RM	RM	RM	RM	%
Financial assets:									
Investments									
- Malaysian Government Securities	-	37,378,588	25,370,679	-	-	-	5,405,589	68,154,856	3.85
- Cagamas papers	-	-	10,072,420	-	-	-	-	10,072,420	3.71
- Quoted equity securities	17,484,370	-	-	-	-	-	-	17,484,370	-
- Corporate debts securities	-	5,010,380	10,051,852	13,003,559	-	-	-	28,065,791	3.64
- Fixed and call deposits	-	409,163,581	164,243	27,217	17,586	-	-	409,372,627	3.45
- Other investments	500,000	-	-	-	-	-	-	500,000	-
Loans	37,399	1,281,785	1,232,992	1,179,624	1,023,474	821,447	4,323,735	9,900,456	3.60
Cash and bank balances	13,961,968	-	-	-	-	-	-	13,961,968	-
Other receivables	7,016,775	-	-	-	-	-	-	7,016,775	-
	39,000,512	452,834,334	46,892,186	14,210,400	1,041,060	821,447	9,729,324	564,529,263	
Other financial assets*								80,347,565	
Total financial assets								644,876,828	
Other assets								51,094,599	
Total assets per balance sheet								695,971,427	

27 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Exposure to interest rate risk (continued)

		Interest-bearing Contractual repricing or maturity date (whichever is earlier)							
2007	Non-interest bearing RM	1 year or less RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	More than 5 years RM	Total carrying amount RM	Weighted average effective interest rate %
Financial liabilities:									
Other payables	28,499,338	-	-	-	-	-	-	28,499,338	-
Other financial liabilities*								333,203,737	
Total financial liabilities								361,703,075	
Other liabilities								147,886,081	
Total liabilities per balance sheet								509,589,156	

(* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts is not shown as it is excluded from the scope of FRS 132 “Financial Instruments Disclosure and Presentation”).

27 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair values, except as set out below:

	2008		2007	
	Carrying amounts RM	Fair values RM	Carrying amounts RM	Fair values RM
Investments:				
- Malaysian Government Securities	60,158,081	61,012,750	68,154,856	68,291,326
- Cagamas papers	13,026,099	13,261,600	10,072,420	10,161,000
- Corporate debt securities	150,571,176	151,568,380	28,065,791	28,780,900

The carrying values of investments in Malaysian Government Securities have not been written down to their fair values as at 31 December 2008 as the Directors are of the opinion that these investments will be held for long-term purposes.

28 BUSINESS COMBINATION

On 1 September 2007, the Company completed the acquisition of certain assets and liabilities of the general insurance business of Asia Insurance (M) Berhad ("AIMB") for a cash consideration of RM95,780,961. The details of the acquisition are shown below:

	RM
Purchase consideration:	
- cash consideration	95,780,961
Less: Fair value of net assets acquired	(82,517,896)
Goodwill (Note 5)	13,263,065

The goodwill is attributable to the branch network of AIMB and business synergies expected to arise after the acquisition of AIMB. There were no intangible assets identified from the business acquisition of AIMB as they were not capable of being individually identified and are not separable from the business acquired.

28 BUSINESS COMBINATION (CONTINUED)

Details of net assets acquired are as follows:

	Carrying value RM	Fair value RM
Assets		
Property, plant and equipment (Note 4)	774,004	774,004
Investments	103,756,815	104,122,117
Loans	486,315	486,315
Receivables	12,646,271	12,646,271
Cash and bank balances	48,677,011	48,677,011
Deferred tax asset (Note 11)	1,612,354	1,612,354
Total assets	167,952,770	168,318,072
Liabilities		
Payables	15,263,549	15,263,549
Provision for outstanding claims (Note 22)	52,228,592	52,228,592
Unearned premium reserves (Note 12)	18,308,035	18,308,035
Total liabilities	85,800,176	85,800,176
Net assets acquired	82,152,594	82,517,896

Details of cash flows arising from the acquisition are as follows:

Purchase consideration settled in cash	95,780,961
Less: Cash and cash equivalents of business acquired	(48,677,011)
Net cash outflow of the Company on acquisition	47,103,950

The acquired business contributed a net profit of RM7,341,355 to the Company for the financial period from 1 September 2007 to 31 December 2007. Had the acquisition taken effect at the beginning of the 2007, the operating revenue and net profit of the Company for the year ended 31 December 2007 would have been RM499,800,794 and RM51,369,955 respectively.

29 SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 1 February 2009, the Company completed the acquisition of certain assets and liabilities of the general insurance business of PanGlobal Insurance Berhad (“PIB”) for a cash consideration of RM15,000,000. The details of the acquisition are shown below:

	RM'000
Purchase consideration:	
- cash consideration	15,000
Less: Fair value of net assets acquired	-
Goodwill determined provisionally	15,000

The goodwill is attributable to the branch network of PIB and business synergies expected to arise after the acquisition of PIB. There were no intangible assets identified from the business acquisition of PIB as they were not capable of being individually identified and are not separable from the business acquired.

Details of net assets acquired determined provisionally are as follows:

	Carrying value RM'000	Fair value RM'000
Assets		
Property, plant and equipment	1,819	1,819
Receivables	6,537	6,537
Cash and bank balances	119,653	119,653
Total assets	128,009	128,009
Liabilities		
Payables	6,286	6,286
Provision for outstanding claims	87,190	87,190
Unearned premium reserves	34,533	34,533
Total liabilities	128,009	128,009
Net assets acquired	-	-